



**Mission Specific Formula
Funding Special Report for The
University of Texas M.D.
Anderson Cancer Center**

October 2008



Texas Higher Education Coordinating Board

Robert W. Shepard, CHAIR
A.W. "Whit" Riter III, VICE CHAIR
Elaine Mendoza, SECRETARY OF THE BOARD
Charles E. "Trey" Lewis III, STUDENT MEMBER OF THE BOARD
Laurie Bricker
Fred W. Heldenfels IV
Joe B. Hinton
Brenda Pejovich
Lyn Bracewell Phillips
Robert V. Wingo

Harlingen
Tyler
San Antonio
Houston
Houston
Austin
Crawford
Dallas
Bastrop
El Paso

Raymund A. Paredes, COMMISSIONER OF HIGHER EDUCATION

Mission of the Coordinating Board

The Texas Higher Education Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions and other entities to help Texas meet the goals of the state's higher education plan, Closing the Gaps by 2015, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.

Philosophy of the Coordinating Board

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies. The Coordinating Board will engage in actions that add value to Texas and to higher education. The agency will avoid efforts that do not add value or that are duplicated by other entities.

The Texas Higher Education Coordinating Board does not discriminate on the basis of race, color, national origin, gender, religion, age or disability in employment or the provision of services.

Mission Specific Formula Funding Special Report for The University of Texas M.D. Anderson
Cancer Center

1. Background Information

Senator Ratliff established formula funding for health-related institutions starting with Fiscal Year (FY) 2000-01. In an effort to move special item funding into formula driven funding, a framework was established for the mission specific formula for The University of Texas M. D. Anderson Cancer Center and The University of Texas Health Center at Tyler starting in FY 2002-03.

The mission specific change was reported in the Legislative Budget Board's *Fiscal Size-UP 2002-03* on page 183 as follows:

Two new formulas that apply only to The UT M. D. Anderson Cancer Center and The UT Health Center at Tyler were implemented during the 2002–03 biennium. The formulas are based on the statutory mission of each institution. The UT M. D. Anderson Cancer Center is appropriated General Revenue formula funding for Science Park Operations and for a portion of patient care activities based on the number of new cancer cases in Texas each year. General Revenue Funds for the 2002–03 biennium for this formula total \$49.0 million for patient care activities and \$10.8 million for Science Park operations. These funds were transferred from special item funding previously appropriated to the institution.

The UT Health Center at Tyler is appropriated \$3.6 million in General Revenue formula funding for the biennium for medical education and research items. Funding for this formula item is based on the number of new primary chest disease diagnoses reported in Texas each year. This is new funding for The UT Health Center at Tyler.

According to the General Appropriations Act, HB1, 78th Texas Legislature, Article III, Section 33.6(a) Mission Specific Support (page III-241) for FY 2002-03, the formula for M.D. Anderson was:

...based on the number of new cancer cases each year based upon population estimate projections of the state produced by the Texas State Data Center and California State Cancer Registry incidence rates used as a methodological source by cancer epidemiologists in Texas and throughout the country. General Revenue appropriation for FY 2002 shall be based on the number of new cancer cases reported in 1999, and General Revenue appropriations for FY 2003 shall be based on the number of new cancer cases reported in 2000...

For FY 2002-03 these former special item appropriations for M. D. Anderson were transferred from the special items goal in the General Appropriations Act to the following strategies: B.1.3 Provide Research Support – Science Park Operations; and Strategy D.1.1 Patient Care Activities. In the case of the Patient Care Activities, the mission specific formula funding was included with the already existing Patient Care Activities strategy that was funded by a much larger amount of

non-formula funding.

The mission specific funding methodology remained unchanged for FY 2004-05 and FY 2006-07. Starting in FY 2008-09, the 80th Legislature changed the basis of the formula to use the total number of Texas cancer patients served at M. D. Anderson instead of the California State Cancer Registry rates. Additionally the base period used for counting cancer patients changed.

Under the old formula, the cases used for FY 2002 were based upon cases reported in 1999, a three-year lag. The lag in the base period continued until FY 2008-09. Under the formula for FY 2008-09, cases used for both fiscal years were from 2004, a lag of four years for the first year of the biennium and a lag of five years for the second year of the biennium.

