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Dear Client:

**Have you noticed a significant increase in professional medical personnel in Austin and, in fact, throughout many parts of Texas? This development has been occurring at a fast pace and this rate could accelerate in the Austin area in the years ahead.**

Since 2003, at least 3,000 more physicians are now practicing in Texas and **license applications (to practice in Texas) jumped 30%** in the past fiscal year compared to the year before, according to a study recently conducted by The Perryman Group (TPG) economists.

The Texas Medical Board reports licensing **10,878 new physicians since 2003**, up from 8,391 in the prior four years. “Even when adjusted for other factors such as population growth, **the increase is notable and statistically significant,**” reports TPG. So, what’s happening to cause this increase? What happened in 2003?

To answer that question, you must look back to the years prior to 2003. Remember the loud cries from the medical community about the **high cost of malpractice insurance**? Remember many obstetricians, surgeons and other docs **quit performing various procedures**? Some moved away. They said they were being **priced out of certain portions of their practice**.

Then, in 2003 and in 2005, Texas enacted a series of tort reforms that included, among other provisions, laws that **limited non-economic damages in medical malpractice litigation**. As a result, the Texas Medical Liability Trust, one of the largest malpractice insurance companies in the state, has **slashed its premiums by 35%, saving docs some \$217 million over four years**.

The result was “**an influx of doctors so great** that the State Board of Medical Examiners couldn’t process all the new medical-license applications quickly enough,” said former State Rep **Joe Nixon**. He said the legislature had to allocate an emergency appropriation to process the apps.

“Just a few years ago, the Lone Star State held a position near the bottom of state rankings and was frequently a source of derision in the national media,” noted TPG. “**Objective studies now place the state’s civil justice system in the upper tier.**” But there is more happening that should increase the population of doctors in the Austin area even more. See the next item.

**Activity is still roiling around two potential medical schools in the Austin area. If the two facilities come to fruition, the number of doctors, nurses and other medical personnel should increase dramatically throughout the area.**

Those in the medical teaching profession will tell you a **high percentage of their graduates sink their roots in the communities where they have been trained.** In fact, all you have to do is look at UTAustin grads to see that (to paraphrase an old bromide), “once they seen Austin, how are you gonna keep them down on the farm.” A compelling statistic: **The largest single concentration of UTAustin grads in one city is in Austin.** Not in much bigger Houston, Dallas, etc. But, in Austin.

Now, let’s factor in the possibility of **not one, but two, medical training facilities that could be built in the metro area very, very soon.** The odds favor the TexasA&M medical facility being planned for the northern part of the Austin-Round Rock metro, in Williamson County. This is because **TexasA&M is further along in the process** – land is being acquired, and the Texas Legislature has put its stamp of approval on the Aggie facility by allocating initial funds for the facility, etc.

**But. The UTSystem is moving with dispatch to set up its own facility,** probably somewhere in the UTAustin area. And it has the muscle of the UTSystem Board of Regents, UT Southwestern Medical School in Dallas and the UT Medical School in Galveston – as well as Austin hospital facilities and local business and political leadership – involved in this effort.

So, it is entirely possible (probable?) that the Austin area could end up with a “two-fer” that would only expand well beyond the initial installations. **But if TexasA&M is first out of the starting gate, would this preclude a UTSystem facility just down the road?** Not necessarily.

The president of the TexasA&MSystem’s Health Science Center, **Nancy Dickey,** is on record as saying “in many ways, we look forward to **potential opportunities to partner with them on whatever it is that they choose to proceed to do**” (see our 2/1/08 issue by clicking the “Archives” button at the top of this page).

When we talk about increasing the medical personnel in Austin as a result of these two initiatives, it is not just about the number of grads pumped out by these two educational facilities. The **high-level medical personnel required to staff** what will be impressive schools will also need to be recruited to the Austin area. Research at these facilities is a vital component, so **cutting-edge procedures and possible medical breakthroughs** could be generated by the best minds in the medical profession.

And, for you, the benefits of high-quality medical care cannot be calculated. After all, **patients are treated at these research-oriented facilities by experts in their fields.** No one has made the stretch that tort-reform was necessary to get to this point, but it certainly didn’t hurt.

