



**BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**

Tuesday, November 16, 2021

**Discussion and Appropriate Action Regarding Bexar County Hospital District
d/b/a University Health's Preliminary Operating, Debt Service and Capital
Budgets for Fiscal Year 2022**

Key Assumptions:

The preliminary 2022 budget was developed using the Triple Aim Plus as our guiding principles. Improving quality, safety and outcomes, improving the patient experience, improving efficiencies, and improving access to care, were all taken into consideration during the budget planning process.

The preliminary 2022 budget incorporates many changes that are known or projected to occur during the coming year. The continuing impact of the COVID-19 Pandemic, changes in supplemental funding, ongoing large capital projects, and many planned operational improvements will impact revenues and expenses in the coming year. At this meeting, staff will present information on the preliminary 2022 Operating, Debt Service, and Capital budgets.

COVID-19 Pandemic

In February 2020, the first quarantined evacuee came to University Hospital's Emergency Department from Lackland Air Force Base. By mid-March, University Health had implemented procedures to enhance the safety of patients and staff with confirmation of COVID-19 transmission in our community and the local disaster declaration by Bexar County Judge Nelson Wolff. Over subsequent months during 2020 and well into 2021, University Health has continued to proactively adopt practices and procedures in response to this rapidly changing situation using evidence-based guidelines in order to provide the highest quality care to our patients while ensuring the safety of all our staff. Since the pandemic began University Health has treated over four thousand COVID-19 hospitalized patients. University Health has administered over five hundred thousand COVID-19 vaccinations, the majority of

those have been given at the Wonderland Mall mass vaccination site which opened in January 2021.

The Federal Government has helped health care providers with additional funding to offset the impact of the COVID-19 pandemic. University Health received direct payments of \$18 million in 2020 and \$25 million in 2021. There is a fourth round of direct CARES Act payments currently in process, it is unknown at this time if University Health will receive any funding in this round. The Preliminary Budget for 2022 does not include any budgeted revenue for additional direct CARES Act payments. Additional Federal funding has been available to pay Medicare rates for the treatment of COVID positive uninsured patients. In 2021 a projected \$8 million will be received related to this program, we expect this to decline to \$1.5 million in 2022.

Staffing shortages, supply chain disruptions, and surges in infections due to new COVID variants have created challenges for health care providers. The long term medical resource demands and financial impacts related to the COVID-19 pandemic are unknown at this time but are predicted to last several years.

1115 Waiver

As in prior years, supplemental funding programs will have a large impact on University Health’s operating budget. The Texas 1115 Waiver (Waiver), which was extended for an additional five year term from 2018 through 2022, has provided some stability in Uncompensated Care (UC) and Delivery System Reform Incentive Program (DSRIP) funding. This year the Waiver is expected to provide approximately \$192 million in supplemental funding to University Health. The current Waiver includes planned reductions in DSRIP funding which began October 1, 2019 and no planned funding after October 1, 2021.

The Texas Health and Human Services Commission (HHSC) has worked with the Centers for Medicare and Medicaid Services (CMS) to implement a replacement Waiver and to replace the DSRIP program with State Directed Payments (SDPs). Due to the continuing COVID-19 public health emergency, CMS will not approve the new SDPs at this time. CMS offered an extension of DSRIP funding for one additional year (October 1, 2021 through September 30, 2022) while the terms and conditions for the new SDPs are negotiated. On September 7, 2021, HHSC accepted the extension of the DSRIP funding at a State wide amount of \$2.49 billion. Although this extension will reduce University Health’s DSRIP funding by \$18.2 million, it

does provide \$68.1 million in funding for 2022 while the new SDPs are finalized. Providers are hopeful the new programs are approved and will be implemented in 2023 to help offset the loss of the DSRIP funds.

UC funding is projected to decrease by \$11.1 million in 2022, related to the projected decrease in the Federal Medical Assistance Percentages (FMAP) rate. The FMAP is the rate of Federal match for supplemental funding programs, the higher the FMAP rate the lower the required Inter-Governmental Transfer (IGT) amount which is provided by University Health. The FMAP rate was enhanced by six percentage points in early 2020 due to the Federal emergency declaration which is currently scheduled to end in January 2022.

The projected Waiver related funding budgeted for 2022 is \$163 million, \$29.3 million lower than the 2021 projection due to the reduction in DSRIP funding and the budgeted reduction in the FMAP rate.

Large Projects

There are a number of large projects with budget implications that staff and leadership will focus on during 2022.

- Construction on the Women’s and Children’s Hospital will continue during 2022 with the planned opening in summer 2023. This project will continue to be a disruptor to the traffic and pedestrian flow at the hospital campus. We are committing additional resources to assure the safety of our patients, visitors and employees around the campus during construction. Shuttle bus service and contracted ambassador personnel have been engaged to support this effort. Additional patient volume and associated expense will be included in the 2023 operating budget.
- University Health has identified three strategically located sites for clinical services within Bexar County (See Exhibit 9). One site has been purchased while the other two are under contract for purchase. The timing and plans for development at each location will be determined at a future date in order to successfully meet the community’s increase demand for medical services.

- Planned investments in recruiting and retaining physicians are included in the 2022 budget, including market adjustments for our UT Health providers, expanded physician coverage for post-transplant patients, adult ECMO program growth, and primary care expansion with additional clinic locations and providers in University Medicine Associates (UMA).
- The Hospital at Home program is projected to grow to an average daily census of 20 patients, freeing up additional bed capacity in University Hospital and providing high quality inpatient care in the patient’s home.
- Facilities improvements will continue with infrastructure repair and upgrades at existing locations, buildout of the new Women’s Imaging Center, and planned opening of additional school based and regional clinic locations.
- Expansion of the Specialty Pharmacy program is budgeted to significantly increase during 2022. This service provides high cost, specialty drugs to patients experiencing chronic illness and will increase pharmacy supply expense and staffing costs which will be offset by additional pharmacy revenue.
- Community First, working in conjunction with CareLink, will implement a new Health Exchange insurance plan. Some qualifying CareLink members will be transitioned onto this new insurance plan.

There are multiple ongoing operational and quality improvement initiatives that will impact the 2022 budget. While the goal of these projects is to improve quality, access, or the patient experience, staff anticipates a positive financial impact on operations due to better throughput, a reduction of expenses or revenue increases exceeding expenses. These initiatives include care transition improvements, expansion of the retail and specialty pharmacy services, continuing Emergency Department and University Hospital process improvements and many other smaller projects.

The table below details the summary information for the preliminary 2022 Operating, Debt Service, and Capital Budget for University Health.

**BCHD Board of Managers – Discussion and Appropriate Action Regarding the Bexar County Hospital District d/b/a University Health’s Preliminary Operating, Debt Service and Capital Budgets for Fiscal Year 2022
 Tuesday, November 16, 2021
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Consolidated (Dollars in Millions)	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Total Operating Revenue	\$2,397.8	\$2,558.2	\$160.4	6.7%
Total Operating Expense	\$2,103.2	\$2,467.1	\$363.9	17.3%
Operating Gain	\$294.6	\$91.1	(\$203.6)	(69.1%)
Nonoperating Revenue/(Expense):				
Depreciation/Amortization	(\$88.4)	(\$88.5)	(\$0.2)	(0.2%)
Other Non-operating	\$0.9	\$4.4	\$3.5	392.8%
Premium Deficiency Reserve	\$4.1	\$2.0	(\$2.2)	(52.2%)
Total Nonoperating Revenue	(\$83.4)	(\$82.1)	\$1.2	1.5%
Bottom Line excluding Debt Service	\$211.3	\$8.9	(\$202.3)	(95.8%)
Debt Service Revenue	\$74.7	\$69.1	(\$5.6)	(7.5%)
Debt Service	\$74.7	\$69.1	(\$5.6)	(7.5%)
Net Debt Service	\$0.0	\$0.0	\$0.0	0.0%
Capital Requirements	\$40.1	\$42.5	\$2.4	6.1%

Additional detail on the budget can be found in the attached Exhibits:

- Attachment 1 Preliminary 2022 Operating Budget - University Health
- Exhibit 1A Preliminary 2022 Consolidated University Health - Revenues and Expenses
- Exhibit 1B Preliminary 2022 University Health less CFHP - Revenues and Expenses
- Exhibit 1C Preliminary 2022 Community First Health Plans - Revenues and Expenses
- Exhibit 2 Preliminary 2022 Activity and notes
- Exhibit 3 Preliminary 2022 Budget, Changes to Total Operating Revenue
- Exhibit 4 Preliminary 2022 Budget, Legislative Changes
- Exhibit 5 Preliminary 2022 Budget, Changes to Total Operating Expense
- Exhibit 6 Preliminary 2022 Budget, FTE Changes
- Exhibit 7 Preliminary 2022 Budget, Analysis of Tax Rate
- Exhibit 8 Preliminary 2022 Budget, Detail of Capital Request
- Exhibit 9 Property Acquisitions/Dispositions

Changes in Utilization:

Total discharges are projected to grow by 8.9% with 9.4% growth in adults and 2.5% in pediatrics. Outpatient ambulatory clinic volume is budgeted to achieve a 23.6% increase over 2021 projected activity. The primary driver for the increase in discharge

volume is related to budgeted shorter lengths of stay with lower COVID inpatient activity and some additional capacity related to the new Hospital at Home program. The outpatient ambulatory volume increase is related to a projected rebound in demand for health care services post pandemic combined with additional primary care providers in University Medicine Associates (UMA).

Routine Capital:

The Capital Committee, working with the area Vice Presidents, prioritized the 2022 capital request. The capital budget for 2022 is recommended to be set at \$42.5 million, which is \$2.4 million higher than the 2021 routine capital budget. In prioritizing the capital needs for 2022, the Capital Committee met and focused on items that were considered as “Essential: Cannot Function Without,” “Important: Necessary for Improvement,” and “Proactive: Necessary to Avoid Problems.” A summary of the Clinical Services Division capital by priority category is in the following table:

2022 Routine Capital Requirements				
Priority	Mandated (Regulatory Safety & Required Maintenance)	Replacement	Strategic (New Service / Expansion)	Grand Total
Essential: Cannot Function Without	\$ 2,914,207	\$ 12,557,533	\$ 782,150	\$ 16,253,890
Important: Necessary For Improvement	\$ 6,747,840	\$ 4,026,074	\$ 8,880,196	\$ 19,654,110
Proactive: Necessary To Avoid Problems		\$ 3,248,950	\$ 1,440,590	\$ 4,689,540
Total Clinical Services	\$ 9,662,047	\$ 19,832,557	\$ 11,102,937	\$ 40,597,541

Exhibit 8 includes the detail of capital requests for the Clinical Services Division, a detail of the Community First Capital request of \$1.9 million is on page 31 of Attachment 1.

Debt Service Requirement:

The required principal and interest payments on University Health’s outstanding bonds due in 2022, is \$69.1 million. A Debt Service tax levy of \$69.1 million to cover

payments due in 2022, was approved by Commissioners Court on September 14, 2021.

Debt Service				
Dollars in millions	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Debt Service I&S Tax Funds	\$ 74.7	\$ 69.1	\$ (5.6)	-7.5%
Debt Service Payment	\$ 74.7	\$ 69.1	\$ (5.6)	-7.5%
Net Debt Service Revenue	\$ -	\$ -	\$ -	0.0%

To ensure the ongoing financial strength of University Health, we will focus on the following items:

- Continue to improve operating efficiencies
- Grow activity in strategic service lines
- Control operating expenses
- Improve patient quality and safety scores
- Actively pursue new Federal and State funding sources

Recommendation:

Staff recommends Board of Managers’ approval of the Preliminary Operating, Debt Service and Capital Budgets for Fiscal Year 2022, and endorses it to Bexar County Commissioners’ Court for their final approval on December 7, 2021.

Reed Hurley
Executive Vice President/
Chief Financial Officer

Edward Banos
Executive Vice President/
Chief Operating Officer

George B. Hernández, Jr.
President/Chief Executive Officer



Review and Discussion Regarding
Bexar County Hospital District d/b/a
University Health's Preliminary Operating,
Debt Service and Capital Budgets
for Fiscal Year 2022

Tuesday, November 16, 2021

George B. Hernández, Jr., President/CEO
Reed Hurley, CFO



**University Health
Preliminary Operating, Debt Service,
and Capital Budgets
For Fiscal Year 2022**

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University Health Preliminary 2022 Budget Summary

Strategic Vision

University Health continues to pursue its strategic vision to be the premier health system in South Texas, committed to delivering patient-centered, culturally competent and high quality healthcare, based on a strong foundation of outcomes-based research and innovative teaching. This vision serves to guide decision making and operational execution. The 2022 Budget was developed with this strategic vision in mind. University Health is consistently recognized as a leader in advanced treatment options, new technologies and clinical research. University Health is also among an elite group (est. 6%) of U.S. hospitals to earn Magnet designation – the gold standard in nursing care. Consumer trust and preference for University Hospital has grown significantly in recent years. University Health continues to perform well in consumer preference surveys conducted by third party research groups. This includes unaided brand awareness among potential patients, as well as overall brand image and preference indicators. University Health continues to be the “Most preferred hospital for all health needs” in the highly regarded NRC Market Insights Consumer Study and has the highest “Best image/reputation” score in the market.

