

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**The much-discussed and long-awaited vote this week by the UTSystem Board of Regents to expand medical research and teaching in Austin has far-reaching economic and healthcare implications for the Central Texas area.**

For years, UTAustin's top brass, major local healthcare players and Austin civic, business and governmental leaders have explored various avenues to create a medical school in association with UTAustin. **This week's action does not create a medical school. But it is the next best thing** and it could morph into a full-fledged medical school down the line.

The action creates a partnership composed of one of the nation's most lauded medical schools (the **UT Southwestern Medical Center at Dallas**, that boasts 4 Nobel Laureates on its faculty), **UTSystem** and the **Seton Family of Hospitals**.

This agreement provides for creation of a Joint Conference Council composed of those three entities. **The Council will oversee the development and practice of academic medicine programs in Central Texas. This is now on a fast track.** The agreement becomes effective next month, 11/30/09, and a regional dean will be appointed soon.

Who is picking up the tab? **All academic, clinical research and administrative activities included in the partnership will be funded by Seton.** And we're talking big bucks – maybe as much as \$100 million over the next four years.

As regular readers will recall, Seton has been working with the UT Medical Branch at Galveston (UTMB) in an ongoing program that currently has more than 100 third and fourth year med students in residence in facilities such as University Medical Center Brackenridge. It is expected that, over time, **UTMB's role in the Austin area will be diminished in favor of the more prestigious UT Southwestern.** The new name says it all: "The Seton Family of Hospitals/UT Southwestern Clinical Research Institute."

This expansion of academic medicine in Central Texas has ramifications for you and the entire Austin metro area. Especially when you consider what is going on in Williamson County in a separate medical initiative. We'll explore some of those aspects and put this into perspective for you in the next item.

**While it may never be of the magnitude of Houston’s world-class medical complexes, the leap forward this week in medical academics and research in Central Texas signals what could be of major importance to Austin’s economy and quality of life.**

This isn’t just about a large local hospital complex working with a foremost medical institution to educate doctors. Not to diminish that. But this **reaches far beyond what it may seem on the surface.** Let’s break it down by lifestyle and economic parameters.

**The Austin area is in the midst of a doctor shortage.** It is way below the national average per capita, largely due to the fact that the 5-county Austin metro has been one of the fastest growing in the nation for years now. It has long been proven many **doctors opt to live in the community where they serve their residency.** The Seton Family of Hospitals/UT Southwestern Clinical Research Institute will increase the number of doctor residents training at Seton facilities. And more residents mean more doctors seeing more patients.

**UTAustin will benefit greatly.** Its leaders have long promoted collaborative research involving disciplines that are integral to medicine – physics, chemistry, pharmacy, computer science and engineering, to name a few. UTSystem Chancellor **Francisco Cigarroa** (himself a renowned, practicing physician) cited new opportunities for “translational research and collaborations ... that will allow discoveries to transition more quickly from the laboratory bench to the patient bedside,” that will result from the initiative announced this week.

**More educated minds will be attracted to Austin.** In addition to those already working here within the UTMB relationship, “additional faculty and other employees involved in the education and research programs to be developed with Seton will be **recruited to Austin specifically to support the graduate medical education programs,**” Seton reported this week.

**TexasA&M is well underway with a medical facility of its own in Williamson County.** Check Volume 29, Number 42, February 1, 2008 edition by clicking “Archives”. Texas A&M is developing a Health Science Center in Round Rock. At that time, **Nancy Dickey**, the president of the center, said of the UT System medical school plans “we look forward to potential opportunities to partner with them.” The potential synergy among these institutions can only benefit the area.

There’s more, much more. And these initiatives will expand exponentially over the years. Also, remember, this effort reaches into most counties of the metro. Seton has ten hospitals in Central Texas, including University Medical Center Brackenridge and Dell Children’s Medical Center in Travis County, and facilities in Williamson, Hays, Burnet and Caldwell counties. And also, **UTAustin is already operating the Dell Pediatric Research Institute, adjacent to Dell Children’s facility.** You get the picture. And the picture will only get larger.

