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Committee Meeting: 2/6/2008

Colleen McHugh, *Chairman*
James D. Dannenbaum
James R. Huffines
Robert B. Rowling

Board Meeting: 2/7/2008
Edinburg, Texas

	Committee Meeting	Board Meeting	Page
Convene	3:15 p.m. <i>Chairman McHugh</i>		
1. U. T. M. D. Anderson Cancer Center: Authorization to effectuate the following land exchanges: (a) purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals; (b) acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC to be used for future programmed development of campus expansion; and (c) convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653, and the TMC Tract, and pay to the City of Houston an amount to constitute an even exchange of values	3:15 p.m. Action <i>President Mendelsohn Ms. Mayne</i>	Action	41
2. U. T. System: Approval of the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan; authorization for the Executive Vice Chancellor for Health Affairs to approve implementation of MSRDP/PRS Faculty Practice Plan Bylaws at U. T. System health institutions; and authorization for the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan	3:20 p.m. Action <i>Dr. Shine Ms. Thomas</i>	Action	47

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3. U. T. Health Science Center - Houston: Approval of a naming opportunity for the water feature and patio location in the Fayez S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio	3:35 p.m. Action <i>President Willerson</i> <i>Dr. Safady</i>	Action	73
4. U. T. Health Science Center - Houston: Approval of a naming opportunity for the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing	3:40 p.m. Action <i>President Willerson</i> <i>Dr. Safady</i>	Action	74
5. U. T. Southwestern Medical Center - Dallas: Approval to name the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders	3:45 p.m. Action <i>President Wildenthal</i> <i>Dr. Safady</i>	Action	75
6. U. T. System: Preliminary report on initiatives in health professional education	3:50 p.m. Report <i>Dr. Stobo</i>	Not on Agenda	75
7. U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine	4:00 p.m. Report <i>Dr. Shine</i>	Not on Agenda	76
Adjourn	4:15 p.m.		

1. **U. T. M. D. Anderson Cancer Center: Authorization to effectuate the following land exchanges: (a) purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals; (b) acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC to be used for future programmed development of campus expansion; and (c) convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653, and the TMC Tract, and pay to the City of Houston an amount to constitute an even exchange of values**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, (the TMC Tract) from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals;
- b. acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC (collectively, the Street Tracts) to be used for future programmed development of campus expansion;
- c. convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris

County, Texas, under Clerk's File No. M546653, and the TMC Tract (collectively, the Bertner Tracts) and pay to the City of Houston an amount to constitute an even exchange of values; and

- d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations, including, without limitation, due diligence and closing matters.

BACKGROUND INFORMATION

On December 7, 1989, and November 12, 1998, the Board of Regents approved the acquisition of property in U. T. M. D. Anderson Cancer Center's Mid-Campus area, including a portion of the Street Tracts. In 1999, the 76th Texas Legislature passed House Bill 1840 that authorized the institution's acquisition of property in the Mid-Campus area. Over time, U. T. M. D. Anderson Cancer Center has acquired approximately 12.67 acres in the Mid-Campus area in a number of noncontiguous parcels.

For several years, U. T. M. D. Anderson Cancer Center has been in discussions with the City of Houston and TMC regarding the possible exchange of property in the Mid-Campus area to create buildable lots and improve traffic circulation. The parties have agreed in principle upon an exchange of the Street Tracts for the Bertner Tracts, together with the payment by U. T. M. D. Anderson Cancer Center of \$2,393,748, sufficient cash compensation to constitute an even exchange of fair market values. The Bertner Tracts constitute a significant portion of the right-of-way of the proposed extension of Bertner Avenue from Braeswood Boulevard to Old Spanish Trail.

The City of Houston will convey streets and alleys adjacent to lands owned by TMC only to that entity; TMC has, however, agreed to convey those lands to U. T. M. D. Anderson Cancer Center in a simultaneous transaction. As part of the overall exchange, U. T. M. D. Anderson Cancer Center will purchase from TMC for fair market value, as established by independent appraisals, the TMC Tract adjacent to the north right-of-way of Old Spanish Trail and simultaneously convey that property to the City of Houston.

