

1-1 By: Nelson, et al. S.B. No. 18
 1-2 (In the Senate - Filed February 11, 2015; February 18, 2015,
 1-3 read first time and referred to Committee on Finance;
 1-4 March 30, 2015, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 15, Nays 0; March 30, 2015,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Nelson	X			
1-9 Hinojosa	X			
1-10 Bettencourt	X			
1-11 Eltife	X			
1-12 Hancock	X			
1-13 Huffman	X			
1-14 Kolkhorst	X			
1-15 Nichols	X			
1-16 Schwertner	X			
1-17 Seliger	X			
1-18 Taylor of Galveston	X			
1-19 Uresti	X			
1-20 Watson	X			
1-21 West	X			
1-22 Whitmire	X			

1-24 COMMITTEE SUBSTITUTE FOR S.B. No. 18 By: Nelson

1-25 A BILL TO BE ENTITLED
 1-26 AN ACT

1-27 relating to measures to support or enhance graduate medical
 1-28 education in this state, including the transfer of certain assets
 1-29 from the Texas Medical Liability Insurance Underwriting
 1-30 Association to the permanent fund supporting graduate medical
 1-31 education.

1-32 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-33 SECTION 1. Section 58A.001, Education Code, is amended to
 1-34 read as follows:

1-35 Sec. 58A.001. DEFINITIONS [DEFINITION]. In this chapter:

1-36 (1) "Board" [~~,"board"~~] means the Texas Higher
 1-37 Education Coordinating Board.

1-38 (2) "Center" means the comprehensive health
 1-39 professions resource center established under Chapter 105, Health
 1-40 and Safety Code.

1-41 (3) "Community-based, ambulatory patient care center"
 1-42 includes:

1-43 (A) a federally qualified health center, as
 1-44 defined by Section 1905(1)(2)(B), Social Security Act (42 U.S.C.
 1-45 Section 1396d(1)(2)(B));

1-46 (B) a community mental health center, as defined
 1-47 by Section 1861(ff)(3)(B), Social Security Act (42 U.S.C. Section
 1-48 1395x(ff)(3)(B));

1-49 (C) a rural health clinic, as defined by Section
 1-50 1861(aa)(2), Social Security Act (42 U.S.C. Section 1395x(aa)(2));
 1-51 and

1-52 (D) a teaching health center, as defined by 42
 1-53 U.S.C. Section 2931-1(f)(3)(A).

1-54 (4) "First-year residency position" means a residency
 1-55 position offering first year training in a graduate medical
 1-56 education program.

1-57 (5) "Graduate medical education program" means a
 1-58 nationally accredited post-doctor of medicine (M.D.) or
 1-59 post-doctor of osteopathic medicine (D.O.) program that prepares
 1-60 physicians for the independent practice of medicine in a specific

2-1 specialty area.

2-2 (6) "Hospital" means:

2-3 (A) a facility licensed as a hospital under
2-4 Chapter 241, Health and Safety Code, or as a mental hospital under
2-5 Chapter 577, Health and Safety Code; or

2-6 (B) a similar facility owned or operated by this
2-7 state or an agency of this state.

2-8 (7) "Medical school" means a public or independent
2-9 educational institution that awards a doctor of medicine (M.D.) or
2-10 doctor of osteopathic medicine (D.O.) degree.

2-11 (8) "Sponsoring institution" means the entity that
2-12 assumes the ultimate financial or academic responsibility for a
2-13 graduate medical education program.

2-14 (9) "Teaching hospital" means a hospital that:

2-15 (A) is formally affiliated with a medical school
2-16 for purposes of providing a graduate medical education program; or

2-17 (B) serves as the sponsoring institution for a
2-18 graduate medical education program.

2-19 SECTION 2. Subchapter A, Chapter 58A, Education Code, is
2-20 amended by adding Sections 58A.002 and 58A.003 to read as follows:

2-21 Sec. 58A.002. PERMANENT FUND SUPPORTING GRADUATE MEDICAL
2-22 EDUCATION. (a) In this section, "trust company" means the Texas
2-23 Treasury Safekeeping Trust Company.

