

BYLAWS OF
THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON
MEDICAL SERVICE, RESEARCH AND DEVELOPMENT PLAN/
PHYSICIAN REFERRAL SERVICE

ARTICLE I
PURPOSE

The purpose of the Medical Service, Research and Development Plan/Physician Referral Service (the "Plan") is to manage and hold in trust the professional income of faculty members of the Plan at the medical school of The University of Texas Medical Branch at Galveston (UTMB). The Plan will contribute to and safeguard the continued growth in excellence of UTMB. The Plan creates an Institutional Trust Fund. The purposes and operation of the fund are described in these Bylaws.

ARTICLE II
DEFINITIONS

2.10 TOTAL COMPENSATION

2.11 For purposes of the Plan, "Total Compensation" shall be defined as that total remuneration comprised of salary and other compensation paid to faculty members by UTMB. Total Compensation shall not be construed to include fringe benefits.

2.20 SALARY

2.21 For purposes of this Plan, "Salary" shall be defined as that part of Total Compensation set forth as "Total Salary" in the annual operating budget of UTMB, and amendments thereto as approved by the Board of Regents of The University of Texas System upon recommendation of the Administration.

2.22 Each Member's Salary shall be determined annually, upon recommendation of his or her Department Chairman and the Dean of Medicine or the Senior Clinical Administrator with approval of the President of UTMB and the Executive Vice Chancellor for Health Affairs in accordance with The University of Texas System Budget Rules and Procedures.

2.30 OTHER COMPENSATION

- 2.31 For purposes of this Plan, "Other Compensation" shall be defined as that part of Total Compensation set forth as an addition to Total Salary in the annual operating budget of UTMB, and amendments thereto, as approved by the Board of Regents of The University of Texas System upon recommendation of the Administration.
- 2.32 Each Member's "Other Compensation" shall be determined annually, upon recommendation of his or her Department Chairman and the Dean of Medicine or Senior Clinical Administrator with approval of the President of UTMB and Executive Vice Chancellor for Health Affairs in accordance with The University of Texas System Budget Rules and Procedures.

2.40 MEMBERSHIP

- 2.41 Member means faculty members of The University of Texas Medical Branch at Galveston as defined herein. Membership in the Plan is required of each full-time faculty member in a clinical department who is a physician (M.D. or D.O.), dentist (D.D.S.) or clinical psychologist (Ph.D.) with a license to practice in the State of Texas, with an academic rank of Clinical Instructor or higher, and who is assigned patient care responsibilities or performs professional activities which result in the generation of income as set out in Section 4.30, except as authorized by the U.T. Board of Regents.
- 2.42 A full-time faculty member in a pre-clinical department who generates income from medical professional activities must be a Member of the Plan.
- 2.43 Part-time faculty members will become Members upon recommendation of the Chairman and approval of the Dean of Medicine and the President of UTMB.
- 2.44 All Members shall be entitled to vote upon all business brought before the Membership of the Plan and are eligible for any election or appointment to any committee of the Plan.
- 2.45 A Member leaving the faculty terminates Membership in the Plan without recourse.

2.50 EXECUTIVE DIRECTOR OF THE PLAN

- 2.51 The Senior Associate Dean for Faculty Practice shall be the general administrative officer of the Plan. The Senior Associate Dean for Faculty Practice is the Executive Director of the Plan and is appointed by and reports to the Dean of Medicine.

ARTICLE III
ORGANIZATION OF PLAN

3.10 MEETINGS OF THE MEMBERSHIP

- 3.11 The Membership shall meet in general session annually at a place designated by the Chairman of the Board of Directors. Notice of the annual meeting shall be distributed to each Member at least fourteen days prior to the meeting.
- 3.12 Special meetings may be called by the Chairman of the Board or upon written petition of one-half (1/2) of the Members, subject to fourteen days notice in writing.
- 3.13 The Chairman of the Board of Directors or in his or her absence, the Vice-Chairman shall preside. The Secretary of the Board of Directors shall serve as Secretary of the Plan.
- 3.14 Ten percent (10%) of the membership shall constitute a quorum.
- 3.15 Each Member shall have one (1) vote.
- 3.16 Except where otherwise specified within these Bylaws, a simple majority of those present shall constitute a prevailing vote.
- 3.17 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each Member of the Board of Directors and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request.
- 3.18 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