Triple-Aim Plus

The Triple-Aim *Plus* concept continues to be the guiding principles of how University Health executes its strategy to serve the community. University Health continues to be successful in executing the aims of:

- Improving quality, safety and outcomes
- Improving the patient experience
- Improving efficiencies
- Improving access to care

These principles are the foundation of healthcare transformation and all initiatives pursued are developed in the spirit of transforming care using the Triple Aim *Plus* goals.

Major Impacts to the 2022 Budget

- The COVID-19 pandemic had a significant impact on 2021 operations as new procedures were implemented in many areas related to screening, testing, and treatment of patients. A large decrease in elective patient activity also occurred impacting corresponding revenues and expenses. The 2022 budget assumes activity levels will return to 2019 levels which will increase patient revenues and expenses. Due to the emergency declaration, revenue related to many of the Supplemental Funding programs increased in 2020 and 2021. The 2022 budget assumes the increases related to the pandemic will end in early 2022. There are expenses related to COVID-19 testing, Personal Protective Equipment (PPE), COVID treatment protocols, and higher inflationary costs due to supply chain and labor market disruptions that are built into the 2022 budget.
- Supplemental funding sources were supported during the COVID-19 emergency declaration with enhancements to the Federal Medical Assistance Percentages (FMAP) rate that is scheduled to be discontinued in December 2021. The elimination of this funding enhancement, coupled with reductions in 1115 Waiver programs, results in a decrease in Other Revenue by \$38.6 million in Budget 2022.
- Planned investments in recruiting and retaining physicians are included in the 2022 budget, including market adjustments for our UT Health providers, expanded physician coverage for post-transplant patients, adult ECMO program growth, and primary care expansion with additional clinic locations and providers in University Medicine Associates (UMA).
- Specialty Pharmacy program, a service that provides high cost, specialty drugs to patients experiencing chronic illness, began in 2021. This program is growing rapidly and with the maturation of the Meds-to-Beds service, Pharmacy supply and staffing expense are growing in Budget 2022. The increased costs will be offset by increased patient revenue from insured populations.
- The Hospital at Home program is projected to grow to an average daily census of 20 patients, freeing up additional bed capacity at University Hospital by providing high quality inpatient care in the patient's home.
- Community First, working in conjunction with CareLink, will implement a new Health Exchange insurance plan. Some qualifying CareLink members will be transitioned onto this new insurance plan.

- Resource investment to improve and upgrade existing buildings, equipment, and software will be a focus in 2022, as University Health continues pursuit of being the preferred health system in the community.

Capital Budget Projects

Funded Projects that will impact operations and the 2022 Budget:

- The Women's and Children's Hospital project will become more visible in 2022, the vertical construction of the building's structure will be completed and the dry-in will begin.
- Facilities improvements will continue with infrastructure repair and upgrades at existing locations, buildout of the new Women's Imaging Center, and planned opening of additional school based and regional clinic locations.
- University Health went live with the EPIC electronic health record (EHR) on July 11, 2020. Continued optimization of the system and operational workflows are continuing throughout 2022.

Operational Improvements – Working in conjunction with UT Physicians

- Emergency Room throughput and efficiency: Power UP
- Inpatient Care Transitions: Power Through
- Clinical Documentation improvements
- Maintain and improve patient satisfaction
- Length of stay reductions
- Improvement in quality metrics
- Employee engagement and satisfaction
- Implement strategic tactics to fulfill projected activity by:
 - Focusing on key service lines
 - Children's Health and neonatal care
 - Women's Health Services including perinatal
 - Trauma
 - Transplant
 - Cardiovascular
 - Neurosciences
 - Oncology
 - Enhance marketing, outreach and referral development
 - Executing planned clinical integration and physician alignment initiatives with key service line physicians
- Enhance human capital through recognition programs and continuous learning

- Produce positive financial results to fund capital improvements

2022 Consolidated Budget Summary

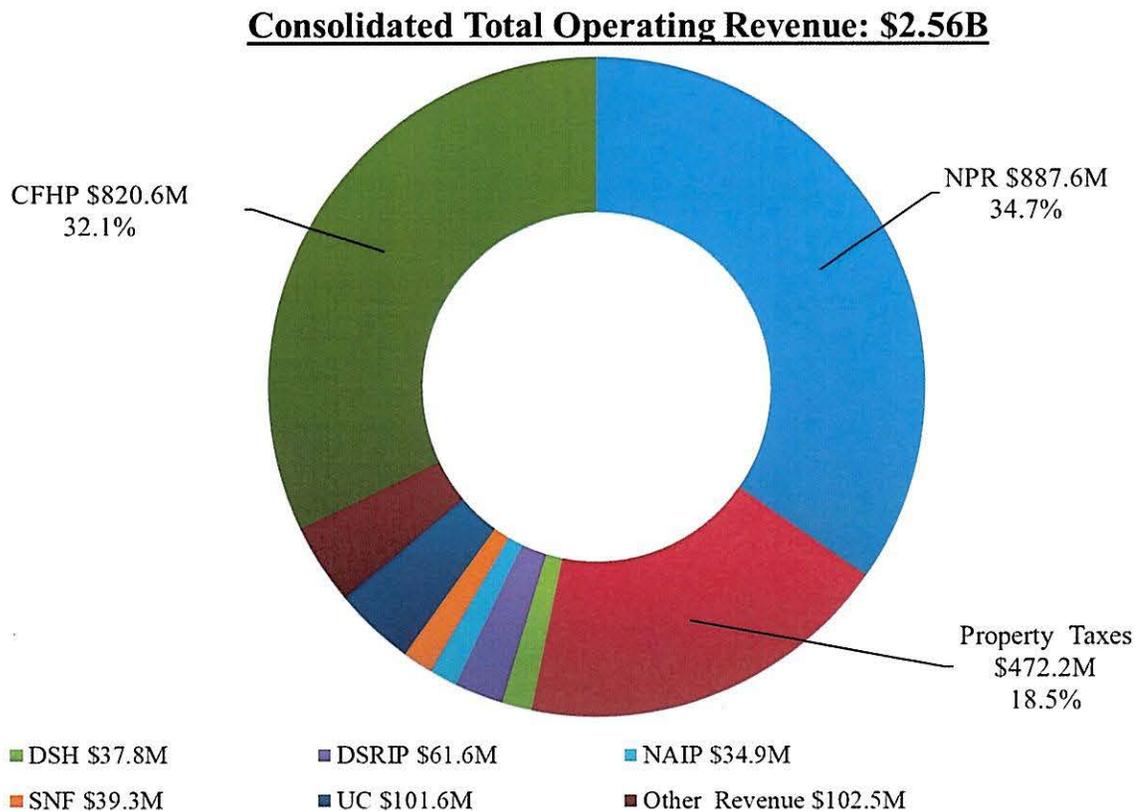
The table below is a summary of the 2022 Consolidated Budget and a comparison to Projected 2021.

Consolidated (Dollars in Millions)	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
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Premium Deficiency Reserve	\$4.1	\$2.0	(\$2.2)	(52.2%)
Total Nonoperating Revenue	(\$83.4)	(\$82.1)	\$1.2	1.5%
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Debt Service	\$74.7	\$69.1	(\$5.6)	(7.5%)
Net Debt Service	\$0.0	\$0.0	\$0.0	0.0%
Capital Requirements	\$40.1	\$42.5	\$2.4	6.1%

- University Health's Consolidated Preliminary 2022 Budget (Exhibit 1A) reflects a gain from operations of \$91.1 million and a bottom line gain of \$8.9 million after including non-operating income/(expense) of (\$82.1) million.
- University Health (less Community First), the Clinical Services Division (Exhibit 1B) reflects a \$88.3 million gain from operations and a bottom line gain of \$5.4 million after including depreciation expense of \$87.0 million and \$4.0 million of non-operating revenue.
- CFHP (Exhibit 1C) reflects a gain from operations of \$2.7 million and a bottom line gain of \$3.5 million after including depreciation expense of \$1.6 million, premium deficiency reserve of \$2.0 million and non-operating income of \$0.4 million.

- The budget includes \$69.1 million in debt service for bonds used to fund University Health’s Capital Improvement Program (CIP). The tax rate set to fund the required debt service for 2022 is \$0.035271 per \$100 valuation (Exhibit 7).
- University Health’s 2022 on-going capital budget for the clinical services includes \$40.6 million (Exhibit 8) in items that have been prioritized and approved by the capital committee. These capital items will be funded by cash flow from operations. In addition, capital requests for CFHP are \$1.9 million.

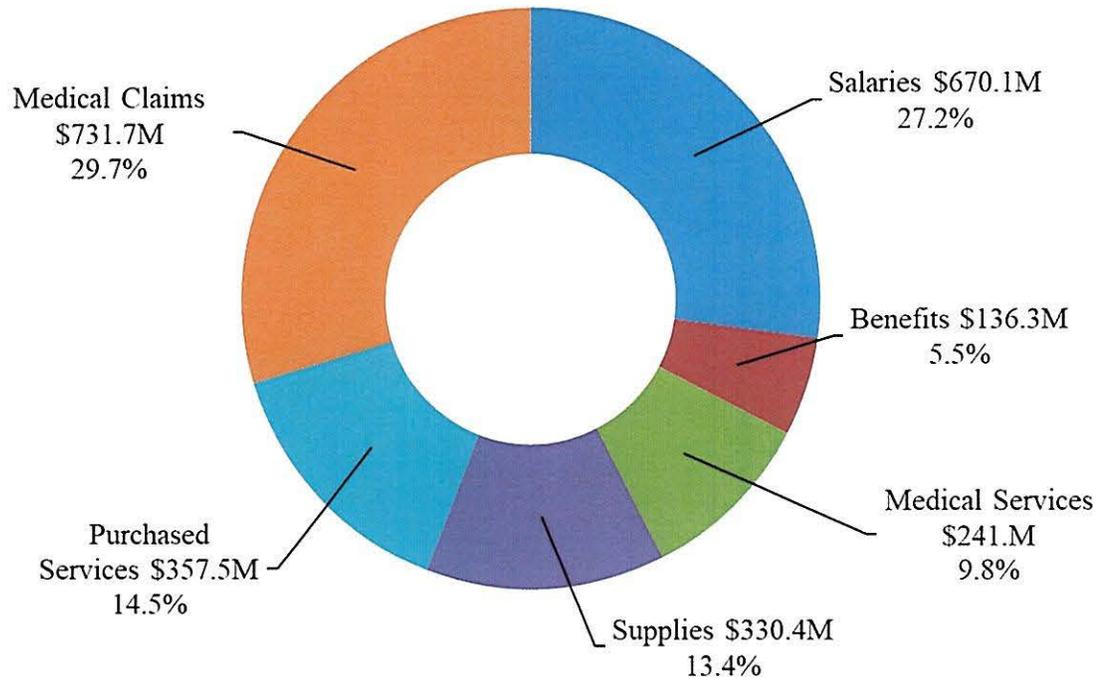
A summary of consolidated sources of funding is as follows:



On a consolidated basis, Total Operating Revenue is \$2.56 billion. Net Patient Revenue (NPR), or collections from third party payers and patients, represents the largest percent at 34.7%. Premium revenue from CFHP follows at 32.1%. Property taxes account for 18.5% of total operating revenue and DSH, DSRIP, NAIP, and UC (Supplemental Funding) account for 10.7%.

A summary of Consolidated Total Operating Expense is as follows:

Consolidated Total Operating Expenses: \$2.47B



On a consolidated basis, Total Operating Expense is \$2.47 billion. Salaries and benefits represent the largest percentage at 32.7% followed by Medical Claims for CFHP at 29.7%, Purchased Services at 14.5%, Supplies are 13.4%, and Medical Services are at 9.8%.

**Clinical Services Division (University Health less Community First)
Preliminary Operating and Capital Budget for Fiscal Year 2022**

University Health developed the 2022 Clinical Services Division Budget to incorporate the strategies and initiatives described in the preceding sections. The Clinical Services Division Preliminary 2022 Budget will produce an operating gain of \$88.3 million and bottom line of \$5.4 million.