2-24 (b) The permanent fund supporting graduate medical
2-25 education is a special fund in the treasury outside the general
2-26 revenue fund. The fund is composed of:

2-27 (1) money transferred or appropriated to the fund by
2-28 the legislature;

2-29 (2) gifts and grants contributed to the fund; and

2-30 (3) the returns received from investment of money in
2-31 the fund.

2-32 (c) The trust company shall administer the fund. The trust
2-33 company shall determine the amount available for distribution from
2-34 the fund, determined in accordance with a distribution policy that
2-35 is adopted by the comptroller and designed to preserve the
2-36 purchasing power of the fund's assets and to provide a stable and
2-37 predictable stream of annual distributions. Expenses of managing
2-38 the fund's assets shall be paid from the fund. Except as provided
2-39 by this section, money in the fund may not be used for any purpose.
2-40 Sections 403.095 and 404.071, Government Code, do not apply to the
2-41 fund.

2-42 (d) In managing the assets of the fund, through procedures
2-43 and subject to restrictions the trust company considers
2-44 appropriate, the trust company may acquire, exchange, sell,
2-45 supervise, manage, or retain any kind of investment that a prudent
2-46 investor, exercising reasonable care, skill, and caution, would
2-47 acquire or retain in light of the purposes, terms, distribution
2-48 requirements, and other circumstances of the fund then prevailing,
2-49 taking into consideration the investment of all the assets of the
2-50 fund rather than a single investment.

2-51 (e) The amount available for distribution from the fund may
2-52 be appropriated only:

2-53 (1) to the board to fund the programs created under
2-54 this chapter; or

2-55 (2) as otherwise directed by the legislature.

2-56 (f) A public or private institution of higher education or
2-57 other entity that may receive money under a program described by
2-58 Subsection (e) may solicit and accept gifts and grants to be
2-59 deposited to the credit of the fund. A gift or grant to the fund
2-60 must be distributed and appropriated for the purposes of the fund,
2-61 subject to any limitation or requirement placed on the gift or grant
2-62 by the donor or granting entity.

2-63 Sec. 58A.003. REDUCTION IN FUNDING. (a) The board shall
2-64 limit or withhold funding from any grant recipient under this
2-65 chapter that does not comply with reporting requirements or that
2-66 uses grant funds for a purpose not authorized by this chapter for
2-67 the grant awarded.

2-68 (b) The board shall seek reimbursement with respect to any
2-69 grant funds that are not used for purposes authorized by this

3-1 chapter for the grant awarded.

3-2 SECTION 3. Section 58A.022, Education Code, is amended to
3-3 read as follows:

3-4 Sec. 58A.022. GRADUATE MEDICAL EDUCATION PLANNING AND
3-5 PARTNERSHIP GRANTS. (a) The board shall award one-time graduate
3-6 medical education planning and partnership grants to hospitals,
3-7 medical schools, and community-based, ambulatory patient care
3-8 centers [~~entities~~] located in this state that seek to develop new
3-9 graduate medical education programs with first-year residency
3-10 positions, regardless of whether the grant recipient has previously
3-11 offered [~~+~~

3-12 [~~(1) have never had~~] a graduate medical education
3-13 program with first-year residency positions [~~+~~ and
3-14 [~~(2) are eligible for Medicare funding of graduate~~
3-15 ~~medical education~~].

3-16 (b) The board shall award graduate medical education
3-17 planning and partnership grants on a competitive basis according to
3-18 criteria adopted by the board. The board shall determine the number
3-19 of grants awarded and the amount of each grant consistent with any
3-20 conditions provided by legislative appropriation. A grant received
3-21 under this section must be used for the purpose of planning a new
3-22 graduate medical education program with [~~additional~~] first-year
3-23 residency positions.

3-24 (c) A hospital, medical school, or community-based,
3-25 ambulatory patient care center [~~An application for a planning grant~~
3-26 ~~for a state fiscal year must be submitted to the board not later~~
3-27 ~~than July 15 preceding that fiscal year. Not later than August 15,~~
3-28 ~~the board shall make decisions about grant awards for the following~~
3-29 ~~state fiscal year.~~

3-30 [~~(d) An entity~~] that is awarded a graduate medical education
3-31 planning and partnership grant and that establishes new first-year
3-32 residency positions after receipt of the grant is eligible to apply
3-33 for additional funds under Section 58A.024 for each such position
3-34 established, as provided by appropriation.