3.20 BOARD OF DIRECTORS

- 3.21 The Board of Directors will assume its responsibilities annually on September 1.
- 3.22 The Board of Directors shall be composed as follows:
 - 3.221 Officers of the Board
 - A. Chairman-President of UTMB;
 - B. Vice Chairman-Dean of Medicine;
 - C. Treasurer-Executive Vice President;
 - D. Secretary-Senior Associate Dean for Faculty Practice

3.222 Other Directors

- A. Fifteen (15) Chairmen of Clinical Departments;
- B. Two (2) Members-at-large will be nominated and elected by the membership. Such members may serve no more than two consecutive one-year terms, but may be eligible to serve after an interval of one year;
- C. Two (2) Members appointed by the Chairman of the Board of Directors based on departmental professional income; one member shall be from a high income department and one member shall be from a low income department;
- D. No Clinical Department shall have more than two (2) voting Members of the Board of Directors.
- E. The Chief Legal Officer of UTMB shall serve as an ex-officio-member, without vote.
- F. Other persons may be appointed by the Chairman of the Board of Directors as ex-officio Members without vote.

3.23 Standing Committees of the Board. The following Standing Committees of the Board shall be appointed. These Committees may be appointed from the Board of Directors of a nonprofit health corporation of which the sole corporate member is the Chief Administrative Officer.

3.231 Budget and Finance Committee shall be chaired by the Executive Vice President and shall consist of the Dean of Medicine, and other members appointed by the Chairman of the Board of Directors, at least one to be a non-Chairman.

3.232 Compliance and Ethics Committee shall be chaired by the Executive Vice President and shall consist of the Dean of Medicine and other members appointed by the Chairman of the Board of Directors, at least one to be a non-Chairman. The Compliance Officer shall report to this Committee. The UTMB Institutional Compliance Committee serves as the MSRDP Compliance and Ethics Committee.

3.233 Professional Affairs Committee shall be chaired by the UTMB Hospitals Chief of Staff and shall consist of members appointed by the Chairman of the Board of Directors, at least one to be a non-Chairman. The Dean of Medicine shall be an ex officio member of the committee without a vote. The UTMB Hospitals Medical Staff Executive Committee serves as the MSRDP Professional Affairs Committee.

- 3.234 Audit Committee shall be chaired by the Chairman of the Board and members shall include the Officers of the Board of Directors and other members appointed by the Chairman of the Board of Directors, at least one to be a non-Chairman. The UTMB Institutional Audit Committee serves as the MSRDP Audit Committee.
- 3.235 Chief Residents Advisory Committee shall be chaired by the Associate Dean for Graduate Medical Education and shall include Chief Residents, one appointed by each Clinical Chairman.
- 3.24 Duties of Standing Committees shall include, but not be limited to, those set out in Appendix C.
- 3.25 Standing Committees shall meet at least quarterly or on call of the Chairman of the Committee and report deliberations, in writing, to the Board of Directors.
- 3.26 The Board of Directors may create other standing and ad hoc committees from the Directors or from the Membership to make recommendations upon specific matters when necessary. Committees may also be appointed at the request by majority vote of the Membership. Appointment to these committees shall be noted in the Minutes of the Board of Directors including any restriction on membership. The Minutes shall be kept of all committee meetings and recommendations shall be submitted to the Board in writing.
- 3.27 The Board of Directors shall report its activities, in writing, to the Membership at the annual meeting.
- 3.28 The Board shall meet at least quarterly, on call of the Chairman of the Board, or on the written petition of one-half (1/2) of the Members of the Board. Minutes and attendance shall be recorded of all meetings of the Board of Directors and standing committees and a copy, including all committee reports and attendance, provided to the Executive Vice Chancellor for Health Affairs.
- 3.29 One-half (1/2) of the Board of Directors shall constitute a quorum.
- 3.30 A simple majority vote shall prevail except that all action taken by the Board is subject to approval by the Chairman of the Board.
- 3.31 The Executive Vice Chancellor for Health Affairs may approve non-substantive exceptions to the organization of the Plan as may be requested by the President of UTMB.