**A city that has one of the biggest medical facility presences in the nation has just been named the best US city in which to live, work and play. Austin was not far behind at #6, but guess which city is Numero Uno.**

It's the Texas city that Austinites love to joke about (such as "Going to Houston in a Handbasket!"). Yep, **Houston was named number one on its Top Ten List** by the respected national publication, *Kiplinger's Personal Finance*. Kiplinger also forecasts "these ten great places will get only better." Why Houston?

This is the opening paragraph in the *Kiplinger* listing: "It's a city of big plans and no rules, beat-the-heat tunnels and loop-the-loop highways, world-class museums and wiry cowboys, humidity that demands an ice-cold martini and the biggest damn liquor store on the planet. **How could you not love Houston?**"

"You can hardly afford not to," it continues. "Back with a roar after the oil bust of the 1980s, **Houston has reclaimed its title as energy capital of the US and added aerospace, technology and *medical companies* (italics added) to the mix**, generating more than 100,000 jobs in 2007. Not only does the Houston metro area lead the nation in job growth, but also its cost of living stands well below the national average. Housing prices run half those of other metros its size."

Kiplinger also cited Houston's expanded convention center, a new stadium, a spiffed-up Main Street and a light-rail system. But in connection with what we reported in the first two items about Austin's med school prospects, it is worth underscoring that **companies related to the massive Houston medical complex have also brought high-paying, clean jobs to Houston.**

The other Top Ten cities as the best in the nation to live work and play, in order: Raleigh, Omaha, Boise, Colorado Springs, **Austin**, Fayetteville, Sacramento, Des Moines and Provo. Some surprises made this list. But Martin Prosperity Institute, the outfit that crunched the numbers for *Kiplinger*, said "**Our formula highlights cities not just with strong past performance, but also with all the ingredients for future success.**"

Here's what it said about Austin in the opening paragraph: "Don't think for a minute that the laid-back rockers-and-tacos atmosphere of downtown Austin is all this metro area has to offer. In fact, Austin and the surrounding region offer a **strong economy, a solid, moderately-priced housing market, a growing population and enough natural beauty** to justify staying outside even if the weather weren't great – which, by the way, it is."

It went on to cite UTAustin, the state capitol, a bustling music scene, digital media, green energy and biotech, and pointed out that 114,000 jobs had been created in the metro in the last five years. It also said "**downtown Austin is in a transformation mode.**" If you would like more information, you can go to [www.kiplinger.com](http://www.kiplinger.com).

**Speaking of our friends at Kiplinger, they recently reported the oil price gyrations are due to settle down soon due to a better supply and demand dynamic.**

Kiplinger has been at this game of observing and reporting business trends from Washington, (under three generations of family leadership, by the way) for 85 years now. They've seen this movie before. So their perspective is oft times better than most. And Kiplinger is reporting that **“demand for oil is falling, the same way it did in 1979 and 1980, when pain at the pump slashed gas use by 5% and 6%, respectively.”**

Examples cited: 1) **miles traveled in the US are down**, off 4.3% in March alone, 2) **consumer habits are changing** with a big switch away from large SUVs and pickup trucks, 3) **demand will slacken further** in many Asian nations as government subsidies disappear by year-end, 4) the rush of money into **commodity investments has slowed markedly** already, 5) a gradual **recovery in the strength of the dollar**, and 6) **increased oil production** from other nations, such as Russia, etc.

As a result of these developments, Kiplinger is suggesting the supply/demand dynamic may change from a *deficit* of 900,000 barrels a day (that has pushed up prices) to a “global *cushion* in production capacity of 600,000 barrels a day.” But then, the bad news: “There’ll be no long-term, lasting collapse in prices – the kind of decades-long trough that followed the spikes in 1979 and 1980,” Kiplinger reported.

Why? **“Supplies just can’t be increased as much or as quickly** as they were then. And **wringing out major energy inefficiencies is a lot tougher** today. There was plenty of low-hanging fruit to pick the last time around.” All of this means the longer trend will be gradually down. But only to where oil prices could be “around \$100/barrel by the end of the year.” As a result, the Texas economy (and especially Houston’s) will continue to be vibrant

**Dr. Louis Overholster**, suffering from middle-age spread, went to his high school reunion to, as he put it, “see the sexpots of his youth.” Only now, he said “there’s a lot less sex and a lot more pot!”

Sincerely



Editor/Publisher