2. Review of Mission Specific Formula Funding for FY 2008-09

The new operations formula, formerly the mission specific formula, methodology for M. D. Anderson uses the total number of Texas cancer patients served at M. D. Anderson times an established rate per case to determine the amount of funding for this formula. The rate established for FY 2008-09 was based on maintaining the appropriation level from FY 2006-07. As a result, the increase in cancer cases did not result in an increase in state appropriations.

While the basic formula has not changed, the use of M. D. Anderson's own count of Texas cancer patients as the source of the number of patients is a change from the use of The California State Cancer Registry in conjunction with the use of estimated Texas population projections.

In reviewing the new basis for the formula on a historical basis, the number of cancer (malignant) cases has increased from 31,613 in FY 2001 to 45,373 in FY 2007. Cancer cases comprise the majority of cases handled by M. D. Anderson. A schedule by year of cases is provided in the following table:

M.D. Anderson Cancer Center Texas Patients by Disease Type FY 2001 - FY 2007

Disease Type	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Malignant	31,613	33,199	35,466	37,894	40,166	42,437	45,373
Benign	2,076	2,311	2,471	2,729	3,239	3,840	4,267
Non-Neoplastic ¹	5,992	7,811	8,490	8,904	9,792	9,954	10,445
Total Cases	39,681	43,321	46,427	49,527	53,197	56,231	60,085

Source: M.D. Anderson Cancer Center 4-08

1 - Non-Malignant

Analysis of the cancer (malignant) cases shows a stable growth rate between 5 percent and 6.9 percent from FY 2001 through FY 2007, while total cases have increased from 5.7 percent to 9.2 percent. Yearly details are provided in the table below:

Disease Type	FY01 to FY02	FY02 to FY03	FY03 to FY04	FY04 to FY05	FY05 to FY06	FY06 to FY07
Malignant	5.0%	6.8%	6.8%	6.0%	5.7%	6.9%
Benign	11.3%	6.9%	10.4%	18.7%	18.6%	11.1%
Non-Neoplastic	30.4%	8.7%	4.9%	10.0%	1.7%	4.9%
Total Cases	9.2%	7.2%	6.7%	7.4%	5.7%	6.9%

In the prior mission specific formula, the use of California registry rates coupled with Texas population to determine number of cases is an indirect method of determining cancer cases for M. D. Anderson. This method produces a number of cases that may or may not relate to the actual number of cancer cases that M. D. Anderson treats in a given year since the underlying assumption is that M. D. Anderson's case load would mirror those data sources. As seen from the comparison of data below, the previous method greatly overstated the number of cancer cases by 47,000 – 48,000 in comparison to actual treated cases as recorded by M. D. Anderson.

**Comparison of California Cancer Registry Rates vs. M.D. Anderson
Total Number of Cancer Cases
FY 2001 - FY 2004**

	FY 2001	FY 2002	FY 2003	FY 2004
Calif. Rates X TX Population	79,950	81,421	83,167	85,000
M.D. Anderson	31,613	33,199	35,466	37,894
Difference	48,337	48,222	47,701	47,106

With the conversion of special item funding into mission specific funding being equivalent in terms of appropriations in FY 2002-03, the effect of the overstatement in rates worked to create a rate per case that was lower than if M. D. Anderson counts were used. This practice results in the rate-per-case stemming from of the number of cases reported versus the available funding.

3. Conclusion

Based upon our review of these methodologies, the use of M. D. Anderson case numbers provides an accurate method of determining funding for the operations formula. Additionally, the Coordinating Board would recommend that if sufficient funding is not available to fully fund the operations formula that the cost-per-case amount be maintained and that the funding be stated as a given percent, instead of reducing the cost-per-case to fit available funding. The recommendation is in line with a similar recommendation made in the Coordinating Board's Health-Related Institutions' formula funding recommendations previously submitted in April 2008.



This document is available on the Texas Higher Education Coordinating Board Website: <http://www.thecb.state.tx.us>

For more information contact:

Ed Buchanan, Finance and Resource Planning
Planning and Accountability
Texas Higher Education Coordinating Board
P. O. Box 12788
Austin, Texas 78711
(512) 427-6138 FAX (512) 427-6147
ed.buchanan@thecb.state.tx.us