3.40 BUSINESS OPERATIONS

- 3.41 An annual operating budget for all income and expenditures of the Plan shall be prepared by the Budget and Finance Committee for approval by the Board of Directors and approved in accordance with the Budget Rules and Procedures of the Board of Regents of The University of Texas System.
- 3.42 The Board may appoint an officer of a non-profit health corporation of which the sole corporate member is the Chief Administrative Officer as the Executive Director of the Plan.
- 3.43 The Institution 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 of Directors.
- 3.44 If the business operations and personnel responsible for the business operations of the Plan, including billing for and collection of professional fees, are the responsibility of the institution and the Plan:
 - 3.441 A Business Office shall be maintained for the Plan under the direction of the Senior Associate Dean for Faculty Practice.
 - 3.442 The Senior Associate Dean for Faculty Practice shall be under the direction and supervision of the Dean of Medicine who reports directly to the President.
 - 3.443 Financial reports for the Plan shall be prepared by the Senior Associate Dean for Faculty Practice or Executive Director of the Plan and submitted to the Board of Directors at each meeting. Quarterly financial reports shall be submitted to and in a format designed by the Executive Vice Chancellor for Health Affairs.
 - 3.444 Detailed accounting records of all revenue under the Plan shall be maintained by the Senior Associate Dean for Faculty Practice.
 - 3.445 Professional fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and appropriate Business Procedure Memoranda of The University of Texas System. All collections will be deposited in the Institutional Trust Fund.
 - 3.446 All personnel in the business operations who have responsibilities for billing and collection for professional services of the Members of the Plan shall be under the control of and assigned for personnel matters to the Senior Associate Dean for Faculty Practice or Executive Director of the Plan.

ARTICLE IV
INSTITUTIONAL TRUST FUND

4.10 COMPOSITION

- 4.11 An Institutional Trust Fund shall be established for the receipt and disbursement of Plan income.
- 4.12 The Institutional Trust Fund shall be audited in accordance with regulations of The University of Texas System. The cost of said audit shall be paid for from the Institutional Trust Fund.

4.20 SOURCES OF INCOME

- 4.21 Pursuant to the Member's contract with the Institution for participation in the MSRDP/PRS, each Member shall assign Professional Income as defined in Section 4.30 to the Institutional Trust Fund.
- 4.22 Income can be accepted from voluntary faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the Department Chairman, and approval of the Chairman of the Board of Directors.

4.30 ITEMS INCLUDED IN PROFESSIONAL INCOME

- 4.31 Professional fees generated for all patient care services rendered by full-time faculty regardless of where rendered.
- 4.32 Professional fees generated for patient care services specifically associated with related part-time UTMB activities by part-time faculty at any UTMB clinical practice location or other practice location as recommended by the Department Chairman and authorized by the Dean of Medicine.
- 4.33 Patients originally seen by part-time faculty at any UTMB clinical practice location or other practice location, as recommended by the Department Chairman and authorized by the Dean of Medicine, are considered to be UTMB patients whenever and wherever the part time faculty member provides services to these patients. As such, professional fees generated for these patient care services are included in the definition of UTMB related Professional Income.
- 4.34 Fees for all court appearances, depositions, or legal consultations.
- 4.35 All other professional income with the exception of the following:
 - A. Honoraria, royalties, non-professional retainers.
 - B. Payment for editing scientific publications.
 - C. Prizes, defined as gifts in recognition of personal achievements and not for services rendered.