Below is a summary of the 2022 Preliminary Budget and a comparison to Projected 2021:

University Health (Less CFHP)	2020 Audited	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Dollars in Millions					
Total Operating Revenue	\$1,600.8	\$1,753.8	\$1,737.5	(\$16.3)	(0.9%)
Total Operating Expense	\$1,384.8	\$1,496.6	\$1,649.2	\$152.6	10.2%
Gain/(Loss) from Operations	\$216.0	\$257.2	\$88.3	(\$168.9)	(65.7%)
Depreciation Expense	(\$77.8)	(\$86.8)	(\$86.9)	(\$0.1)	0.2%
Other Non-operating	\$18.7	\$0.7	\$4.0	\$3.4	494.8%
Total Non-Operating Revenue/Expense	(\$59.1)	(\$86.1)	(\$82.9)	\$3.2	3.7%
Bottom Line excluding Debt Service	\$156.9	\$171.1	\$5.4	(\$165.7)	(96.8%)
Debt Service Revenue	\$69.6	\$74.7	\$69.1	(\$5.6)	(7.5%)
Debt Service	\$69.6	\$74.7	\$69.1	(\$5.6)	(7.5%)
Net Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Capital Requirements	\$32.9	\$39.9	\$40.6	\$0.7	1.8%

- University Health (less Community First), the Clinical Services Division (Exhibit 1) reflects a \$88.3 million gain from operations and a bottom line gain of \$5.4 million after including depreciation expense of \$86.9 million and \$4.0 million of non-operating revenue.
- The budget includes \$69.1 million in debt service for bonds used to fund University Health's Capital Improvement Program (CIP). The tax rate set to fund the required debt service for 2022 is \$0.035271 per \$100 valuation (Exhibit 7).
- University Health's 2022 on-going capital budget for Clinical Services includes \$40.6 million (Exhibit 8) in items that have been prioritized and approved by the capital committee. These capital items will be funded by cash flow from operations. The majority of the capital budget request is comprised of replacement

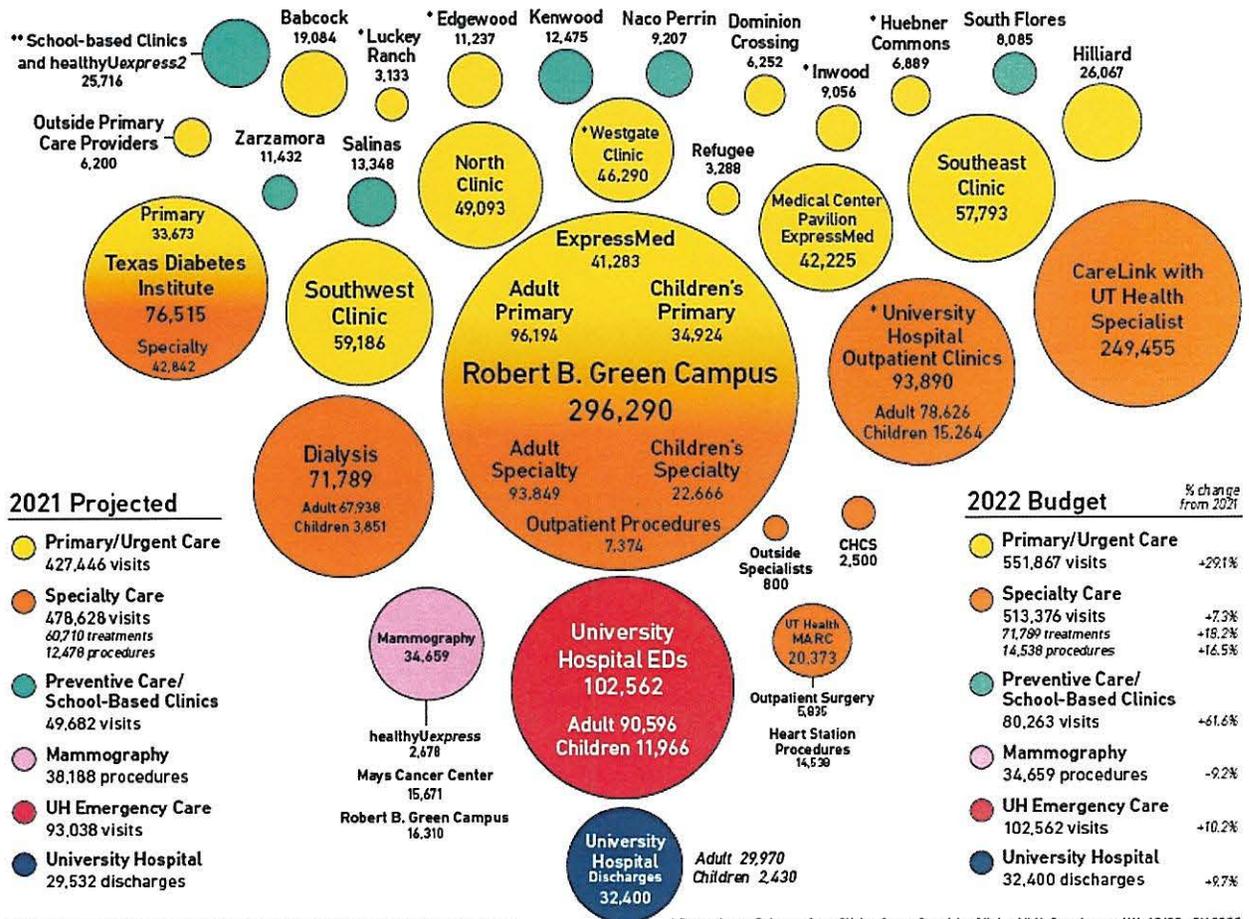
equipment and upgrades at \$19.8 million, \$11.1 million for strategic or new services, and \$9.7 million for mandated regulatory or safety items. Several large capital projects include \$3.5 million for replacing Central Plant Generators, \$6.0 million for replacement of aged infrastructure and equipment, and \$2.9 million to replace a CT scanner at University Hospital.

Clinical Activity (Access) Assumptions

The Preliminary 2022 budget projects inpatient discharge activity will increase by 8.9% and outpatient activity will increase by 16.0% compared to the volumes projected for 2021. The major assumptions for clinical volumes revolves around the COVID-19 pandemic and recruitment efforts to grow the primary care base. For budgeting purposes, the assumption is that the demand for services will return to historical performance levels. A detail of Activity in the Preliminary 2021 Budget can be found in Exhibit 2. The major factors contributing to this growth include:

- Assumption that patient volumes will return to 2019 levels.
- Additional inpatient volume is primarily attributed to the Hospital at Home program which will increase capacity to provide inpatient services at the patient's home.
- Women's service line enhancement will drive continued volume increases in both inpatient and outpatient settings.
- Additional ambulatory clinic locations, including additional school-based clinics, are supported by increased recruitment of 25 new UMA providers in either late 2021 or early 2022.

The following chart illustrates the relative magnitude of the activity projections.



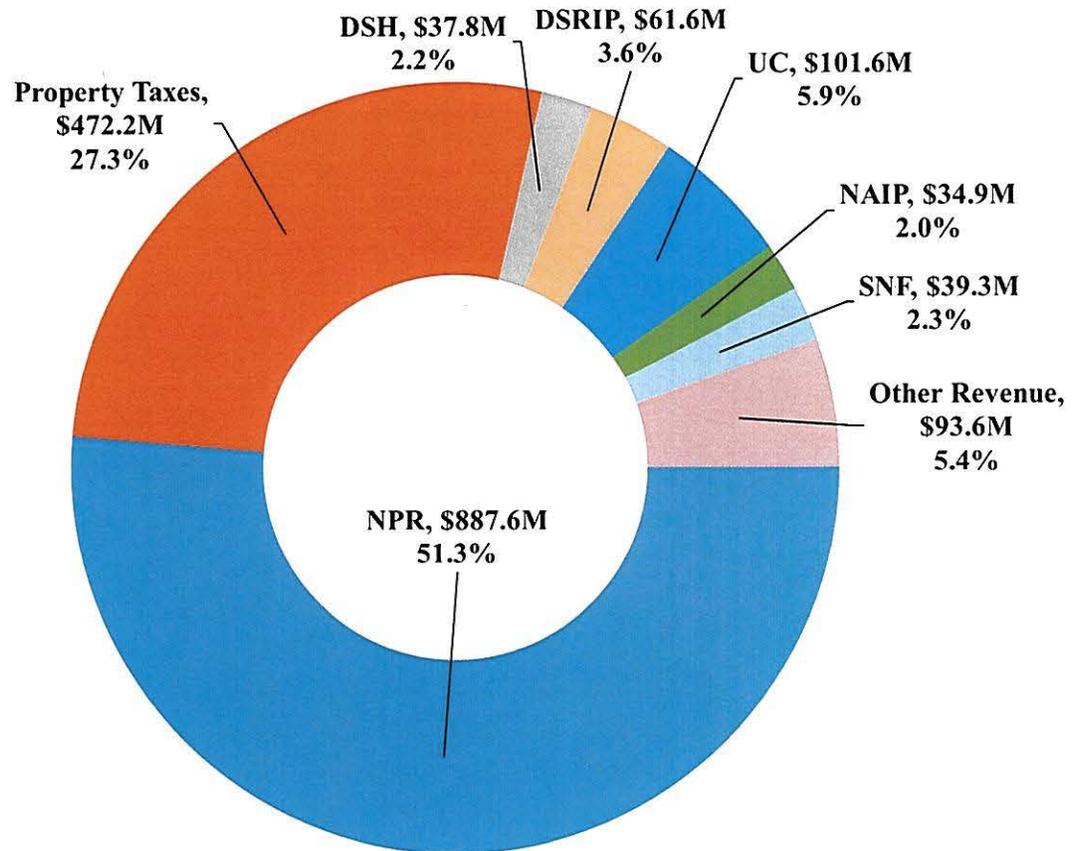
Note: This chart depicts activity by location. Counts are Visits unless otherwise noted. Certain items may not be to scale. Rev 10/2021

* Several new Primary Care Clinics & one Specialty Clinic - UMA Oncology at UH: 10/20 - CY 2022
 ** Includes two new School-Based Clinics - Judson ISD and Northside ISD: 08/21 - CY 2022

Total Operating Revenue – Clinical Services Division

2022 Total Operating Revenue is budgeted at \$1.7 billion, which is \$16.3 million or 0.9% lower than the 2021 projection. There are three primary areas that make up the Clinical Services Division's operating revenue: Net Patient Revenue (NPR), Supplemental Funding, and Property Tax Revenue.

Total Operating Revenue: \$1.73B



Net Patient Revenue (NPR)

2022 NPR was budgeted at the clinical service line level using the projected activity, gross charges and historical payment rates by the various payers. NPR is budgeted at \$887.6 million which is an increase of \$23.4 million compared to the 2021 projection. The following is a summary of the key NPR assumptions:

- Actual inpatient payment rates by service line from calendar year 2020 were utilized as the base for NPR. These rates were adjusted for known payment changes including: Commercial, State, and Federal Legislative updates. Exhibit 3 details changes to the Total Operating Revenue, including NPR that illustrates impacts due to volume and rate improvements.

- UMA recruitment growth and increasing volumes back to 2019 levels is projected to add \$12.4 million to NPR resulting from additional inpatient revenue of \$2.9 million and outpatient revenue of \$9.5 million.
- Medicare & Managed Medicare program changes will result in a decrease of \$18.0 million. The primary change resulting in revenue loss is an \$8 million reduction in CARES funding that includes Medicare-level payments for unfunded COVID-19 patients. Budget 2022 also accommodates for a reimplemention of the 2% sequestration that was postponed due to the COVID-19 pandemic, a reduction of \$3.3 million. The final major impact to this funding source is a 2021 recognition of a 2020 cost report settlement related to increases in transplant volumes. Budget 2022 assumes the \$9 million impact will not reoccur.
- Managed care contract rate improvements will increase NPR by \$8.0 million.
- Retail Pharmacy sales and the Meds-to-Beds program will continue to grow in 2022 Budget by an estimated \$3.8 million in NPR.
- The new Specialty Pharmacy Program is budgeted to increase patient revenue by \$17.2 million. This program is designed to meet the needs of patients prescribed a “specialty drug.” Two pharmacies, RBG and Outpatient UH, will be designated as Specialty Pharmacies in 2022.

