NEELEY MAKING NEWS

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Real Confidence University Portfolio Challenge Winner Announced: Texas Christian University Awarded $50,000

WASHINGTON, D.C. – **Five students from Texas Christian University (TCU) have been declared the winners of the Real Confidence™ University Portfolio Challenge I,** ending the first year-long competition in which over 90 students from 15 universities gained hands-on learning experience in public and private commercial real estate investing. **The TCU student team managed the best portfolio with a return just short of 35 percent and won the $50,000 prize**.

Each university team allocated $1 billion in theoretical capital among a variety of commercial real estate investment opportunities found within the public and private equity and the public and private debt sectors. The performance of each sector's weighted investment selection was calculated with its respective benchmark return data provided by NAREIT®, NCREIF®, Markit® and Giliberto-Levy Commercial Mortgage Performance Index℠.

TCU's winning strategy focused on listed REITs, primarily in the self-storage and industrial segments. The students assumed that the performance of self-storage would remain strong as consumers, particularly millennial renters, need storage as apartment space can be limited. The students expected the industrial sector would benefit from e-commerce and economic growth. TCU's total return results were an impressive 34.68 percent, compared with the University Portfolio I index at 17.14 percent, or the broader volatile S&P 500 at only 1.74 percent.

Below are the final portfolio returns of the student teams that participated in the Real Confidence University Portfolio Challenge I:

Rank	University	Final
1	**Texas Christian University**	**34.68%**
2	University of Chicago	30.90%
3	Middle Tennessee State	21.45%
4	Georgia State University	19.23%
5	University of Denver	18.19%
6	Johns Hopkins	17.77%
7	Lehigh University	17.67%
8	University of San Diego	17.36%
	UPC I Index	17.14%
9	Texas A&M	16.63%
10	College of Charleston	13.87%
11	Georgetown University	12.45%
12	University of Wisconsin	12.45%
13	Penn State University	9.34%
14	Florida International University	9.04%
15	Harvard University	9.00%

Star-Telegram

August 5, 2016

Despite debate about banning it, fracking is essential in today's world
– ***by Ed Ireland, associate professor of professional practice in the Neeley School of Business at Texas Christian University.***

A recent poll found that public support of fracking has declined to 36 percent, down from 40 percent a year ago. Presidential candidates have debated whether or not fracking should be banned.

This makes fracking sound like it is an option, that fracking technology could be banned and we could still enjoy abundant and secure energy at affordable prices.

That's like saying that the internet could be banned and life would go on as usual. We are too dependent on fracking, the internet and other modern technologies to live without them.

Virtually all increases in U.S. energy production since 2009 are the result of fracking. Oil and gas wells that have been fracked constitute over one-half of the crude oil and natural gas being produced in the U. S. So unless we are willing to surrender cheap gas prices and our energy security back to the Organization of the Petroleum Exporting Countries or OPEC, the U.S. cannot stop fracking.

Some energy history: Instead of searching for individual pockets of oil and natural gas, as had been done since the first oil well was drilled in 1859, the fracking technique has allowed the oil and gas industry to go straight to "source rocks."

"Dry holes" are now virtually non-existent, which has lowered finding costs.

While the oil and natural gas industry has been technology-driven for decades, nothing accelerated the availability of oil and natural gas as much as fracking, which is short for hydraulic fracturing.

Although fracking itself dates back to 1947, it wasn't until it was combined with horizontal drilling and perfected to extract natural gas from the Barnett Shale around Fort Worth in the late 1990's that fracking became a game-changing, irreplaceable technology.

When fracking started being used all over the United States, including areas where the shale holds crude oil as well as natural gas, the U.S. quickly moved from being a fairly minor producer that was thought to be running out of oil and gas to the country with the largest crude oil and natural gas reserves in the world.

A recently released study by Rystad Energy estimated the United States has 264 billion barrels of oil, which is 8 billion barrels more than Russia and 52 billion barrels ahead of Saudi Arabia.

The U.S. now produces 3 billion barrels a year, a level of production not seen since the 1970s. This dramatic turnaround is directly attributed to fracking.

OPEC lost control of the world market for crude oil after U.S. ingenuity invented technology that allows it to squeeze energy out of rocks.

The U.S. and the developed world cannot live without crude oil and natural gas. These fossil fuels are irreplaceable components of everything we drive, wear, eat and use.

Replacing fossil fuels will take major technological advances and 50 to 100 years for the transition to occur.

We live in a crude oil and natural gas world where fracking is an integral and irreplaceable technology.

August 9, 2016

Study Raises Questions About the Viability of Physician-Owned Hospitals After ACA's Passage ***– by Matt Goodman***

With the Affordable Care Act, the federal government freed itself from a quiet attack on doctor-owned hospitals that it had waged for years in the margins of public policy, replacing this strategy with provisions that have significantly weakened these hospitals' chances of becoming operationally successful.

Such is the major takeaway from a study released Monday in *Health Affairs* that dug into the data behind doctor-owned hospitals before and after the Affordable Care Act was enacted in 2010. **The researchers, TCU accounting professors Elizabeth Plummer and William Wempe,** analyzed 106 physician-owned facilities in Texas, a state that's attracted 40 percent of the nation's combined total (it's estimated to be between 240 and 275). The data pertains to 2008 to 2012, two years before and after the ACA became law.