- D. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for University appointment.
- 4.36 Other income not specifically described above shall be reported to the Dean of Medicine who shall determine whether said income will be considered professional income.
- 4.40 DETERMINATION OF PROFESSIONAL FEES
 - 4.41 The Budget and Finance Committee will prepare a fee schedule which shall be used for billing purposes, subject to approval by the Board of Directors. Substantive changes in the fee schedule must be approved by the Board of Directors.
 - 4.42 Guidelines for discounting fees will be developed by the Board of Directors. Individual Members may alter or extinguish any charge for professional services at any time prior to billing for such services, subject to rules developed by the Board of Directors, or after billing and prior to collection where the initial charge resulted from an incorrect financial classification of patient.
- 4.50 AUTHORIZED EXPENDITURES
 - 4.51 Fringe Benefits authorized by the Board of Regents are set out in Appendix A of the Plan.
 - 4.52 The fringe benefits provided to each Member shall be designated by the Chief Administrative Officer from among those authorized by the Board of Regents upon recommendation by the Dean of Medicine. Members shall not have the authority to determine which fringe benefits they shall receive.
 - 4.53 Benefits provided pursuant to Sections 4.51 and 4.52 may be taxable to the individual Member and may be subject to withholding and reported pursuant to the rules and regulations of the Internal Revenue Service.
 - 4.54 Professional business expenditures authorized by the Board of Regents are set out in Appendix B of the Plan.

ARTICLE V

GENERAL PROVISIONS

5.10 COMPLIANCE AND ETHICS

- 5.11 The principles of medical ethics of the American Medical Association and the principles of dental ethics of the American Dental Society are accepted as the governing code of ethics by the physician and dentist members of the Plan.
- 5.12 Should the principles of ethics described in Section 5.11 be found to be in conflict with the constitution or laws of the State of Texas or the United States of America, they shall not apply to the extent of the conflict.
- 5.13 The Board shall appoint a Compliance Officer and develop a compliance plan. The Compliance Plan shall provide a means to inform, educate, and train Members and personnel and staff employed in the Business Office and Compliance Office regarding these Bylaws, billing requirements and applicable rules and regulations. The compliance plan shall include a provision for penalties when standards are not met.
- 5.14 Compliance with provisions of federal, state and local rules and regulations is the responsibility of each Member.
- 5.15 Each Member of the Plan must acknowledge and sign an annual employment contract recognizing the requirements of applicable compliance plans and Bylaws of the Plan.

5.20 AMENDMENTS

- 5.21 These Bylaws have been developed within the standard format approved by the Board of Regents on May 14, 1998 and changes approved by the Board of Regents August 13, 1998. Substantive amendments may be made only upon approval of the Board of Regents. Non-substantive amendments and discretionary amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs.
- 5.22 Recommendation for substantive amendments to these Bylaws requires a two-thirds (2/3) vote of the Members at any regular meeting of the Plan or a meeting called specifically for this purpose, provided that the proposed amendment shall have been offered by written notice to the Members not less than thirty (30) days prior to the meeting at which the amendment is brought to a vote. Non-substantive amendments may be requested of the Executive Vice Chancellor for Health Affairs upon approval of the Board of Directors.
- 5.23 Notice of proposed amendments required in Section 5.22 shall include the complete text of the proposed amendments.
- 5.24 Amendments shall become effective upon approval of the Board of Regents or the Executive Vice Chancellor for Health Affairs, as appropriate.

5.30 EMPLOYMENT CONTRACT

- 5.31 An employment contract prescribed by the Executive Vice Chancellor for Health Affairs of The University of Texas System shall be executed annually between each member and the Institution.
 - 5.32 Execution of the annual employment contract by the Member is a condition for membership and participation in the Plan, notwithstanding any other provision in these Bylaws.
- 5.40 DISSOLUTION
- 5.41 The Plan may be dissolved by the Board of Regents or by applicable law. All monies residual in the Trust Fund shall be utilized to discharge obligations of the Plan with the balance to become the property of the UTMB.

APPENDIX A

MSRDP/PRS AUTHORIZED FRINGE BENEFITS

Effective September 1, 1998

<u>Authorized Benefit</u>	<u>Maximum</u>
1. Supplemental Retirement Payments	In accordance with U.T. System policy. Tax sheltered SRA's only through salary reduction agreements.
2. Parking Fees	At U.T. institution(s) and teaching hospital(s). Actual expense not to exceed IRS Section 132 limitation.
3. Incentive Plan	Only Members may receive additional remuneration to motivate generation of professional fees. Must be approved by the Executive Vice Chancellor for Health Affairs and Office of General Counsel prior to implementation. Payments to Members must have prior approval of the Executive Vice Chancellor for Health Affairs. Payments under this provision shall not be eligible for additional state or MSRDP/PRS fringe benefits; however, to the extent permitted by law, deductions may be made for retirement programs.