U. T. M. D. Anderson Cancer Center desires to acquire the Street Tracts to create large contiguous parcels that may be efficiently developed. The original subdivisions in the Mid-Campus area were platted with residential or small commercial uses in mind, and the resulting circulation and block design is ill-suited for the scale of development required by the institution. In addition, both U. T. M. D. Anderson Cancer Center and U. T. Health Science Center - Houston will benefit from the extension of Bertner Avenue through the Mid-Campus area; Bertner Avenue will directly link the institutions' extensive South Campus properties with their core facilities in the heart of the Texas Medical Center.

As a part of a proposed interlocal agreement with the City of Houston and TMC, U. T. M. D. Anderson Cancer Center will be responsible for the design and construction costs of the Bertner Avenue extension that exceed the City's \$2,000,000 Capital Improvement Program (CIP) funding for the project. The City will allow U. T. M. D. Anderson Cancer Center's cash payment for the Street Tracts to be used to defray the institution's financial obligations under the interlocal agreement regarding the extension of Bertner Avenue. The institution's financial obligations with respect to the design and construction of Bertner Avenue are not capped under the proposed interlocal agreement. Based on current cost estimates, however, U. T. M. D. Anderson Cancer Center does not expect its total financial commitment to this project to exceed the \$2,393,748 the institution will pay for the Street Tracts.

The institution's Hospital Revenues will be used to fund the proposed property exchange, the terms and conditions of which are specified in the transaction summary below:

Transaction Summary

Purchase of TMC Tract

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 26 square feet
Improvements:	None
Location:	Adjacent to the north right-of-way in the 1800 block of Old Spanish Trail, Houston, Harris County, Texas; see attached map on Page 46
Seller:	Texas Medical Center, a Texas nonprofit corporation
Consideration:	Fair market value as established by independent appraisals
Appraised Value:	\$819 (\$31.50 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$1,092 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)
Source of Funds:	Hospital Revenues
Intended Use:	To exchange with the City of Houston for the Street Tracts

Acquisition of Street Tracts

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Combination of land exchange and purchase
Total Area:	Approximately 3.55 acres in multiple parcels
Improvements:	None, except for paving on some tracts
Location:	Several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas; see attached map
Seller:	City of Houston, a municipal corporation, and the Texas Medical Center, a Texas nonprofit corporation
Consideration:	Conveyance to the City of Houston of the Bertner Tracts, together with the payment by U. T. M. D. Anderson Cancer Center to the City of Houston of \$2,393,748 in cash to constitute an even exchange of fair market values as established by independent appraisals
Appraised Value:	\$6,643,679 (\$43.00 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$6,489,672 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)
Source of Funds:	Hospital Revenues
Intended Use:	Future programmed development of campus expansion

Conveyance of Bertner Tracts

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Land exchange
Total Area:	Approximately 2.28 acres in multiple parcels
Improvements:	None, except for paving and chain link fencing on some tracts

Location: Portions of Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653; see attached map