Supplemental Funding

Supplemental Funding is a combination of multiple Federal and State programs that help offset the cost of caring for low income and uninsured patients. These programs are subject to legislative actions and frequent rule changes and often have a limited life span. University Health staff utilized the best information available as of October 2021, to prepare the impact of Regulatory and Legislative actions (Exhibit 4). All of the changes in this chart, which reflect an \$81.8 million decrease in funding from the 2021 projection, are included in the Preliminary 2022 budget. Some components of the Regulatory and Legislative actions are included in Net Patient Revenue while others are reported as stand-alone items in the financial reports. The following are the key assumptions relative to legislative impacts on operating revenue:

CARES Act

As a result of the COVID-19 pandemic, the Federal Government passed the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act). The CARES Act provided several trillion dollars of relief funding to help offset the financial disruptions caused by the COVID-19 pandemic. The CARES Act Provider Relief Fund provided financial relief to Hospitals and other health care providers. University Health

received General Distribution payments of \$18 million in 2020 and \$25.2 million in 2021. This funding is subject to recoupment if certain conditions are not met, namely University Health must have a combination of direct COVID-19 expenses or lost patient revenue related to the pandemic. Staff have performed the calculations and are certain University Health will not be subject to recoupment of these funds. The Preliminary 2022 budget assumes no additional relief funding for 2022.

University Health was able to take advantage of another source of Provider Relief Funding related to the pandemic which involved payments for COVID-19 positive, uninsured patients. This program is administered by Health and Human Services (HHS) and requires a very detailed patient level billing process. University Health is projecting to receive \$8.0 million in HHS COVID-19 uninsured patient payments in 2021 and an additional \$1.5 million in 2022. In total, \$33.2 million dollars of CARES Act funding is predicted for 2021 and \$1.5 million is budgeted for 2022 creating a \$31.7 million negative variance when comparing 2021 projection to the 2022 budget.

Texas 1115 Medicaid Waiver

As in prior years, supplemental funding programs will have a large impact on University Health's operating budget. The Texas 1115 Waiver (Waiver), which was extended for an additional five year term from 2018 through 2022, has provided some stability in Uncompensated Care (UC) and Delivery System Reform Incentive Program (DSRIP) funding. This year the Waiver is expected to provide approximately \$192 million in supplemental funding to University Health. The current Waiver includes planned reductions in DSRIP funding which began October 1, 2019 and no planned funding after October 1, 2021.

The Texas Health and Human Services Commission (HHSC) has worked with the Centers for Medicare and Medicaid Services (CMS) to implement a replacement Waiver and to replace the DSRIP program with State Directed Payments (SDPs). Due to the continuing COVID-19 public health emergency, CMS will not approve the new SDPs at this time. CMS offered an extension of DSRIP funding for one additional year (October 1, 2021 through September 30, 2022) while the terms and conditions for the new SDPs are negotiated. On September 7, 2021, HHSC accepted the extension of the DSRIP funding at a State wide amount of \$2.49 billion. Although this extension will reduce University Health's DSRIP funding by \$18.2 million, it does provide \$68.1 million in funding for 2022 while the new SDPs are finalized. Providers are hopeful the new programs are approved and will be implemented in 2023 to help offset the loss of the DSRIP funds.

UC funding is projected to decrease by \$11.1 million in 2022, related to the projected decrease in the Federal Medical Assistance Percentages (FMAP) rate. The FMAP is the rate of Federal match for supplemental funding programs, the higher the FMAP rate the lower the required Inter-Governmental Transfer (IGT) amount which is

provided by University Health. The FMAP rate was enhanced by six percentage points in early 2020 due to the Federal emergency declaration which is currently scheduled to end in December 2021.

The Waiver related funding budgeted for 2022 is \$163 million, \$29.3 million lower than the 2021 projection due to the reduction in DSRIP funding and the budgeted reduction in the FMAP rate.

Other Supplemental Programs

- Federal regulations were in place to reduce Texas' Medicaid DSH allocation by 30% starting December 11, 2020 but were put on hold due to the COVID-19 pandemic. The preliminary Budget 2022 is expected to only have a slight decrease. University Health leadership is working with strategic partners to advocate for the full retention of DSH funding by the Federal Government.
- The Network Access Improvement Program (NAIP), which is designated as a pass through program, is a lump sum payment that is passed through Managed Medicaid payers to participating providers. The NAIP program will provide \$34.9 million in funding for 2022 which is \$8.7 million lower than 2021 due to the loss of the enhanced FMAP that was in place throughout the pandemic disaster declaration.
- The Uniform Hospital Rate Improvement Program (UHRIP) is a program that improves Managed Medicaid rates for hospitals in specific Service Delivery Areas (SDAs). University Health is required to Inter-Governmental Transfer (IGT) \$13.8 million which is recorded as a purchased services expense to fund this program. It is projected that this program will increase University Health Managed Medicaid payments by a net \$18.4 million in 2022, slightly lower than the 2021 amount.
- The Medicaid Graduate Medical Education (GME) reimbursement program started in 2019. This program helps to offset the unreimbursed expenses related to medical residents. University Health's net benefit amount of \$9.7 million received in 2021 is projected to be slightly lower for 2022.
- The Nursing Home Quality Incentive Payment Program (QIPP) is projected to have a \$1.9 million positive impact on the University Health's 2022 funding which is slightly lower than the 2021 projected amount of \$2.5 million. University Health owns the licenses for four Skilled Nursing Facilities (SNF's) in our operating area.

Property Tax M&O

Property tax revenue for operations (M&O) is projected to increase \$27.8 million, which is the combination of \$10.7 million for new properties and \$17.1 million for the

increased value of existing properties. Excluding CFHP, property taxes for operations as a percent of Total Operating Revenue slightly increases from 26% in 2021 Budget to 27% for the 2022 Budget.

A summary of the property taxes reflected is as follows:

Preliminary 2022 Budget: Analysis of Tax Rate

Dollars in Thousands	2020 Tax Rate	2021 Tax Rate	Tax Rate Change from Existing Rate	% Change from Existing Tax Rate	2021 Estimated Taxes ¹	2022 Estimated Taxes ²	Proposed Net Change From Prior Year	% Increase
Operating Rate	0.236753	0.240964	0.004211	1.78%	\$444,431	\$472,231	\$27,800	6.26%
Debt Rate	0.039482	0.035271	(0.004211)	(10.67%)	\$73,287	\$69,112	(\$4,175)	-5.70%
Total Tax Rate	0.276235	0.276235	0	0.00%	\$517,718	\$541,343	\$23,625	4.56%

¹ 2021 Estimated Tax revenue calculated on 2020 property values as of 9/30/20 and 2020 Tax Rate

² 2022 Estimated Tax revenue calculated on 2021 property values certified on 10/01/21 and 2021 Tax Rate

Exhibit 7 reflects the tax rate calculation.

Other Revenue

Other Revenue	
(Dollars in Millions)	
2021 Projected	\$109.1
Changes	
Cares Act Revenue	(\$25.2) -23.1%
Foundation	(\$4.9) -4.5%
Grant Revenue	\$2.8
340b Contract Pharmacy	\$1.8 1.6%
Net Other Revenue Changes	\$1.1 1.0%
Total Change	(\$24.4) -22.4%
2022 Preliminary Budget	\$84.5

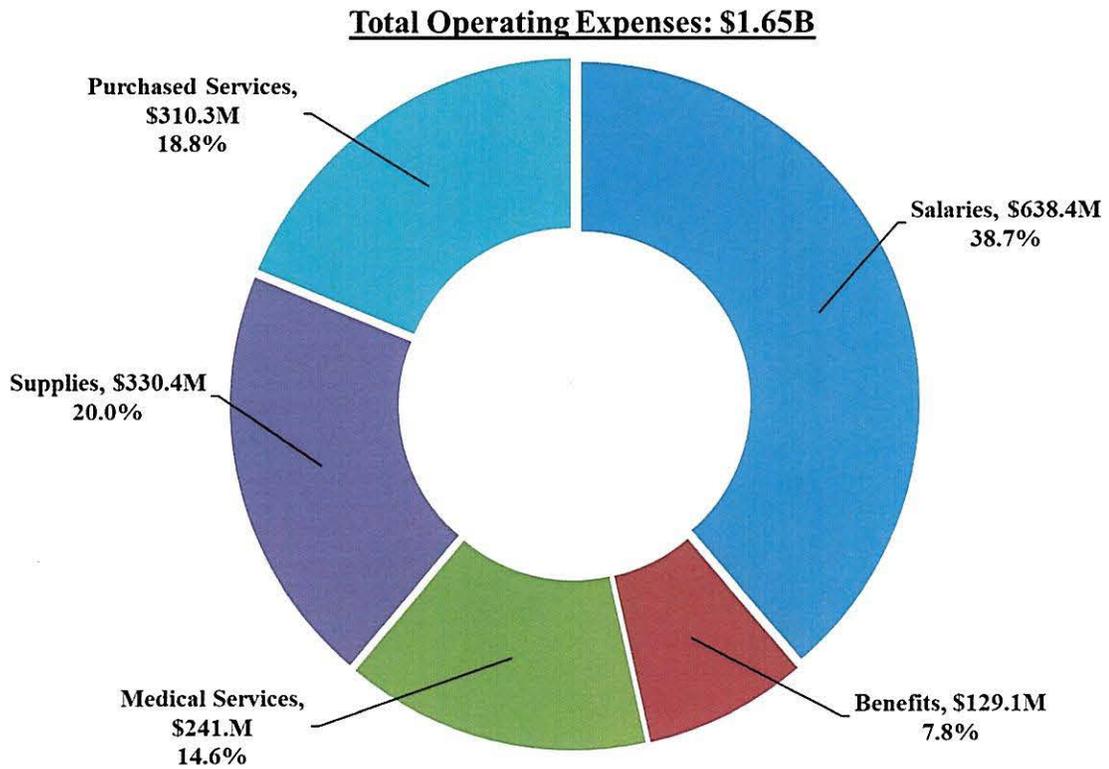
Other Revenue of \$84.5 million includes CARES Act revenue, reimbursement for

residents that work in non-University Health sites, Grants, Foundation revenue, cafeteria revenue for visitors and staff, catering revenue, sundry revenue from parking, disposal of assets, clinical research studies, UT leased space at UH and TDI, pharmacy rebates, vendor rebates, medical records copies, lease payments, reimbursement under the 1115 waiver for anchor administrative costs, and other miscellaneous items.

- \$25.2 million of General Distribution CARES Act funding received in 2021 was booked in Other Revenue, no additional CARES Act General Distribution funding is budgeted for 2022.
- Foundation revenue is projected to decrease \$4.9 million in the Preliminary Budget 2022 as fundraising for the Women's & Children's Hospital project begins to wind down.
- Grant Revenue is budgeted to increase by \$2.8 million due to new grants received and increases in existing grants.
- Net Other Revenue Change increase of \$2.9 million is primarily driven by an increase in expected 340b contract pharmacies and cafeteria revenues as visitor volume rebounds to pre-pandemic levels.

Total Operating Expense

Total Operating Expense for 2022 is budgeted at \$1.6 billion that is a \$152.6 million or 10.2% increase over the 2021 projected total. For the Clinical Services Division (UH less CFHP) salaries and benefits make up 46.5% of operating expense. Medical Services, Purchased Services, and Supplies make up 14.6%, 20.0%, and 18.8%, respectively. A chart summarizing the changes in expense category and the drivers that impact the changes is provided in Exhibit 5.



Salaries

Salaries		
(Dollars in Millions)		
2021 Projected		\$572.0
Changes		
Merit Increase and Market Adjustment	\$26.2	4.6%
Volume Impact	\$10.7	1.9%
New Programs	\$15.9	2.8%
Ambulatory Clinic Providers	\$4.9	0.9%
Revenue Cycle Optimization	\$2.2	0.4%
Budget to fill 2021 Vacancies	\$6.5	1.1%
Total Change	\$66.4	11.6%
2022 Preliminary Budget		\$638.4

The 2022 Budgeted Salary cost of \$638.4 million is \$66.4 million or 11.6% higher than 2021 projected.

- The staffing budget was built in Premier Budget and Financial Reporting (BFR), University Health's budgeting and financial reporting system using historical and benchmark productivity standards at the cost center and job class level. The salary budget was built based on the departmental activity budgets then multiplied by the productivity targets for each job class and the hourly rates. For departments without patient driven activity, staff leadership was asked to present justification for each position budgeted in 2021 that was unfilled in late July 2021.
- The 2021 budget reflects an average of 2.5%, or \$14.2 million, for performance based merit increases. A \$12 million salary investment for competitive pay adjustments is included to address specific job titles or categories that require supplemental pay increase to maintain market competitiveness.
- The combination of increased activity in patient care areas and improved efficiency will increase salary expense by a net impact of \$10.7 million.
- Additional positions in non-volume adjusted patient care departments will support the improved service delivery of Transplant, Specialty Pharmacy programs, Detention Health services, and other miscellaneous support functions will increase salary expense by \$15.9 million in 2022.
- Growth in the number of UMA ambulatory clinic providers and support staff will impact the 2022 Budget by \$4.9 million.
- Efforts to optimize the Revenue Cycle operations and align with Epic workflows will impact the Budget by \$2.2 million. This increase is fully covered by enhancement in revenue collections.