3-35 (d) A hospital, medical school, or community-based,
3-36 ambulatory patient care center may partner with an existing
3-37 graduate medical education program or sponsoring institution for
3-38 purposes of planning a new graduate medical education program using
3-39 grant funds awarded under this section.

3-40 SECTION 4. Section 58A.023, Education Code, is amended to
3-41 read as follows:

3-42 Sec. 58A.023. GRANTS FOR UNFILLED RESIDENCY POSITIONS.

3-43 (a) The board shall award grants to graduate medical education
3-44 programs to enable those programs to fill first-year residency
3-45 positions that are accredited but unfilled as of July 1, 2013
3-46 [~~first-year residency positions~~]. The board shall determine the
3-47 number of grants awarded and the amount of each grant consistent
3-48 with any conditions provided by legislative appropriation.

3-49 (b) A grant received under this section must be expended to
3-50 support:

3-51 (1) resident stipends and benefits; and
3-52 (2) other [~~the~~] direct resident costs to the program [~~+~~
3-53 ~~including the resident stipend and benefits~~].

3-54 (c) A grant application must include proof of the accredited
3-55 but unfilled positions to which the application applies. [~~An~~
3-56 ~~application for a grant must be submitted to the board not later~~
3-57 ~~than October 1 preceding the period for which the grant is made.~~
3-58 ~~The board shall make decisions about grant awards not later than~~
3-59 ~~January 1 preceding the grant period.~~]

3-60 (d) The board may distribute a grant amount for a residency
3-61 position only on receiving verification that the applicable
3-62 residency position has been filled.

3-63 (e) Grant amounts are awarded under this section for the
3-64 duration of the period in which the resident who initially fills the
3-65 residency position continues to hold that position [~~two consecutive~~
3-66 ~~state fiscal years. For each first-year residency position for~~
3-67 ~~which a program receives an initial grant amount in a fiscal year,~~
3-68 ~~the board shall award the program an equal grant amount for the~~
3-69 ~~following fiscal year~~].

4-1 SECTION 5. Section 58A.024, Education Code, is amended to
 4-2 read as follows:

4-3 Sec. 58A.024. GRANTS FOR PROGRAM EXPANSION OR NEW PROGRAM.

4-4 (a) The board shall award grants to enable new or existing
 4-5 graduate medical education programs to increase the number of
 4-6 first-year residency positions [~~or to provide for the establishment~~
 4-7 ~~of new graduate medical education programs with first-year~~
 4-8 ~~residency positions~~]. The board shall determine the number of
 4-9 grants awarded and the amount of each grant consistent with any
 4-10 conditions provided by legislative appropriation.

4-11 (b) [~~A grant received under this section must be expended to~~
 4-12 ~~support the direct resident costs to the program, including the~~
 4-13 ~~resident stipend and benefits.~~

4-14 [~~(c)~~] A grant application must include a plan for receiving
 4-15 accreditation for the increased number of positions or for the new
 4-16 program, as applicable. [~~An application for a grant must be~~
 4-17 ~~submitted to the board not later than October 1 preceding the period~~
 4-18 ~~for which the grant is made. The board shall make decisions about~~
 4-19 ~~grant awards not later than January 1 preceding the grant period.]~~

4-20 (c) [~~(d)~~] The board may distribute a grant amount for a
 4-21 residency position only on receiving verification that the
 4-22 applicable residency position has been filled.

4-23 (d) [~~(e)~~] Grant amounts are awarded under this section for
 4-24 the duration of the period in which the resident who initially fills
 4-25 the residency position continues to hold that position [~~three~~
 4-26 ~~consecutive state fiscal years. For each first-year residency~~
 4-27 ~~position for which a program receives an initial grant amount in a~~
 4-28 ~~fiscal year, the board shall award the program an equal grant amount~~
 4-29 ~~for the following two fiscal years].~~

4-30 SECTION 6. Subchapter B, Chapter 58A, Education Code, is
 4-31 amended by adding Sections 58A.0245 and 58A.0246 to read as
 4-32 follows:

4-33 Sec. 58A.0245. CRITICAL SHORTAGE LEVELS. (a) If the board
 4-34 determines that the number of first-year residency positions
 4-35 proposed by eligible applicants under Sections 58A.023 and 58A.024
 4-36 exceeds the number of first-year residency positions for which
 4-37 grant funding under those sections is appropriated, in awarding
 4-38 grants under those sections the board shall prioritize the awarding
 4-39 of new grants to medical specialties determined by the board to be
 4-40 at critical shortage levels.