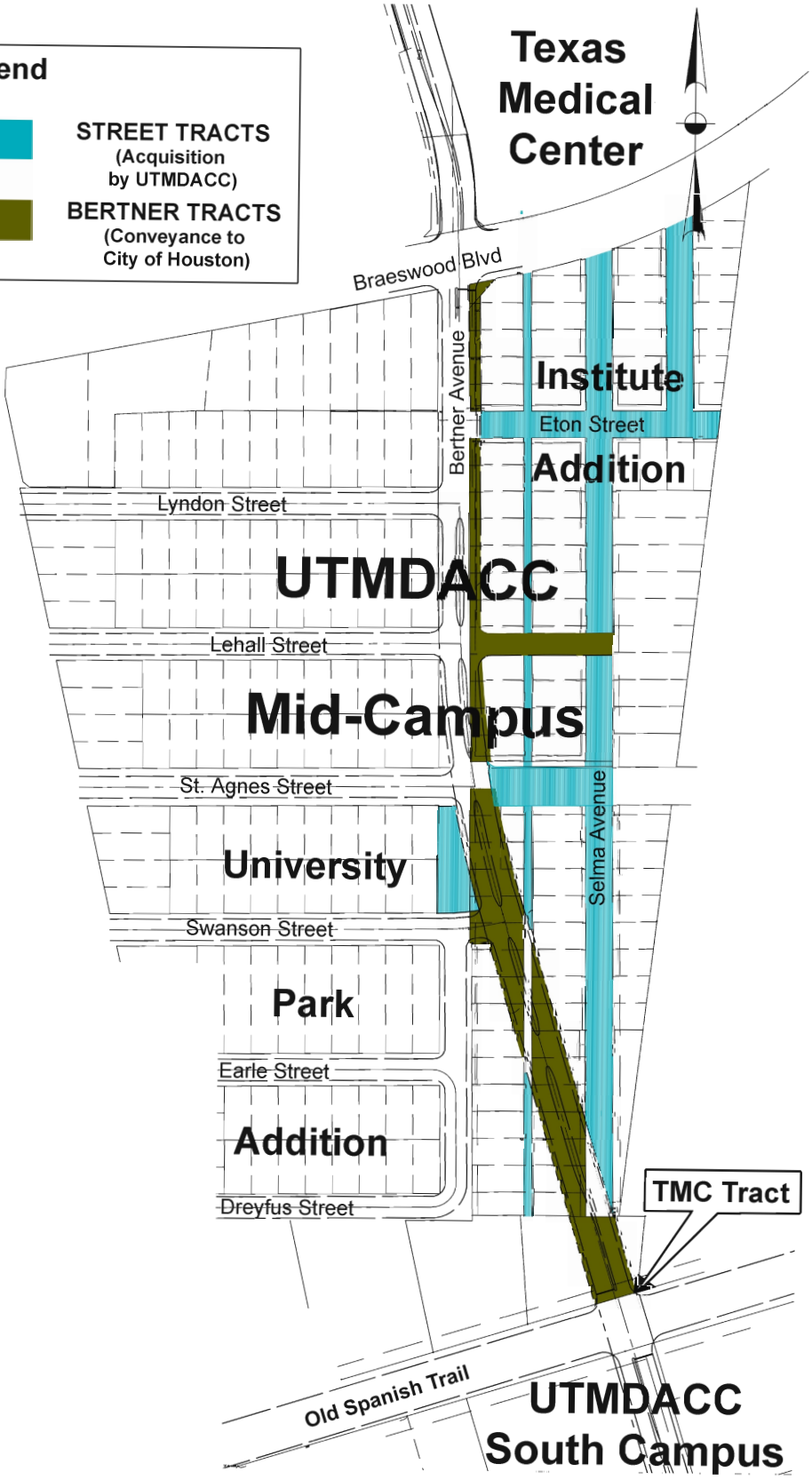
Buyer: City of Houston, a municipal corporation

Consideration: Conveyance to the Board of Regents of the Street Tracts

Appraised Value: \$4,249,112 (\$42.13 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$4,235,742 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)

Legend

- STREET TRACTS**
(Acquisition by UTMDACC)
- BERTNER TRACTS**
(Conveyance to City of Houston)



2. **U. T. System: Approval of the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan; authorization for the Executive Vice Chancellor for Health Affairs to approve implementation of MSRDP/PRS Faculty Practice Plan Bylaws at U. T. System health institutions; and authorization for the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler:

- a. approve the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan for U. T. System health institutions, set out on Pages 49 - 72, to be effective March 1, 2008;
- b. authorize the Executive Vice Chancellor for Health Affairs to approve implementation of institutional MSRDP/PRS Faculty Practice Plan Bylaws submitted by the presidents of U. T. System health institutions; and
- c. authorize the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan and to provide a copy of the current Model Bylaws to the Office of the Board of Regents of The University of Texas System.

