

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				
1-9	Nelson	X		
1-10	Hinojosa	X		
1-11	Bettencourt	X		
1-12	Eltife	X		
1-13	Hancock	X		
1-14	Huffman	X		
1-15	Kolkhorst	X		
1-16	Nichols	X		
1-17	Schwertner	X		
1-18	Seliger	X		
1-19	Taylor of Galveston	X		
1-20	Uresti	X		
1-21	Watson	X		
1-22	West	X		
1-23	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 293l-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

specialty area.

(6) "Hospital" means:

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

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

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

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

(9) "Teaching hospital" means a hospital that:

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

(B) serves as the sponsoring institution for a graduate medical education program.

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

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

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

(1) money transferred or appropriated to the fund by the legislature;

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

(3) the returns received from investment of money in the fund.

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

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

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

(1) to the board to fund the programs created under this chapter; or

(2) as otherwise directed by the legislature.

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

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

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

chapter for the grant awarded.

SECTION 3. Section [58A.022](#), Education Code, is amended to read as follows:

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

~~[(1) have never had]~~ a graduate medical education program with first-year residency positions ~~[+ and~~

~~[(2) are eligible for Medicare funding of graduate medical education].~~

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

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

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

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

SECTION 4. Section [58A.023](#), Education Code, is amended to read as follows:

Sec. 58A.023. GRANTS FOR UNFILLED RESIDENCY POSITIONS.

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

(b) A grant received under this section must be expended to support:

(1) resident stipends and benefits; and

(2) other ~~[the]~~ direct resident costs to the program ~~[+ including the resident stipend and benefits]~~.

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

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

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

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

Sec. 58A.024. GRANTS FOR PROGRAM EXPANSION OR NEW PROGRAM.

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

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

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

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

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

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

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

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

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

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

(3) research performed by other appropriate entities.

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

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

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

(1) to identify:

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

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

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



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

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

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

#### SUBCHAPTER J. TRANSFER OF ASSETS

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

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

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

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

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

Sec. 2203.452. EXPIRATION OF SUBCHAPTER. This subchapter expires September 1, 2017.

SECTION 9. The following provisions of the Education Code are repealed:

(1) Section 58A.025;

(2) Section 58A.026; and

(3) Section 61.511.

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

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