4-41 (b) In determining critical shortage levels under this
 4-42 section, the board shall consider:

4-43 (1) the available results of research conducted by the
 4-44 center under Section 105.009, Health and Safety Code;

4-45 (2) other relevant research and criteria, including
 4-46 research and criteria related to the designation of health
 4-47 professional shortage areas; and

4-48 (3) research performed by other appropriate entities.

4-49 Sec. 58A.0246. CONTINUATION OF GRANTS AWARDED FOR 2015
 4-50 STATE FISCAL YEAR. The board shall award additional grants to fund
 4-51 eligible graduate medical education programs that received a grant
 4-52 awarded under this subchapter for the state fiscal year ending on
 4-53 August 31, 2015, if those programs continue to meet the applicable
 4-54 grant requirements that existed at the time of the initial award.

4-55 SECTION 7. Chapter 105, Health and Safety Code, is amended
 4-56 by adding Section 105.009 to read as follows:

4-57 Sec. 105.009. RESEARCH REGARDING GRADUATE MEDICAL
 4-58 EDUCATION SYSTEM. (a) The comprehensive health professions
 4-59 resource center shall conduct research:

4-60 (1) to identify:

4-61 (A) the ratio of primary care to non-primary care
 4-62 physicians that is necessary and appropriate to meet the current
 4-63 and future health care needs of this state; and

4-64 (B) all medical specialties and subspecialties
 4-65 that are at critical shortage levels in this state, together with
 4-66 the geographic location of the physicians in those specialties and
 4-67 subspecialties; and

4-68 (2) regarding the overall supply of physicians in this
 4-69 state and any other issues that are relevant to the status of the

5-1 state's graduate medical education system and the ability of that
5-2 system to meet the current and future health care needs of this
5-3 state.

5-4 (b) Not later than May 1 of each even-numbered year, the
5-5 council shall report the results of the center's research to the
5-6 Legislative Budget Board, the Texas Higher Education Coordinating
5-7 Board, the office of the governor, and the standing committees of
5-8 each house of the legislature with primary jurisdiction over state
5-9 finance or appropriations.

5-10 SECTION 8. Chapter 2203, Insurance Code, is amended by
5-11 adding Subchapter J to read as follows:

5-12 SUBCHAPTER J. TRANSFER OF ASSETS

5-13 Sec. 2203.451. TRANSFER OF ASSETS. (a) Not later than the
5-14 90th day after the effective date of this section, the department
5-15 shall complete an actuarial study to determine the amount of assets
5-16 necessary for:

5-17 (1) the association's known and unknown insurance
5-18 claims and costs associated with those claims; and

5-19 (2) administrative expenses of the association,
5-20 including liabilities for employee retirement plans.

5-21 (b) The association shall cooperate with the department in
5-22 completing the actuarial study required by Subsection (a).

5-23 (c) Not later than the 60th day after the date on which the
5-24 department completes the actuarial study required by Subsection
5-25 (a), the association shall transfer the amount of association
5-26 assets not necessary for the purposes described by Subsection (a)
5-27 to the permanent fund supporting graduate medical education
5-28 established under Section 58A.002, Education Code. If that fund is
5-29 not in existence on the date of transfer, the association shall
5-30 transfer the assets to an account created by the comptroller
5-31 outside of the state treasury, and the comptroller shall hold the
5-32 assets in trust pending creation of the fund.

5-33 Sec. 2203.452. EXPIRATION OF SUBCHAPTER. This subchapter
5-34 expires September 1, 2017.

5-35 SECTION 9. The following provisions of the Education Code
5-36 are repealed:

- 5-37 (1) Section 58A.025;
- 5-38 (2) Section 58A.026; and
- 5-39 (3) Section 61.511.

5-40 SECTION 10. This Act takes effect immediately if it
5-41 receives a vote of two-thirds of all the members elected to each
5-42 house, as provided by Section 39, Article III, Texas Constitution.
5-43 If this Act does not receive the vote necessary for immediate
5-44 effect, this Act takes effect September 1, 2015.

5-45 * * * * *