BACKGROUND INFORMATION

In the early 1960s, the U. T. System approved the first physician practice plan in Texas at U. T. M. D. Anderson Cancer Center, titled the "Physicians Referral Service." In 1969, the U. T. System mandated the establishment of physician practice plans at the remaining U. T. System health institutions, titled the "Medical Service, Research and Development Plans," for the billing, collection, and use of professional income generated by faculty physicians. The U. T. System Board of Regents approved a standard format for bylaws of the MSRDP/PRS faculty practice plans on June 14, 1984, and on May 14, 1998. The Bylaws described the membership, organization, and governance of the plans and established an institutional trust fund for the receipt and disbursement

of plan income. Since 1998, the impact of the plans on the operation of each institution, their continued growth and complexity, and the dramatic changes in the reimbursement of fees for professional services, have made some aspects of the previously approved standard format bylaws obsolete. U. T. System Administration was asked to review the MSRDP/PRS plans and related bylaws of the health institutions and to recommend modifications to continue the effective governance, operation, and oversight of the plans and to revise outdated provisions. Review and modification of the existing standard format bylaws was a combined effort of the Offices of Health Affairs and General Counsel, with significant input from the U. T. System health institutions, the U. T. System Faculty Advisory Council, and other interested faculty at the health institutions. The physician practice plan bylaws of other major academic health institutions in the country were also reviewed.

The revisions to the standard format bylaws: (1) clarify and provide consistent definitions and elements of faculty compensation; (2) enhance faculty participation in practice plan decisions; (3) clarify the authority of the president to direct and manage the practice plan; (4) address which sources of professional income must be assigned to the practice plan and require an institutional policy to address any related conflicts of interest; and (5) require the Board of Directors and Executive Director of the practice plan to implement the spirit of the Sarbanes-Oxley Act of 2002.

Regental approval of the Amended and Restated Model Bylaws of the MSRDP/PRS will rescind the standard format for bylaws of the MSRDP/PRS effective September 1, 1998. The U. T. System health institution presidents will subsequently submit revised bylaws for each health institution's faculty practice plan, in conformance with the new model bylaws, to the Executive Vice Chancellor for Health Affairs for approval prior to implementation.

**AMENDED AND RESTATED
MODEL BYLAWS OF
THE UNIVERSITY OF TEXAS
[INSTITUTION]
MSRDP [PRS] FACULTY PRACTICE PLAN**

**AMENDED AND RESTATED
MODEL BYLAWS OF
THE UNIVERSITY OF TEXAS
[INSTITUTION]
MSRDP [PRS] FACULTY PRACTICE PLAN**

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Appendix A Authorized Professional Business Expenditures

ARTICLE I PURPOSE

The Purpose of the MSRDP [PRS] Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas [Institution]. The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

ARTICLE II DEFINITIONS

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas [Institution].

- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.
- 2.8 **Plan** means this MSRDP or PRS Faculty Practice Plan, otherwise known as the Medical Service, Research and Development Plan (“MSRDP”) or, with respect to The University of Texas M. D. Anderson Cancer Center, the Physicians Referral Service (“PRS”).
- 2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed.

ARTICLE III MEMBERS

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.

3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.

3.2 Memorandum of Appointment and Agreement of Participation.

A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.

3.3 Meeting of the Members. The Members shall meet in general session at least annually in [month] at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. [Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination.] At its annual meeting, the Members shall elect [number] members-at-large to serve on the Board.

3.3.1 Special meetings may be called by the Board, the President, or upon written petition of [one-third] of the Members, subject to 14 days notice in writing to all Members. The time, place, and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.

3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.

3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.

3.3.4 [One-half] of the Members shall constitute a quorum.

3.3.5 Proxies shall not be allowed.

3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.

3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.

A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.

B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.

3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.

3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

ARTICLE IV BOARD OF DIRECTORS

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

4.2.1 Officers of the Board

A. The Chair shall be the President of the Institution.

- B. The Vice-Chair shall be a Senior Clinical Administrator, such as the Dean of the School of Medicine or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as an ex officio, nonvoting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

4.2.2 Other Directors

- A. [Senior Clinical Administrator, if not a Vice-Chair];
- B. [Number] Chairpersons of clinical departments;
- C. [Number] members-at-large will be elected by the Members at their annual meeting. Such members may serve no more than [two] consecutive [two]-year terms, but may be eligible to serve after an interval of one year;
- D. [Number] Members appointed from departments;
- E. The Chief Legal Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;
- F. The Chief Medical Officer of the Plan shall serve as an ex officio member of the Board, [with/without vote];
- G. Other persons may be appointed by the President as ex officio members of the Board without vote; and
- H. No clinical department shall have more than [Number] voting members of the Board.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

- 4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its [month] meeting.
- 4.5 **Meetings.** The Board shall meet at least [monthly, quarterly], on call of the Chair, or on the written petition of [one-half, two-thirds] of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of [% of the directors].
- 4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.
- 4.7 **Quorum.** [One-half] of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.
- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting.

ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or

clinical service requirements. The President shall have the authority to:

- 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
 - 5.1.2 Appoint a designee to carry out certain functions described herein;
 - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
 - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
 - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
 - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
 - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

ARTICLE VI COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for [two years] and may be renewed for additional [two year] terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 **[Optional Committee]** The **Executive Committee** shall be chaired by the President and shall include the officers of the Board and [number] additional members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the [Dean of the School of Medicine, Senior Clinical Administrator or the Chief Business Officer] and shall consist of [the Dean of the School of Medicine where there is a Dean, a Senior Clinical Administrator, and the Chief Business Officer], a faculty [Senate or similar faculty organization] representative who is a Member, and [number] other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than [\$ amount] for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;

- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Compliance and Ethics Committee** shall be chaired by the [Dean of the School of Medicine, or if no Dean the Senior Clinical Administrator to whom Clinical Department Chairs report; who may be Co-Chairs] and shall consist of [number] members appointed by the President; at least one member shall not be a department chair. The Compliance Officer of the Institution shall report to this Committee. If there is an Institutional Compliance Committee, that Committee may act as the Compliance and Ethics Committee of the Plan, in the discretion of the Board. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be chaired by the [Dean of the School of Medicine, Senior Clinical Administrator, or Chief Medical Officer] and shall include

[number] members appointed by the President; at least one member shall not be a department chair. If there is an Institutional Professional Affairs Committee, that committee may act as the Professional Affairs Committee of the Plan. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.5 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an independent, external member with financial expertise. If the Institution has an Institutional Audit Committee, that committee may serve as the Audit Committee of the Plan, in the discretion of the Board. If the Plan has its own Audit Committee, the Committee shall conduct its proceedings and decision-making consistent with the charter of the Institution's Audit Committee. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The chair of the

committee shall be the Chief Medical Officer. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee.

- 6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.
- 6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
- 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
- 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular

meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.

7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.

7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.

7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.

7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

ARTICLE VIII INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;

- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible noncash gifts, only as permitted by State law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall

address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

ARTICLE IX FACULTY COMPENSATION

9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive

Compensation. The term total compensation refers to the aggregate compensation derived from these three components.

9.1.1 **Base Salary.** Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

9.1.2 **Supplemental Compensation.** Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.3. **Incentive Compensation.** Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

**ARTICLE X
GENERAL PROVISIONS**

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Nonsubstantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.
- 10.3.1 Recommendations for amendments to these Bylaws may be made by [%] of the Members voting at a special meeting called for the purpose, the Board, or the President.
- 10.3.2 Recommendation for substantive amendments to these Bylaws requires a [two-thirds] vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.
- 10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Substantive amendments shall become effective upon approval of the Regents. Nonsubstantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.

Approved by The University of Texas System Board of Regents:

_____, 2008

APPENDIX A

AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

Authorized Business Expense

Maximum

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| 11. | Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution | In accordance with Institutional policy |
| 12. | Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings | In accordance with U. T. System and Institutional policy |
| 13. | Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment) | In accordance with Institutional policy |
| 14. | Establishment or endowment of programs, professorships, or chairs | In accordance with U. T. System and Institutional policy |
| 15. | Support of academic programs and projects involving education, research or patient care | In accordance with Institutional policy |
| 16. | Institutional participation in community, organizations or events | In accordance with Institutional policy |
| 17. | Official Institutional Functions and Official Entertainment
Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U. T. System. | In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500
A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs. |
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- No MSRD/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.
 - All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
 - All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.

3. **U. T. Health Science Center - Houston: Approval of a naming opportunity for the water feature and patio location in the Fayez S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that the U. T. System Board of Regents approve the naming of the water feature and patio location in the Faye S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio at U. T. Health Science Center - Houston.