- Compared to the Projected 2021 amount, \$6.5 million of salary is included to Budget 2022 to accommodate for filling positions that were budgeted in 2021 but remained unfilled throughout the year.

Employee Benefits

Benefits	
(Dollars in Millions)	
2021 Projected	\$122.5
Changes	
FICA Tax	\$5.6 4.6%
Health Benefit	\$3.5 2.9%
Pension Expense	(\$13.3) -10.9%
OPEB Liability	\$10.8 8.8%
Total Change	\$6.6 5.4%
2022 Preliminary Budget	\$129.1

Benefits of \$129.1 million are \$6.6 million or 5.4% higher than 2021 projected primarily driven by a combination of an increase in Other Post Employment Benefit (OPEB) expense and a decrease in Pension expense. Both of these areas have been impacted by recent changes in accounting guidance, the amount of annual expense which is required is now computed by a fairly complex formula. The Pension expense decreased due to better than predicted performance on asset returns and the OPEB expense is negatively impacted primarily by increased cost to care for retirees.

- FICA Tax expense is budgeted to increase due to increased salary expense.
- Health Benefits are increasing due to additional staff

Medical Services

Medical Services	
(Dollars in Millions)	
2021 Projected	\$212.6
Changes	
UT Master Services Increase	\$25.1 11.8%
Increased Carelink Utilization	\$2.7 1.3%
Physician Recruitment Support	\$.6 0.3%
Total Change	\$28.4 13.4%
2022 Preliminary Budget	\$241.0

Medical Services expense includes payments to third-party physician partners and other professional providers of service to University Health's patients. The 2022 budgeted expense of \$241.0 million reflects an increase of \$28.4 million or 13.4% from the projected 2021 amount. The increase is primarily due to the following:

- UT Health's Master Services Agreement, budgeted at \$168.1 million in 2022, results in an increase of \$19.3 million from 2021 Budget and \$25.1 million from 2021 Projected amount. The increase is due to investments in UT physician salary amounts to become more market competitive, additional physician coverage in the Transplant unit, and extension of adult ECMO service. The remaining amount budgets this expense to achieve all coverage identified in the proposed contract but not filled in the 2021 Projection.
- An expected increase in CareLink's fee-for-service payments to community providers results in increased Medical Service expense by an additional \$2.7 million over projected 2021.
- Physician recruitment support of in-demand specialties results in an additional \$0.6 million expense in 2022.

Purchased Services

Purchased Services		
(Dollars in Millions)		
2021 Projected	\$285.8	
Changes		
Carelink EPO Premiums	\$5.3	1.9%
Aged Facilities Infrastructure	\$3.5	1.2%
Grant Programs	\$3.3	1.2%
Retail/Specialty Pharmacy	\$3.1	1.1%
Community Programs	\$2.6	0.9%
Transplant Programs	\$2.4	0.8%
Care Coordination	\$2.3	0.8%
Employee Recognition	\$1.9	0.7%
Total Change	\$24.4	8.5%
2022 Preliminary Budget	\$310.3	

Purchased Services are budgeted overall at \$310.3 million, a \$24.4 million increase or 8.5% higher than the 2021 projection. Contributing to this change are the following:

- Payments of \$5.3 million to Community First for a new program to support uninsured patient's conversion to a commercial insurance program.
- The Facilities and Planning, Design and Construction teams are budgeted with a \$3.5 million dollar increase for repair and improvement to University Health's aged facilities and infrastructure.
- Grant programs are expected to increase by \$3.3 million over the 2021 projection as community activity returns to baseline after the COVID-19 pandemic. Grant Revenue is in-place to offset these increases.
- Management Fee cost increase of \$3.1 million is due to contracted services related to the Specialty Pharmacy program this expense will be fully offset by increased revenue.
- Community Program support will increase by \$2.6 million in Budget 2022 as activity to support other, local not-for-profit entities returns to pre-pandemic baseline.
- Transplant Programs increased by \$2.4 million in 2022 for organ acquisition costs related to the continued growth in kidney, liver, and lung transplant cases.
- Care coordination support increases by \$2.3 million to accommodate payments to third-party post-acute health care entities to transition University Health patients to a care setting more appropriate for their service needs.

- Employee Recognition increase of \$1.9 million in Budget 2022 to support high performing employees and transition holiday gatherings to a gift program in an effort to maintain social distancing standards.

Supplies

Supplies		
(Dollars in Millions)		
2021 Projected	\$303.6	
Changes		
Pharmaceuticals	\$21.4	7.0%
OR & Procedural Supply Cost	\$4.5	1.5%
Non-medical Supplies	\$0.9	0.3%
Total Change	\$26.8	8.8%
2022 Preliminary Budget	\$330.4	

In 2022, supplies are budgeted at \$330.4 million which is a \$26.8 million or 8.8% increase over projected 2021. Major impacts to the increase in supply cost are due to the following:

- Pharmaceutical expenses are planned to increase by \$21.4 million primarily related to high cost treatment protocols for COVID-19 patients and continued growth in the Meds-to-Beds and Specialty Pharmacy volumes.
- Operating Room and advanced procedures are expected to use an additional \$4.5 million more in supplies during Budget 2022. The increase is due to elective procedures impacting the 2021 Projection baseline and volumes in Budget 2022 returning to pre-pandemic levels.
- Non-medical supply expenses are expected to increase by \$0.9 million due the inflationary cost of disposable supplies in the café.

Non-Operating Revenue/(Expense Assumptions)

Non-Operating Revenue/Expense	
(Dollars in Millions)	
2021 Projected	(\$86.1)
Changes	
Unrealized Gain/Loss	\$5.0 5.8%
Interest Income	(\$1.8) -2.1%
Total Change	\$3.2 3.7%
2022 Preliminary Budget	(\$82.9)

The Non-Operating Revenue/(Expense) budget for 2022 has two primary assumptions driving the \$3.2 million increase in this area.

- The 2021 projection includes \$5.0 million in unrealized loss related to lower interest rates compared to certain long term investments. Unrealized gains and losses are not budgeted, creating a negative variance in 2021 actual to 2022 budget performance.
- Interest Income is projected to decrease by \$1.8 million due to historically low interest rates and a reduction in investment funds as the CIP project advances.

Debt Service Requirement

Debt service payments for 2022 are estimated at \$69.1 million. The 2021 debt tax rate, which funds payments due in 2022, is \$0.035271 per \$100 valuation. This rate is \$0.004211 or 10.67% lower than the existing debt tax rate of \$0.039482. The required debt payment for 2022 decreases \$5.6 million from \$74.7 million projected for 2021.

- A Debt Service tax levy of \$69.1 million to cover payments due in 2022 was approved by Commissioners Court on September 14, 2021.

Debt Service				
Dollars in millions	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Debt Service I&S Tax Funds	\$ 74.7	\$ 69.1	\$ (5.6)	-7.5%
Debt Service Payment	\$ 74.7	\$ 69.1	\$ (5.6)	-7.5%
Net Debt Service Revenue	\$ -	\$ -	\$ -	0.0%

Ongoing Capital Requirements

The capital budget for 2022 Clinical Services is recommended to be set at \$40.6 million. In prioritizing the capital needs for 2022, the Capital Committee met and focused on items that were considered as “Essential: Cannot Function Without”, “Important: Necessary for Improvement”, and “Proactive: Necessary to Avoid Problems”.

A summary of the capital by category used to prioritize projects is as follows:

2022 Routine Capital Requirements				
Priority	Mandated (Regulatory Safety & Required Maintenance)	Replacement	Strategic (New Service / Expansion)	Grand Total
Essential: Cannot Function Without	\$ 2,914,207	\$ 12,557,533	\$ 782,150	\$ 16,253,890
Important: Necessary For Improvement	\$ 6,747,840	\$ 4,026,074	\$ 8,880,196	\$ 19,654,110
Proactive: Necessary To Avoid Problems		\$ 3,248,950	\$ 1,440,590	\$ 4,689,540
Total Clinical Services	\$ 9,662,047	\$ 19,832,557	\$ 11,102,937	\$ 40,597,541

A detailed listing of capital requests can be found in **Exhibit 8**.

Community First Preliminary Operating and Capital Budget for Fiscal Year 2022

Executive Summary

Community First Health Plans, Inc. (CFHP) was established in 1995 to begin providing health care coverage to the citizens of Bexar and seven surrounding counties. CFHP's commitment to our members is to provide excellent healthcare benefits and services with quality outcomes. Our goal is to ensure that the community we serve has access to healthcare for all stages of life and the assurance of care when most needed.

Throughout FY 2022, CFHP will manage the healthcare needs for an expected average consolidated membership of 181,592 members while delivering a budgeted net income of \$3,483,330. The budgeted underwriting income (excluding Investment Income and Premium Deficiency Reserve amortization) is budgeted to be \$1,116,666.

The Executive Management team has considered and incorporated into the preliminary FY 2022 Budget all necessary resources that will enable CFHP to achieve its financial targets while still delivering operational excellence and providing quality care. The goals and strategic priorities include:

- 1) Maintain market share in the STAR, CHIP and STAR Kids lines of business as it relates to membership, considering the impact of COVID-19;
- 2) Go live with Health Information Exchange (HIE) and expand Medicare Advantage effective January 1, 2022;
- 3) Continue development and implementation of advanced alternative payment models and expansion of the provider incentive program;
- 4) Enhance and expand coordination and integration with University Health in support of ongoing evolution towards an industry leading integrated delivery and financing system;
- 5) Enhance and expand advanced financial and medical economic analytics, including predictive modeling and risk score optimization; and
- 6) Continue to enhance member and provider satisfaction, and quality medical outcome measures.

The remainder of this report provides insight into the development of the FY 2022 budget for review and consideration:

Membership:

Throughout FY 2022, CFHP will manage the health care services for an expected average membership of 181,592 members. This represents an overall increase of 9,176 members or 5.3% when compared to FY 2021 Outlook.

Product	Average FY2021		Inc / (Dec)	% Change
	Outlook	Average FY2022		
	Membership	Membership		
STAR	132,967	145,464	12,497	9.4%
CHIP	10,714	7,977	(2,738)	-25.6%
STAR Kids	7,598	7,830	233	3.1%
Medicare Advantage	8	510	502	6144.9%
Health Exchange	0	600	600	n/a
Commercial	2,244	3	(2,241)	-99.9%
ASO	18,886	19,208	323	1.7%
TOTAL	172,416	181,592	9,176	5.3%

The expected change in membership is due to several factors:

- Re-establishment of Health & Human Services Commission (HHSC) enrollment and disenrollment procedures when the State Healthcare Disaster Declaration is lifted as it relates to COVID-19, i.e., STAR, CHIP and STAR Kids;
- Non-renewal of the Employee Retirement System (ERS) Commercial group;
- Continue the diversification strategy by launching Medicare Advantage and Health Exchange products.

The remaining products are expecting organic growth, along with the expansion of Medicare Advantage and implementation Health Information Exchange lines of business.

Revenue:

Total Revenue FY 2022 is budgeted at \$820.6M. This includes consideration for Experience Rebate, NAIP, and UHRIP revenues, which total \$150.7M.

The table below represents the change in revenue per member per month (PMPM) between FY 2022 Budget and FY 2021 Outlook. ***Please note the PMPM excludes Experience Rebate, NAIP, and UHRIP amounts.***

Product	Average FY2021 Outlook Revenue- PMPM	Average FY2022 Revenue-PMPM	Inc / (Dec)	% Change
STAR	211.14	223.57	12.43	5.9%
CHIP	143.69	172.95	29.26	20.4%
STAR Kids	2,126.89	2,544.46	417.57	19.6%
Medicare Advantage	849.69	794.77	(54.92)	-6.5%
Health Exchange	-	667.22	667.22	n/a
Commercial	446.91	419.68	(27.23)	-6.1%
ASO	13.15	13.15	-	0.0%
TOTAL	272.78	302.24	29.46	10.8%

The FY 2022 budgeted revenue includes an anticipated 3.7% mid-year (March 2022) rate increase and a further rate reduction of (7.2%) in September 2021 due to the expected favorable financial performance of CFHP in SFY 2021 for the Medicaid/CHIP products and HHSC rate resetting. On a consolidated basis, the overall increase in revenue equates to \$176.7M.

FY 2022 NAIP revenues as well as UHRIP revenues were based on rate information provided by HHSC.

