

**SUBJECT:** Medical and dental school purchasing and retirement

**COMMITTEE:** State Affairs — committee substitute recommended

**VOTE:** 15 ayes — Seidlits, S. Turner, Alvarado, Black, Bosse, Carter, Craddick, Danburg, Hilbert, Hochberg, B. Hunter, D. Jones, McCall, Ramsay, Wolens  
0 nays

**WITNESSES:** For — none  
Against — none  
On — Ken Wildenthal, M.D., UT Southwestern Medical Center; Dr. M. David Low, UT Health Science Center Houston

**DIGEST:** CSHB 2032 would allow medical and dental units of public higher education schools to offer a retirement incentive to employees eligible for Teacher Retirement System benefits. It would also exempt these institutions from most state purchasing laws. The purchasing law exemption would expire September 1, 1999.

A medical and dental unit would refer to U.T.M.B. Galveston, UT Southwestern Medical Center Dallas, UT Medical Schools in San Antonio and in Houston, UT Graduate School of Biomedical Sciences at Houston, UT Dental School at San Antonio, UT Dental Branch at Houston, UT system nursing institutions, UT School of Public Health and any other medical or dental schools established by statute. It would also include a school of veterinary medicine and a health care facility operated by these schools.

A medical and dental unit offering a retirement incentive would be required to file a plan with the Legislative Budget Board and to provide the board any required information. The retirement incentive would be paid from institutional funds or hospital or clinic fees. An employee receiving a retirement benefit could not be rehired without approval by the president of the unit. A retirement incentive would not be subject to any other state law

that entitles employees to benefits based on salary, compensation or employee contributions.

A medical and dental unit could acquire goods or services by the method that provides the best value to the unit. In determining the best value, the unit would be required to consider the purchase price, the vendor's reputation, the quality of goods and services and the extent to which they meet the unit's needs, the long-term cost and other relevant factors. Laws relating to contracting with historically underutilized businesses would prevail. The state auditor could audit unit purchases of goods and services.

Not later than February 1, 1999, the Legislative Audit Committee could report to the 76th Legislature on the purchasing operations of medical and dental units.

**SUPPORTERS  
SAY:**

CSHB 2032 would help medical and dental schools and facilities cope with the changing health care marketplace. These changes would not cost the state money and will help make operations more cost-efficient. They are similar to provisions enacted by this Legislature for M.D. Anderson Cancer Center (SB 192 by Henderson/Uher).

An early retirement incentive would allow the units to downscale and restructure employee involvement in operations, while at the same time offering a benefit to faithful, long term employees. Retirement incentives are a commonly used human resources tool in the private sector.

In a competitive, fast-moving marketplace like health care services, state purchasing rules slow and overly burden the purchase of drugs and other hospital supplies, adding to the cost. Medical and dental units need the flexibility that most large health care facilities have to respond to price reductions, new suppliers, new treatment modalities and special inventory controls. Performance-based budgeting also requires flexibility for state administrators to make appropriate decisions for their agencies to reach specified goals.

CSHB 2032 would allow medical and dental units to make more appropriate and cost-effective purchases under streamlined statutory guidelines that ensure lowest possible prices and best value and maintains

state oversight. Exempting only health care products and services from purchasing rules would be difficult to administer and could increase administration costs. Unethical or poor purchasing decisions will be detected by one of the many annual state audits and could be subject to a special review by the Legislative Audit Committee.

OPPONENTS  
SAY:

Medical and dental units are asking for special purchasing flexibility that other state agencies are denied. CSHB 2032 would enact a sweeping exemption from state purchasing laws and rules. CSHB 2032, along with SB 192, would put a significant dent in the state's negotiating power and ability to leverage price discounts, to ensure certain public policies are enacted and to monitor and enforce appropriate and ethical state purchasing practices.

OTHER  
OPPONENTS  
SAY:

Purchasing practices may not be adequately monitored because the state auditor would not be required to audit all purchases and the institutions would be exempt from routine reporting requirements. A better approach may be to allow the units certain exemptions when purchasing special health care goods but to follow state rules when purchasing common goods, such as transportation vehicles and office supplies.

NOTES:

The committee substitute changed the definition of eligible employees from those who elect to retire under the Teacher Retirement System (TRS) to those who are eligible to retire under TRS. The committee substitute also added provisions requiring the units to provide LBB with requested information, prohibiting the president from delegating rehire authority to another employee, allowing employees who are paid retirement incentives to benefits under other state retirement laws. It specifically exempted M.D. Anderson Cancer Center from the act and added veterinary schools.