**Speaking of education levels, one of the Austin area's most competitive assets is its high level of educational attainment. And that "smart city" designation is continuing, even before the impact of the academic medicine expansion kicks in.**

According to the US Bureau of the Census, the Austin metro ranked **#6 in the nation during 2008 for the most college educated workers among the 50 largest metros.** (Austin is the 36<sup>th</sup> largest metro based on 2008 population).

**The percentage of the Austin metro's workforce 25 years and over with at least a Bachelor's degree is 38.2%.** (Four percent have a graduate degree.) Those metros ranked *ahead* of Austin are, in order from **#1 through #5, are Washington DC, San Jose, San Francisco, Boston, and Raleigh.** The metros *following* Austin in the Top Ten, in order, are Minneapolis, Denver, Seattle and New York.

While it may be nice to know that Austin enjoys a highly-educated citizenry, it also has an important economic value. In 2008, the Federal Reserve Bank of Cleveland reported in a study on **human capital**: "Human capital is the term economists use to describe the skills and knowledge of a worker or, more broadly, of the workforce. **It is a main determinant of economic growth for a country or a region.**"

To reinforce this finding, **Beverly Kerr**, the Austin Chamber's VP/Research, points out that seven of the Top Ten metros in the US Census educational attainment ranking also showed up as among the **fastest growing economies** in recently-released new gross domestic product data.

Kerr also notes that high-wage industries need high-skilled talent and that "**diminished educational attainment levels could inhibit our potential for relatively robust economic growth.**"

If educational attainment lags, then there is less productivity growth, less growth in personal income, etc. And Kerr indicates that **Texas may be losing ground in relation to other states.** She points out that, during the past decade, the share of college graduates – ranked by state — increased by 2.7 percentage points nationally. However, even though Austin continues to obviously rank near the top, the gain for the state of Texas was less – 1.8 percentage points.

While the college-educated are usually emphasized in human capital assessments, you can't lose sight of the fact that **rankings of public school systems, dropout rates, etc. are also important determinants of the attractiveness of an area to migrating talent.** It's all important in the overall picture. Footnote: recognizing the importance of an educated and/or trained workforce, the Chamber several years ago adopted the slogan "**Austin – The Human Capital**" as a key message to induce businesses to create jobs in the Austin metro.

**Austin's high-profile gadfly, former *Texas Monthly* founder-publisher Mike Levy, splashed a little cold water on Austin's cost of living.**

Citing the 10/11/09 edition of newgeography.com, Levy points out that when you compare Austin's cost of living with local wages, "**Austin fares worse than many areas that are assumed to be expensive – worse than Dallas, Houston and San Antonio.**"

"**Look at San Antonio,**" he says. "Nominal per capita income is *lower* than Austin's, but because of a low cost of living, the per capita income is adjusted up. Austin on the other hand has a *higher* nominal per capita income, but **when adjusted for cost of living, our per capita income is lower than San Antonio's.**" San Antonio is ranked #44 nationally, Austin is #46 by this measure.

What does Levy think causes this? "**It's an indication of the degree to which housing, taxes and utilities take a bite out of Austin's residents,**" he says. He goes on to say this is before Austin raises taxes for "servicing debt for a downtown trolley car line that will do nothing for our neighborhoods but lots for developers."

He saves most of his vitriol for "**electric rate increases to pay for ... the recent energy proposal to speed up the shift to solar and wind power.**" And, in the process, he unleashes a personal attack on Austin Energy's General Manager **Roger Duncan**. Levy was never one to mince words – about anyone.

"As for the cost of housing in Austin, Habitat for Humanity says that because of its development and building codes, **Austin is the most expensive city in the country for it to build homes for the needy,** even with often free labor and donated materials," Levy added.

**Dr. Louis Overholster**, trying to collect a past due debt, sent along a picture of his little daughter with the caption: "The reason I need the money." By return mail came a photo of a family with six children captioned: "The reason I can't pay!"

Sincerely



Editor/Publisher