Medical Expense:

The total Medical Expense for FY 2022 is budgeted at \$731.7M, an increase of 36.8% over the FY 2021 Outlook. On a PMPM basis, the FY 2022 Medical Expense is 11.1% higher than the FY 2021 Outlook PMPM expenses. This represents a Medical Loss Ratio (MLR) of 89.2%. Medical and pharmacy expenses are budgeted to increase by an average of 3.0% and 7.0% respectively. These trends correspond to the analysis provided by Milliman Actuaries for the SFY2021 Medical Expense Budget Assumptions. Also factored into the medical expenses was an increase in utilization as the impact of COVID-19 begins to soften.

The FY 2022 medical expenses were developed by line of business based on underlying utilization and cost, separated by service category, i.e., Inpatient, Outpatient, Physician, Pharmacy, and Ancillary.

Product	Average FY2021 Outlook Medical- PMPM	Average FY2022 Medical-PMPM	Inc / (Dec)	% Change
STAR	\$208.43	\$196.26	(\$12.18)	-5.8%
CHIP	\$129.35	\$244.49	\$115.15	89.0%
STAR Kids	\$2,126.89	\$2,200.11	\$73.22	3.4%
Medicare Advantage	\$1,241.42	\$998.31	(\$243.11)	-19.6%
Health Exchange	\$0.00	\$3,438.62	n/a	n/a
Commercial	\$556.66	\$167.70	(\$388.96)	-69.9%
ASO	\$0.00	\$0.00	\$0.00	n/a
TOTAL	\$249.30	\$276.99	\$27.69	11.1%

FY 2022 NAIP expenses were developed based on HHSC actual formulas.

Please note that NAIP, and UHRIP are excluded from the PMPM calculations.

Administrative Expense:

The total Administrative Expense is budgeted at \$87.8M, an increase of 19.9% over the FY 2021 Outlook, and represents a fully loaded administrative expense ratio of 10.7% when compared to total revenue.

The FY 2022 administrative expense budget incorporates 416 FTEs, an increase of 20 FTEs over the FY 2021 Outlook. The following table identifies these incremental positions and their expected hire date.

Department	Position Title	No. FTE	Expected Start Date
Executive	Actuary	1.0	7/1/2022
	Executive Assistant	1.0	3/1/2022
	Legal Council	1.0	5/1/2022
	Director, Health Equity	1.0	2/1/2022
Government Programs	Executive Director, Medicaid	1.0	2/1/2022
	Senior Manager, Medicare	1.0	1/1/2022
Member Services	Representative, Senior Enrollment	1.0	1/1/2022
Population Health Mgmt	Nurse Case Manager - CFHP	1.0	1/1/2022
	Educator Health	1.0	1/1/2022
Claims	Analyst Claims (Recovery Team)	3.0	1/1/2022
Compliance	Spec Compliance	1.0	2/1/2022
Quality	Spec Physician Credentialing	1.0	3/1/2022
Plan Reimbursement and Data Management	Spec Configuration - CFHP	1.0	1/1/2022
Facility	Administrative Assistant (Avenida)	1.0	1/1/2022
Communications	Corporate Communications Coordinator	1.0	1/1/2022
	Graphics Specialist	1.0	1/1/2022
Financial Accounting	Billing Analyst	1.0	1/1/2022
	Accountant Staff	1.0	4/1/2022
Total		20.0	

The FY 2022 budgeted salaries reflect an average merit increase of 3.0% that was based upon the employee's annual performance evaluation date.

Significant changes in the FY 2022 Administrative Expense budget compared to the FY 2021 Outlook include:

- 1) Salaries increased approximately \$4.1M due to:
 - a. Additional FTEs
 - b. Merit increases occurring throughout the year
- 2) Employee Benefits increased approximately \$1.1M due to the increase in staff and post-employment benefit allocations from University Health;
- 3) Marketing (market outreach, advertising, agency, sponsorships, value adds, etc.) increased approximately \$2.M due to enhanced marketing strategies for Medicare Advantage/D-SNP & HIE;
- 4) Computer licensing and maintenance decreased approximately \$0.5M due to a reduction of new application systems;
- 5) Provider Incentives decreased approximately \$2.7M due to a reduction of the provider incentive programs;
- 6) Postage and Printing increased approximately \$1.0M due to enhanced marketing and outreach initiatives;
- 7) Consulting increased approximately \$4.6M due to departmental support and enhancements in Executive, Information Systems, and Business Development for QXNT de-hosting and a new Care Management system implementation;

HHSC utilizes defined formulas in their rate development process to determine the percentage of premium allocated for administrative expense spending. The CFHP FY 2022 administrative expense budget of \$87.8 million is compliant with these regulatory formulas.

Investment Income:

Investment Income for FY 2022 is budgeted at \$0.4M and is based on projected assets and yields consistent with the CFHP investment policy.

Premium Deficiency Reserve:

The FY 2022 Premium Deficiency Reserve (PDR) was determined by the external certifying actuary (Milliman) and pertains to both the Medicare Advantage/D-SNP. A PDR of \$1.9M will be recorded as of year-end FY 2021 for both Medicare products. The Medicare Advantage/D-SNP product(s) will be amortized from January 2022 through December 2022.

Capital:

The CFHP FY 2022 Capital Budget is \$1.9M, consisting of both Information Services and Facilities projects. CFHP adheres to the University Health capitalization policy threshold of \$5,000 per unit cost.

FY 2022		
ITEM	Asset Type	Amount
VDI Host - VDI Host HW	Hardware	\$ 93,500
SQL Enterprise Lic - SQL Enterprise Licen:	Software	\$ 32,698
UCS Server - New Cisco HW	Hardware	\$ 19,181
VERINT - WebEx Teams Auditing	Software	\$ 24,433
IVR - Place Holder - HW	Hardware	\$ 150,000
IVR - Place Holder - SW	Software	\$ 250,000
NetApp Storage - new addition	Hardware	\$ 38,718
NetApp Storage - new addition	Software	\$ 68,883
Rubrik - Storage addition	Hardware	\$ 22,000
DC - Domain Controller (New)	Hardware	\$ 5,100
Firewall Router - UH Security	Hardware	\$ 22,150
UCS Server - New Cisco SW	Hardware	\$ 62,625
UPS New Building	Hardware	\$ 174,800
Generator New Building	Hardware	\$ 319,400
Catalyst 9300 New Building	Hardware	\$ 59,010
Cognizant CareAdvance Perpetual Lic	Software	\$ 589,396
HVAC_Mini Split Unit Server Room	Equipment	\$ 8,000
Board room table	Furniture	\$ 6,500
	Total	\$ 1,946,393

EXHIBITS

- Exhibit 1A Preliminary 2022 Consolidated Statement of Revenues and Expenses
- Exhibit 1B Preliminary 2022 UHS less CFHP Statement of Revenues and Expenses
- Exhibit 1C Preliminary 2022 CFHP Statement of Revenues and Expenses
- Exhibit 2 Preliminary 2022 Activity and Notes
- Exhibit 3 Preliminary 2022 Budget, Changes to Total Operating Revenue
- Exhibit 4 Preliminary 2022 Budget, Legislative Changes
- Exhibit 5 Preliminary 2022 Budget, Changes to Total Operating Expense
- Exhibit 6 Preliminary 2022 Budget, FTE Changes
- Exhibit 7 Preliminary 2022 Budget, Analysis of Tax Rate
- Exhibit 8 Preliminary 2022 Budget, Detail of Capital Request, UHS less CFHP
- Exhibit 9 Property Acquisitions/Dispositions



Statement of Revenues and Expenses

Consolidated (Dollars are in Thousands)	2021 Budget	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Revenues					
Net Patient Service Revenue	\$817,773	\$864,178	\$887,553	\$23,376	2.7%
Property Taxes M & O	\$425,979	\$444,431	\$472,231	\$27,800	6.3%
Disproportionate Share Revenue	\$26,942	\$37,980	\$37,796	(\$184)	(0.5%)
DSRIP Revenue	\$68,099	\$79,782	\$61,628	(\$18,154)	(22.8%)
NAIP Revenue	\$33,107	\$43,577	\$34,894	(\$8,683)	(19.9%)
SNF Revenue	\$33,909	\$43,256	\$39,267	(\$3,989)	(9.2%)
Uncompensated Care (UC) Revenue	\$86,360	\$112,731	\$101,645	(\$11,086)	(9.8%)
Graduate Medical Education Revenue	\$8,052	\$9,708	\$8,915	(\$793)	(8.2%)
Tobacco Settlement Fund	\$8,756	\$9,062	\$9,062	\$	0.0%
CFHP Premium Revenue	\$614,838	\$643,981	\$820,647	\$176,666	27.4%
Other Revenue	<u>\$83,753</u>	<u>\$109,098</u>	<u>\$84,528</u>	<u>(\$24,570)</u>	<u>(22.5%)</u>
Total Operating Revenues	\$2,207,567	\$2,397,783	\$2,558,167	\$160,384	6.7%
Expenses					
Salaries	\$609,602	\$599,644	\$670,135	(\$70,492)	(11.8%)
Benefits	\$135,549	\$128,630	\$136,311	(\$7,681)	(6.0%)
Medical Services	\$222,848	\$212,613	\$241,038	(\$28,425)	(13.4%)
Purchased Services	\$306,539	\$323,663	\$357,508	(\$33,845)	(10.5%)
Supplies	\$301,389	\$303,613	\$330,374	(\$26,762)	(8.8%)
Medical Claims Expense	\$529,355	\$535,015	\$731,748	(\$196,733)	(36.8%)
Total Operating Expenses	<u>\$2,105,283</u>	<u>\$2,103,177</u>	<u>\$2,467,115</u>	<u>(\$363,938)</u>	<u>(17.3%)</u>
Gain (Loss) from Operations	\$102,285	\$294,607	\$91,052	(\$203,554)	(69.1%)
Non-operating Revenue/(Expense):					
Depreciation and Amortization	(\$90,729)	(\$88,385)	(\$88,538)	(\$153)	(0.2%)
Other Non-operating	\$6,897	\$900	\$4,436	\$3,536	392.8%
Premium Deficiency Reserve	\$1,400	\$4,133	\$1,975	(\$2,158)	(52.2%)
Total Non-operating Revenue/Expense	<u>(\$82,432)</u>	<u>(\$83,351)</u>	<u>(\$82,127)</u>	<u>\$1,225</u>	<u>1.5%</u>
Bottom Line Excluding Debt Service	<u>\$19,852</u>	<u>\$211,255</u>	<u>\$8,926</u>	<u>(\$202,330)</u>	<u>(95.8%)</u>
Debt Service					
Debt Service Revenue (Property Tax I & S)	\$73,287	\$74,705	\$69,112	(\$5,593)	(7.5%)
Debt Service	<u>\$73,287</u>	<u>\$74,705</u>	<u>\$69,112</u>	<u>(\$5,593)</u>	<u>(7.5%)</u>
Net Debt Service	\$0	\$0	\$0	\$0	0.0%
Ongoing Capital Requirements	\$40,100	\$40,100	\$42,544	(\$2,444)	(6.1%)



Statement of Revenues and Expenses

UH Less CFHP (Dollars are in Thousands)	2021 Budget	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Revenues					
Net Patient Service Revenue	\$817,773	\$864,178	\$887,553	\$23,376	2.7%
Property Taxes M & O	\$425,979	\$444,431	\$472,231	\$27,800	6.3%
Disproportionate Share Revenue	\$26,942	\$37,980	\$37,796	(\$184)	(0.5%)
DSRIP Revenue	\$68,099	\$79,782	\$61,628	(\$18,154)	(22.8%)
NAIP Revenue	\$33,107	\$43,577	\$34,894	(\$8,683)	(19.9%)
SNF Revenue	\$33,909	\$43,256	\$39,267	(\$3,989)	(9.2%)
Uncompensated Care (UC) Revenue	\$86,360	\$112,731	\$101,645	(\$11,086)	(9.8%)
Graduate Medical Education Revenue	\$8,052	\$9,708	\$8,915	(\$793)	(8.2%)
Tobacco Settlement Fund	\$8,756	\$9,062	\$9,062	\$	0.0%
Other Revenue	<u>\$83,753</u>	<u>\$109,098</u>	<u>\$84,528</u>	<u>(\$24,570)</u>	<u>(22.5%)</u>
Total Operating Revenues	\$1,592,729	\$1,753,803	\$1,737,520	(\$16,283)	(0.9%)
Expenses					
Salaries	\$580,942	\$571,956	\$638,387	\$66,431	11.6%
Benefits	\$128,748	\$122,536	\$129,110	\$6,574	5.4%
Medical Services	\$222,848	\$212,613	\$241,038	\$28,425	13.4%
Purchased Services	\$266,485	\$285,840	\$310,277	\$24,437	8.5%
Supplies	\$301,389	\$303,613	\$330,374	\$26,762	8.8%
Total Operating Expenses	<u>\$1,500,413</u>	<u>\$1,496,558</u>	<u>\$1,649,186</u>	<u>\$152,629</u>	<u>10.2%</u>
Gain (Loss) from Operations	\$92,317	\$257,245	\$88,334	(\$168,911)	(65.7%)
Non-operating Revenue/(Expense):					
Depreciation and Amortization	(\$89,214)	(\$86,801)	(\$86,936)	(\$135)	0.2%
Other Non-operating	<u>\$5,285</u>	<u>\$680</u>	<u>\$4,044</u>	<u>\$3,364</u>	<u>494.8%</u>
Total Non-operating Revenue/(Expense)	<u>(\$83,930)</u>	<u>(\$86,121)</u>	<u>(\$82,891)</u>	<u>\$3,229</u>	<u>3.7%</u>
Bottom Line Excluding Debt Service	\$8,387	\$171,124	\$5,442	(\$165,682)	(96.8%)
Debt Service					
Debt Service Revenue (Property Tax I & S)	\$73,287	\$74,705	\$69,112	(\$5,593)	(7.5%)
Debt Service	(\$73,287)	(\$74,705)	(\$69,112)	\$5,593	(7.5%)
Net Debt Service	\$0	\$0	\$0	\$0	0.0%
Ongoing Capital Requirements	\$39,898	\$39,898	\$40,598	\$700	1.8%