Obamacare banned doctor-owned hospitals that opened after December 31, 2010 from seeing Medicare or Medicaid patients who were referred by individuals with an ownership stake in said facility. The investors were not able to increase their aggregate ownership percentage after March 23, 2010, and these hospitals had to prove to the Centers for Medicare and Medicaid Services that the community needed more beds in order to expand. There have been just three hospitals to get that OK since its passage. The only way to escape these provisions would be to drop Medicare and Medicaid completely, focusing on the privately insured and cash patients, a model that helped fuel the collapse of upscale chain Forest Park Medical Center. Framed against that environment, you can see how impactful not being in-contract with a private insurer could be on a facility's bottom line.

"When you think of what the ACA did, it came in and made some pretty significant changes for physician-owned hospitals," Wempe said. "So we sat back and said we think five things might happen. And four of those five, there's pretty significant evidence that they did."

Those things: There was a rush of development ahead of the December 31, 2010 deadline, the cut-off date for these hospitals to accept physician referrals of Medicare or Medicaid patients from physicians with ownership shares. (In 2010, the study found that 83.3 percent of newly formed for-profit hospitals were physician owned, compared to 65.6 percent from 2004 to 2009 and 40.9 percent from 2011 to 2013.) Too, the researchers found no evidence that the grandfathered facilities stopped accepting Medicare patients to avoid ACA restrictions. There was also a rush on increasing the aggregate ownership of these hospitals before March 23, 2010, the cutoff to do so. Mean physician ownership jumped from 47.4 percent to 53.4 percent. Median increased from 44 percent to 49 percent.

The regulations were born from fear that physician owners are cherry picking patients for referrals, hogging the highest margin patients and leaving the rest for competitors and the safety net. Doctors involved bristle at that assumption, and maintain that they would see Medicare and Medicaid patients if they could. But the fact remains that the government has been attempting to limit these enterprises since as far back as 1993, when Congress first passed a law blocking physician owners from referring patients to their hospitals unless their ownership stake was in a department or a specialty rather than the entire entity. This, the paper notes, fueled a run on specialty hospitals. The ACA broadened it to all doctor-owned facilities, full service and specialty alike.

The researchers found the ACA to be the most overt attack yet on doctor-owned hospitals; all that have opened in Texas after the effective date have been sold or are part of bankruptcy filings. And part of this is they don't have the safety net of Medicare and Medicaid payments for when the supply of private patients slows.

"It's easy for a hospital to complain about Medicare and Medicaid rates, but be careful what you wish for," Wempe said. "It's a real question, how viable these are if they don't take Medicare."

Many of the facilities faltered because of their high fixed costs, Wempe said. And with recent trends toward value, insurance companies haven't exactly embraced placing them in network.

"If you're an insurance company and you step back and look at some of these physician owned hospitals, some are doing a great job and all that, but at least some of them have to be high cost enterprises," he said. "If you're going to have fountains out front and you're going to have (large) private rooms with everything you can imagine, and you're going to have all this great artwork, well then you're in a high fixed cost setting. Any high fixed cost setting, you have to have the volume or it's not going to work very well."

The study worded it a bit more sternly: "Evidence suggests that physician-owned hospitals formed after the effective date are not viable enterprises."

August 16, 2016

H-E-B to evaluate area sies for Central Market expansion – *by Andrea Ahles*

Fort Worth-area foodies wanting to shop at an H-E-B grocery store may have to wait a little longer.

Although the San Antonio-based chain announced Monday it has purchased six properties in North Texas from Sun Fresh Markets, including a former Tom Thumb store in Grapevine, the company said it is "evaluating the feasibility of each site" for its Central Market brand and not its flagship H-E-B chain.

The privately held H-E-B has been acquiring property in the Metroplex for several years, increasing speculation that the popular South and Central Texas grocery chain was ready to enter the region's competitive supermarket business.

It has announced plans for an H-E-B in Mansfield and purchased land in north Fort Worth at the southeast corner of U.S. 287 and Bond Ranch Road and in Euless' Glade Parks development, which is close to the Grapevine site.

Central Market, which opened in Fort Worth 15 years ago, has been very successful in North Texas, Fox said. A few years ago, H-E-B opened a smaller Central Market store near SMU that executives are considering for other urban neighborhoods.

One reason why H-E-B has not expanded into the Metroplex may be because it does not have a distribution center nearby, said Zachary Hall, a professor at TCU. Typically, a grocery store chain will service stores within a 300-mile radius of its warehouse, Hall said.

"They've just been more conservative in their growth because distribution centers have limited them and that is a huge capital investment," Hall said. H-E-B has distribution centers in Houston, San Antonio, San Marcos and Temple.

Sun Fresh Markets, based in Carrollton, is closing the six stores, which were acquired in late 2014 from Albertsons and Safeway, Tom Thumb's parent, before they merged. In addition to the store at Texas 121 and Hall Johnson Road, four are in Dallas and one is in McKinney.

H-E-B operates stores in Burleson, Waxahachie, Ennis, Granbury, Corsicana and Cleburne. It operates Central Markets in Fort Worth, Southlake, Dallas and Plano.

When H-E-B eventually expands to the Metroplex, Hall said, consumers will benefit from the chain's offering of good products at low prices.

"They are one of the few organizations that can give you the variety with the same pricing as Wal-Mart," Hall said. "But they have a level of service that is significantly higher than Wal-Mart."

August 31, 2016

Four Day Weekend's Funny Business

Four Day Weekend co-founders Frank Ford and David Wilk discuss how improv comedy can be used to teach business principles at **TCU Neeley School of Business**.

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