- No MSRDP/PRS funds may be expended for the benefit of any single individual person or member except as herein approved unless specific exception has been approved by the Board of Regents.
- Classified plan employees may receive only the basic state-approved benefits paid from MSRDP/PRS.
- Benefits specifically not approved include:
 - personal liability insurance
 - medical and dental insurance
 - life insurance
 - educational allowance
 - estate planning
 - tax service
 - accounting service.

APPENDIX A

MSRDP/PRS AUTHORIZED FRINGE BENEFITS (Continued)

Effective September 1, 1998

- Authorized fringe benefits shall not exceed thirty (30) percent of total compensation.
- This list of authorized fringe benefits and yearly limits may be periodically amended by action of the Executive Vice Chancellor for Health Affairs. Additionally, exceptions for Presidents may be made by the Board of Regents.

APPENDIX B

MSRDP/PRS AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

Effective September 1, 1998

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U.T. 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 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 Board of Medical Examiners License	Annual fee, reimbursement expenditure only
7. Medically-related Educational Aids	In accordance with institutional policy
8. Salary, Salary Augmentation and/or Incentive Augmentation Plans	In accordance with U.T. System Policy
9. Purchase, maintenance and operation of equipment and maintenance 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
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by institution	In accordance with institutional policy

APPENDIX B

MSRDP/PRS AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES (Continued)

Effective September 1, 1998

- | | | |
|-----|---|--|
| 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 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 University of Texas System. | Prior presidential approval 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. |
- No MSRDP/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 University of Texas 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.

APPENDIX C

DUTIES OF STANDING COMMITTEES OF THE BOARD OF DIRECTORS

Effective September 1, 1998

Duties of Budget and Finance Committee:

- (a) Develop annual operating and capital budgets for the Plan for approval by the Board
- (b) Review and approve any unbudgeted expenditures greater than Two Hundred, Fifty Thousand Dollars (\$250,000).
- (c) Review and approve all financial reports for presentation to the Board
- (d) Develop professional fee schedules for approval by the Board
- (e) Recommend to the Board any action necessary to address budgetary changes or shortfalls.

Duties of Compliance and Ethics Committee:

- (a) Develop and oversee compliance plans, including training of faculty and staff, to assure that billing and collecting comply with all local, state and federal statutes, rules and guidelines
- (b) Review compliance reports and make appropriate recommendations to the Board
- (c) Review findings of Professional Affairs and Audit Committees and make appropriate recommendations to the Board
- (d) Review Departmental guidelines for supervision of residents and documentation standards and make appropriate recommendations to the Board
- (e) Make recommendations to the Audit Committee
- (f) Develop and oversee ethics policies and compliance with these policies.

Duties of Professional Affairs Committee:

- (a) Review and recommend action to Board concerning Membership in the Plan not expressly required by the Bylaws
- (b) Develop and oversee a Professional Standards Monitoring Plan and report findings as appropriate to Compliance and Ethics Committee
- (c) Develop and oversee a plan that assures appropriate credentialing of all Members of the Plan.

Duties of Audit Committee:

- (a) Develop and oversee an annual audit plan, to include audits of any entity contracted for business operations of the Plan
- (b) Review audit objectives and reports and recommend corrective action to the Board
- (c) Assure implementation of remedial plan or corrective action
- (d) Make recommendations to the Professional Affairs and Compliance and Ethics Committees and to the Board as appropriate.

APPENDIX C

DUTIES OF STANDING COMMITTEES OF THE BOARD OF DIRECTORS (Continued)

Effective September 1, 1998

Duties of Chief Residents Advisory Committee:

- (a) Review compliance plans and ethics policies to assure that the Committee understands roles of Members of the Plan in supervising residents and in billing and collecting for the Members' services
- (b) Review Professional Standards and Credentialing requirements to assure that the Committee understands expectations of Members of the Plan
- (c) Provide liaison between resident staff and Members with the goal of establishing understanding of the Plan requirements as they relate to resident education and care of patients.