Statement of Revenues and Expenses

CFHP (Dollars are in Thousands)	2021 Budget	2021 Projected	2022 Preliminary Budget	Variance from Projected	% Variance
Revenues					
CFHP Premium Revenue	\$614,838	\$643,981	\$820,647	\$176,666	27.4%
Total Operating Revenues	\$614,838	\$643,981	\$820,647	\$176,666	27.4%
Expenses					
Employee Compensation	\$35,462	\$33,781	\$38,949	(\$5,169)	(15.3%)
Salaries	\$28,661	\$27,687	\$31,748	(\$4,061)	(14.7%)
Benefits	\$6,801	\$6,094	\$7,201	(\$1,107)	(18.2%)
Purchased Services	\$40,054	\$37,823	\$47,231	(\$9,408)	(24.9%)
Medical Claims Expense	<u>\$529,355</u>	<u>\$535,015</u>	<u>\$731,748</u>	<u>(\$196,733)</u>	<u>(36.8%)</u>
Total Operating Expenses	<u>\$604,870</u>	<u>\$606,619</u>	<u>\$817,928</u>	<u>(\$211,310)</u>	<u>(34.8%)</u>
Gain (Loss) from Operations	\$9,968	\$37,362	\$2,719	\$34,643	92.7%
Non-operating Revenue/(Expense):					
Depreciation and Amortization	(\$1,515)	(\$1,584)	(\$1,602)	\$18	(1.1%)
Other Non-operating	\$1,612	\$220	\$391	(\$171)	(77.8%)
Premium Deficiency Reserve	\$1,400	\$4,133	\$1,975	\$2,158	52.2%
Total Non-operating Revenue/Expense	<u>\$1,498</u>	<u>\$2,769</u>	<u>\$765</u>	<u>\$2,005</u>	<u>72.4%</u>
Bottom Line	\$11,466	\$40,131	\$3,483	\$36,648	91.3%
Ongoing Capital Requirements	\$202	\$202	\$1,946	\$1,744	863.5%

Exhibit 2

INPATIENT ACTIVITY	2019 Actual	2020 Actual	2021 Budget	2021 Projected	2022 Budget	Var. Bud 2022 to Projected	Var %
In-Patient Activity							
Heart Vascular	2,537	2,199	2,537	2,496	2,498	2	0.1%
Women Services ¹	3,667	3,581	3,667	3,238	3,537	299	9.2%
Neonates	1,316	1,403	1,316	1,376	1,409	33	2.4%
Neurology	1,943	1,750	1,943	1,828	1,986	158	8.6%
Orthopedics	1,808	1,656	1,808	1,912	1,921	9	0.5%
Trauma	1,171	1,126	1,171	1,236	1,288	52	4.2%
Transplant	259	223	259	352	372	20	5.7%
All Other ²	16,094	14,545	16,094	15,066	17,081	2,015	13.4%
Sub-Total: Adult Discharges	28,795	26,483	28,795	27,504	30,092	2,588	9.4%
Heart Vascular ³	180	129	180	118	135	17	14.4%
Neurology	335	310	335	340	346	6	1.8%
Orthopedics	145	159	145	146	148	2	1.4%
Trauma	276	339	276	282	287	5	1.8%
Transplant	15	14	15	20	20	0	0.0%
All Other	1,626	1,376	1,626	1,345	1,372	27	2.0%
Sub-Total: Pedi Discharges	2,577	2,327	2,577	2,251	2,308	57	2.5%
Total Discharges	31,372	28,810	31,372	29,755	32,400	2,645	8.9%
Heart Vascular	14,190	13,352	14,190	14,450	15,008	558	3.9%
Women Services	10,519	10,603	10,519	8,960	10,094	1,134	12.7%
Neonates ⁴	18,638	16,083	18,638	15,954	16,941	987	6.2%
Neurology	11,197	11,878	11,197	11,570	12,463	893	7.7%
Orthopedics	11,681	10,897	11,681	12,180	12,741	561	4.6%
Trauma	7,504	7,525	7,504	8,136	8,193	57	0.7%
Transplant ⁵	2,584	2,684	2,584	3,462	3,720	258	7.5%
All Other	102,086	99,753	102,086	109,030	110,564	1,534	1.4%
Sub-Total: Adult Days	178,399	172,775	178,399	183,742	189,724	5,982	3.3%
Sub-Total: Adult ADC	488.8	473.4	488.8	503.4	519.8	16.4	3.3%
Heart Vascular	2,270	1,340	2,270	1,387	1,458	71	5.1%
Neurology	1,463	1,532	1,271	1,707	1,824	117	6.9%
Orthopedics	698	615	540	597	591	(6)	-1.0%
Trauma	1,906	2,089	1,553	1,780	1,814	34	1.9%
Transplant	164	182	164	281	296	15	5.3%
All Other ⁶	9,189	8,412	9,190	9,084	8,976	(108)	-1.2%
Sub-Total: Pedi Days	15,690	14,170	14,988	14,836	14,959	123	0.8%
Sub-Total: Pedi ADC	43.0	38.8	41.1	40.6	41.0	0.3	0.8%
Total: Days	194,089	186,945	193,387	198,578	204,682	6,104	3.1%
Total: ADC	531.8	512.2	529.8	544.0	560.8	16.7	3.1%
Births	3,210	3,140	3,210	2,748	3,089	341	12.4%
ALOS Adult	6.2	6.5	6.2	6.7	6.3	(0.38)	-5.6%
ALOS Pedi	6.1	6.1	5.8	6.6	6.5	(0.11)	-1.7%
Total ALOS	6.2	6.5	6.2	6.7	6.3	(0.4)	-5.3%

Exhibit 2

OUTPATIENT ACTIVITY	2019 Actual	2020 Actual	2021 Budget	2021 Projected	2022 Budget	Var. Bud 2022 to Projected	Var %
Total EC (IP - Adult)	15,612	14,962	15,612	15,364	15,374	10	0.1%
Total EC (OP - Adult)	53,407	44,963	53,407	51,138	53,996	2,858	5.6%
Sub Total: Adult EC	69,019	59,925	69,019	66,502	69,370	2,868	4.3%
Total EC (IP - OB/GYN)	3,190	3,197	3,287	3,104	3,190	86	2.8%
Total EC (OP - OB GYN)	10,890	8,080	11,446	10,472	10,890	418	4.0%
Sub Total: OB GYN EC	14,080	11,277	14,733	13,576	14,080	504	3.7%
Total EC (IP - Pedi)	1,039	916	1,039	1,108	1,122	14	1.3%
Total EC (OP - Pedi)	11,737	6,987	11,737	10,128	10,844	716	7.1%
Sub Total: Pedi EC	12,776	7,903	12,776	11,236	11,966	730	6.5%
Total EC (IP - Trauma)	2,563	2,945	2,563	3,001	3,047	46	1.5%
Total EC (OP - Trauma)	4,404	3,869	4,404	3,981	4,099	118	3.0%
Sub Total: Trauma EC	6,967	6,814	6,967	6,982	7,146	164	2.3%
Total EC ⁷	102,842	85,919	103,495	98,296	102,562	4,266	4.3%
Surgery - UH (IP - Adult)	9,837	8,944	9,907	8,772	9,838	1,066	12.2%
Surgery - UH (OP - Adult)	7,156	6,387	7,503	6,342	7,210	868	13.7%
Sub Total: UH Adult Surgery	16,993	15,331	17,410	15,114	17,048	1,934	12.8%
Surgery - UH (IP - Pedi)	925	471	872	911	925	14	1.5%
Surgery - UH (OP - Pedi)	1,488	1,308	1,200	1,184	1,499	315	26.6%
Sub Total: UH Pedi Surgery	2,413	1,779	2,072	2,095	2,424	329	15.7%
Total: UH Surgery ⁸	19,406	17,110	19,482	17,209	19,472	2,263	13.2%
Observation - UHS (Adult)	9,477	4,757	9,631	5,318	5,367	49	0.9%
Observation - UHS (Pedi)	2,138	1,116	2,186	1,394	1,429	35	2.5%
Sub-Total Obs - UHS (Days)	11,615	5,873	11,817	6,712	6,796	84	1.3%
Total Other Vol: (EC, Surg, & Obs)	133,863	108,902	134,794	122,217	128,830	6,613	5.4%
Ambulatory Surgery Center Volume and other Outpatient Visits (includes PHC's)							
RBG ASC (Surg) ⁹	790	700	689	584	709	125	21.4%
RBG ASC (Endo)	4,736	3,600	4,954	3,130	3,614	484	15.5%
MARC ASC (Surg)	3,667	3,934	3,844	3,869	3,934	65	1.7%
MARC ASC (Endo)	1,509	1,901	1,649	1,845	1,901	56	3.0%
Clinics (UH - Adult)	52,962	44,733	55,933	54,894	61,504	6,610	12.0%
Clinics (Pavilion)	56,546	39,948	57,259	39,256	42,225	2,969	7.6%
Dialysis (Adult)	72,538	61,433	64,691	67,188	67,938	750	1.1%
Clinics Ambulatory Ops (Adult) ¹⁰	463,619	530,534	542,597	460,314	563,156	102,842	22.3%
Clinics (PHCs)	43,913	31,875	49,766	42,418	54,547	12,129	28.6%
Sub-Total: OP Clinics -Adult	700,280	718,658	781,382	673,498	799,528	126,030	18.7%
Clinics (UH - Pedi)	12,312	10,037	13,696	12,520	13,966	1,446	11.5%
Clinics (Pavilion - Pedi)	13,814	8,565	25,008	-	-	0	0.0%
Dialysis (Pedi)	3,274	3,891	3,851	3,622	3,851	229	6.3%
Clinics Ambulatory Ops (Pedi)	71,134	51,493	65,624	58,592	63,625	5,033	8.6%
Sub-Total: OP Clinics - Pedi	100,534	73,986	108,179	74,734	81,442	6,708	9.0%
Total Other Vol: (OP ASCs, OP Clinics, PHCs)	800,814	792,644	889,561	748,232	880,970	132,738	17.7%
Total Outpatient Volume	934,677	901,546	1,024,355	870,449	1,009,800	139,351	16.0%

Preliminary 2022 Budget, Activity Notes

Service Line	Activity Note
Inpatient Services	
1. Women Services	Return to pre-COVID baseline as birth rate rebounds and UH captures additional market share.
2. All Other	Hospital at Home increases hospital capacity while supporting a high level of quality care and patient satisfaction.
3. Pediatric Cardiovascular	Continued ramp up of volumes as new providers begin to mature practice and capture referrals.
4. Neonatal	High acuity referrals increasing with investment in a dedicated Neonatal transport team.
5. Transplant	Growth in Transplant volumes including liver and lung programs which are more complicated and generate a longer length of stay.
6. All Other Pediatrics	Overall volume remains high in non-COVID service lines and reflect a lower Average Length of Stay.
University Hospital Emergency Center Volume	
7. Total Emergency Center	2022 Budget rebounds to historical volume baseline, specifically outpatient visits, as community activity returns to normal.
University Hospital Surgical Volume	
8. Total Hospital Surgery	Return to historical performance baseline due to periods of 2021 where elective surgeries were postponed due to COVID-19.
Ambulatory Surgery Centers (ASCs)	
9. RBG ASC (Surg & Endo)	Increase in vascular OR cases and opening an additional endoscopy suite at
OP Clinics - Adult	
10. Clinics Ambulatory Ops (Adult)	Expansion of Clinic locations and addition of providers at multiple clinics to meet the demand in Primary Care & Specialty services.