BACKGROUND INFORMATION

Built in 2006, the Faye S. Sarofim Research Building at U. T. Health Science Center - Houston houses the Brown Foundation Institute of Molecular Medicine (IMM) for the Prevention of Human Diseases. The IMM provides students, faculty, and researchers an environment that facilitates focused study and advancements in molecular medicine. The IMM seeks to investigate the cause of human diseases at the cellular and molecular levels using DNA and protein technologies to elucidate disease mechanisms, the progress of which is of particular interest for future planning of clinical research and disease prevention.

In 2003, when Mr. Dan L. Duncan made a generous gift of \$2,000,000 to the New Frontiers Campaign in support of the IMM, a significant naming opportunity was presented to the Duncan family. The process for recognition of the gift from the Duncan family has been delayed, and because Mr. Duncan made another significant pledge to support the Children's Learning Institute's Neurodevelopment Clinic, U. T. Health Science Center - Houston recommends naming the prominent water feature and patio location at the Faye S. Sarofim Research Building in honor of the Dan L. Duncan family. The Duncan family's contributions have been vital to the Health Science Center as well as the Houston community, and crucial to the development of new strategies for curing and preventing human diseases.

The proposed naming to recognize the generous gift and distinguished contributions of the Dan L. Duncan family is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the naming of facilities.

4. **U. T. Health Science Center - Houston: Approval of a naming opportunity for the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that the U. T. System Board of Regents approve the naming of the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing at U. T. Health Science Center - Houston.

BACKGROUND INFORMATION

Built in 2006, the Fayez S. Sarofim Research Building at U. T. Health Science Center - Houston houses the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (IMM). The IMM provides students, faculty, and researchers from around the world an environment that facilitates focused study and advancements in molecular medicine. The IMM seeks to investigate the cause of human diseases at the cellular and molecular levels using DNA and protein technologies to elucidate disease mechanisms, the progress of which is of particular interest for future planning of clinical research and disease prevention.

In 2004, when Memorial Hermann Hospital System made a generous gift of \$10,000,000 to the New Frontiers Campaign in support of the IMM, a significant naming opportunity was presented to Mr. Dan Wolterman, President of Memorial Hermann Hospital System. The process for recognition of this gift has been delayed. Because of the long-standing, successful, and continuing collaborative relationship with Memorial Hermann Hospital System, the institution recommends naming the prominent Executive Office Wing in the Fayez S. Sarofim Research Building to honor the contribution of Memorial Hermann Hospital System.

The proposed naming to recognize the generous gift of Memorial Hermann Hospital System is consistent with the Regents' *Rules and Regulations*, Series 80307, related to the naming of facilities.

5. **U. T. Southwestern Medical Center - Dallas: Approval to name the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Wildenthal that the U. T. System Board of Regents approve the naming of the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders at U. T. Southwestern Medical Center - Dallas.

BACKGROUND INFORMATION

Southwestern Medical Foundation received a \$50 million pledge from Mr. and Mrs. Harold Simmons to support and expand basic and clinical neuroscience disciplines. The gift funds will be transferred from Southwestern Medical Foundation over a five-year period to U. T. Southwestern Medical Center - Dallas to support existing multidisciplinary programs offered by various departments of the institution.

The lifetime donations of Mr. and Mrs. Simmons and the Harold Simmons Foundation exceed \$177 million. In recognition of the major support from the Simmons, U. T. Southwestern Medical Center - Dallas recommends naming the programs that will be supported by their recent contribution as the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders. The proposed naming is not linked to a specific building location or destination site, and will coincide with the life of the programmatic gift support.

The proposed naming to recognize the generous gift from the Simmons to Southwestern Medical Foundation is consistent with the Regents' *Rules and Regulations*, Series 80307, related to the naming of prominent programs.

6. **U. T. System: Preliminary report on initiatives in health professional education**

REPORT

Executive Director for Academic Programs, Dr. John D. Stobo, will report on preliminary initiatives in health professional education.

Supplemental Materials: PowerPoint presentation on Pages 36 - 37 of Volume 2.

7. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.