Preliminary 2022 Budget, Changes to Total Operating Revenue

Dollars in Millions	Variance from Projected 2021	% Variance	Driver
2021 Projected Total Operating Revenue	\$1,753.8		
Net Patient Revenue	\$23.4	2.7%	
Inpatient Volume	\$2.9		Increased Capacity related to Hospital at Home, NICU growth, and Inpatient surgical volume.
Outpatient Volume	\$2.5		Outpatient volume growth related to Advanced Diagnostic Center and acuity of Infusion center.
UMA Volume	\$7.0		Growth in UMA Providers to improve access to primary care across the community.
Medicare & Managed Medicare Rate Reductions	(\$18.0)		Loss of COVID Disaster funding for COVID+ patients, reimplementing of 2% Sequestration, and a change in cost report revenue recognition.
Commercial Rate Improvement	\$8.0		Renegotiated managed care agreements.
OP Pharmacy Meds to Beds	\$3.8		Projected growth in retail Pharmacy operations.
OP Pharmacy Specialty Program	\$17.2		New Specialty Pharmacy program primarily for High Cost Drug Regimens; ie , Transplant and HIV
Other Operating Revenue	(\$39.7)	(22.5%)	
Property Taxes	\$27.8		Maintain existing tax rate; increase in property values and new properties.
Disproportionate Share Funding	(\$0.2)		Federal Regulations which would have reduced DSH, has been delayed due to COVID-19. Budgeting minor decrease from 2021 performance.
DSRIP Revenue	(\$18.2)		This program was to end with the waiver on September 2021. However, It will be continued for 2022, details are still being determined.
NAIP	(\$8.6)		No changes are expected for the NAIP program, reduction in funding is a result of elimination of enhanced FMAP.
Skilled Nursing Facility	(\$4.0)		During 2021 the nursing homes received additional funding related to COVID-19 relief; this is not expected to continue for 2022.
Uncompensated Care (UC)	(\$11.1)		Reduced UC funding due to the loss of the enhanced FMAP rate.
Graduate Medical Education	(\$0.8)		Program is expected to remain stable.
Other Revenue	(\$24.6)		Loss of \$25M CARES Act revenue. Reduction in Foundation revenue from 2021 fundraising rates offset by increases in grant revenue and cafeteria revenues as services return to post-COVID normal.
Changes to Total Operating Revenue	(\$16.3)	-0.9%	
Total Operating Revenue	\$1,737.5		

*Positive numbers indicate an increase in Operating Revenue

Preliminary 2022 Budget, Financial Impact of Legislative Changes

Dollars in millions	2021 Budget	2021 Projected	2022 Preliminary Budget	Variance from Projected	Notes
Federal Rate Impacts					
Medicare UC Rate Change	\$70.9	\$69.5	\$65.7	(\$3.8)	Decline in Medicare Uncompensated Care related to \$1 Billion decline in overall Federal allocation.
Medicare Quality Reductions for Value Based Purchasing, Hospital Readmissions Hospital Acquired Complications	(\$2.2)	(\$2.0)	\$0.0	\$2.0	No reduction for hospital acquired complications due to improved quality metric performance
2022 Medicare and Medicare Managed Rate Changes	\$179.3	\$200.97	\$198.7	(\$2.3)	Decreased wage index offset by higher payments for organ transplant due to Center for Life and transplant volume
State Programs					
Uncompensated Care for Hospital and UMA	\$86.4	\$112.7	\$101.6	(\$11.1)	The State UC pool will be at the same level while CMS and Texas negotiate new programs. Assumes the DSH IGT credit will remain.
DSRIP Revenue	\$68.1	\$79.8	\$61.6	(\$18.2)	This program was scheduled to end on September 2021. HHSC negotiations with CMS resulted in one additional year of funding at a lower State wide amount.
DSH	\$26.9	\$37.9	\$37.8	(\$0.2)	Federal Regulations which would have reduced DSH were delayed due to the COVID-19 emergency. Budgeting minor decrease from 2021 performance.
NAIP Revenue	\$33.1	\$43.6	\$34.9	(\$8.7)	No changes are expected for the NAIP program, reduction in funding is a result of elimination of enhanced FMAP.
Uniform Rate Increase Program (net of IGT)	\$17.3	\$19.6	\$18.4	(\$1.2)	This program increases Medicaid Managed Care rates by 40% after IGT. Currently Texas HHSC is negotiating with CMS to increase the pool size.
Medicaid Inpatient Quality Adjustment	\$0.0	(\$1.0)	(\$3.0)	(\$2.0)	Both Medicaid and Medicaid MCO inpatient payments reduced by 2.5% effect September 1, 2021. This is due to higher Medicaid potentially preventable complications than expected.
Graduate Medical Education Revenue	\$8.1	\$9.7	\$8.9	(\$0.8)	Program is expected to remain stable.
Nursing Home QIPP	\$0.8	\$2.5	\$1.9	(\$0.6)	Nursing Home quality performance program, benefits are shared with Touchstone.
*Federal Medical Assistance Percentage (FMAP) will decline from 68.0% to 60.8% with the end of the Public Health Emergency 12/31/21					
COVID-19 Assistance					
Medicare Sequestration	(\$3.5)	\$0.0	(\$3.3)	(\$3.3)	This 2% reduction was suspended in 2020 due to COVID-19. Expect the reduction to return after the Coved emergency ends.
CARES Act payments for uninsured COVID-19 patients	\$2.0	\$8.0	\$1.5	(\$6.5)	The CARES Act pays for uncompensated Coved positive patients at Medicare rates, expect some carryover into 2022.
CARES General COVID-19 Payments	\$0.0	\$25.2	\$0.0	(\$25.2)	Currently it is unknown if we will receive additional lump sum CARES Act payments.
Total				(\$81.8)	

Exhibit 5

Preliminary 2022 Budget, Changes to the Total Operating Expense

Dollars in Millions	Variance from Projected 2021	% Variance	Driver
2021 Projected Total Operating Expense	\$1,496.6		
Salaries	\$66.4	11.6%	
Merit Increase and Market Adjustment	\$26.2		Reflects 2.5% annual merit increase and a \$12 million in market adjustments.
Volume Impact	\$10.7		Variable staffing related to the volume increase from 2021 Projection.
New Programs	\$15.9		\$5.7M Transplant, \$8M Retail/Specialty Pharmacy, \$2.2M Detention Services.
Ambulatory Clinic Providers	\$4.9		Recruitments of additional Ambulatory Clinic provider to address volume demands in Primary Care
Revenue Cycle Optimization	\$2.2		Increased staffing to optimize Revenue Cycle performance with Epic. Offsetting reimbursement due to denial reduction and clean claim rates.
Return to 2021 Budget Baselines	\$6.5		Budgeting to return to 2021 Budget FTE baseline
Benefits	\$6.6	5.4%	
FICA Tax	\$5.6		Tax increase due to higher salary expense.
Health Benefit	\$3.5		Health benefit increases corresponding to employee increase.
Pension Expense	(\$13.3)		Lower pension cost due to actuarial analysis
OPEB Liability	\$10.8		Increased health benefit cost for retirees and dependents
Medical Services	\$28.4	13.4%	
UT Master Services Increase	\$25.1		Return to budgeted 2021 amount plus an increase in salary and coverage agreements for UT Health providers of various services including ECMO, Transplant ICU, and incentive agreement.
Increased Carelink Utilization	\$2.7		Expected increase in Carelink utilization due to high demand for services.
Physician Recruitment Support	\$0.6		Physician recruitment support for in-demand specialties.

Dollars in Millions	Variance from Projected 2021	% Variance	Driver
Purchased Services	\$24.4	8.5%	
Carelink EPO Premiums	\$5.3		Premiums paid to CFHP on behalf of uninsured patients requiring support to fund health insurance.
Aged Facilities Infrastructure	\$3.5		Additional support to repair aged facility infrastructure.
Grant Programs	\$3.3		Return Grant Program expense back to Budget 2021 level in support of activity that returns to prior year baseline
Retail/Specialty Pharmacy	\$3.1		Payments for contracted vendor support of retail specialty pharmacy programs. Offset by increased revenue.
Community Programs	\$2.6		Return to 2021 budget baseline for Community Outreach & Resident Programs.
Transplant Growth	\$2.4		Increase in Organ acquisition charges.
Care Coordination	\$2.3		Coverage for uninsured patient placement to outside treatment facilities.
Employee Recognition	\$1.9		Increased support to reward high performing employees and transition holiday gatherings to gifts.
Supplies	\$26.8	8.8%	
Pharmaceuticals	\$21.4		Continued ramp up of the retail/specialty pharmacy programs and high cost COVID treatment protocols. Additional expense is offset by revenues.
OR & Procedural Supply Cost	\$4.5		Expected procedural volume increase from 2021 to 2022 due to the COVID-19 halt of elective surgeries.
Non-medical Supplies	\$0.9		Increase cost of disposable supplies for café locations due to supply chain constraints.
Changes to Total Operating Expense	\$152.6	10.2%	
2022 Preliminary Budget			
Total Operating Expense	\$1,649.2		

Exhibit 6

Preliminary 2022 Budget, FTE Change

Service Line	Variance from Projected 2021
2021 Projected FTE	8,745.0
Specialty Pharmacy, Retail Pharmacy Service ¹	47.1
Transplant ²	46.6
Revenue Cycle ³	46.5
Ambulatory Clinics ⁴	33.4
Inpatient Sitter Program ⁵	20.0
Hospital at Home ⁶	17.6
Transport Teams ⁷	9.2
Operational Excellence ⁸	8.0
Detention Locations ⁹	8.0
Trauma & Injury Prevention ¹⁰	5.5
Volume Impact ¹¹	129.0
Other Vacancy Replacement ¹²	166.5
Preliminary 2022 Budget, Total Paid FTE	9,282.4
FTE Variance	537.4
FTE % Growth	6.1%

Driver of FTE Increase

- ¹ Positions driven by growth of Retail & Specialty Pharmacy programs. Offsetting revenue to cover increased expense.
- ² Continued ramp up of transplant volumes and support staff for Liver Tumor Center, Liver, Lung, and Kidney transplants to align with Transplant Strategic Plan
- ³ Budgeting additional staff to support optimization of collection activity within Epic workflows.
- ⁴ Growth of Ambulatory Clinic providers and related support staff to better service the patient population.
- ⁵ Investment in additional patient safety observers required due to a lack of inpatient psychiatric beds in the community.
- ⁶ New Program in late 2021 to support inpatient care at the patient's home.
- ⁷ Dedicated teams available 24 x 7 for maternal and neonatal transport programs.
- ⁸ Investment in support teams to implement LEAN processes and design operational efficiencies for clinical care teams.
- ⁹ Additional support staff to improve care delivery at detention center locations.
- ¹⁰ Continued growth in volumes require additional non-clinical support staff to monitor patient outcomes and support injury prevention.
- ¹¹ Increased OR cases and recovery minutes compared to 2021 projection due to a return to pre-COVID schedule.
- ¹² Volatile staff turnover in 2021 has resulted in a significant number of staff vacancies supported either through overtime or contract staffing. Budget 2022 includes the full replacement of these positions as the labor market returns to a more normal state.

Preliminary 2022 Budget: Analysis of Tax Rate

Dollars in Thousands	2020 Tax Rate	2021 Tax Rate	Tax Rate Change from Existing Rate	% Change from Existing Tax Rate	2021 Estimated Taxes ¹	2022 Estimated Taxes ²	Proposed Net Change From Prior Year	% Increase
Operating Rate	0.236753	0.240964	0.004211	1.78%	\$444,431	\$472,231	\$27,800	6.26%
Debt Rate	0.039482	0.035271	(0.004211)	(10.67%)	\$73,287	\$69,112	(\$4,175)	-5.70%
Total Tax Rate	0.276235	0.276235	0	0.00%	\$517,718	\$541,343	\$23,625	4.56%

¹ 2021 Estimated Tax revenue calculated on 2020 property values as of 9/30/20 and 2020 Tax Rate

² 2022 Estimated Tax revenue calculated on 2021 property values certified on 10/01/21 and 2021 Tax Rate

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
FACILITIES MANAGEMENT	Central Plant Generators	3,500,000	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Construction/Renovation
BIOMEDICAL ENGINEERING	Biomed Aged Equipment Replacement	3,000,000	Proactive: Necessary To Avoid Problems	Safety Mandated	Replacement	Clinical Equipment
FACILITIES MANAGEMENT	Facilities Aged Infrastructure Project Bucket	3,000,000	Important: Necessary for Improvement	Safety Mandated	Replacement	Construction/Renovation
UH CT SCAN	CT Scanner (256 Slice Spectral)	2,910,000	Essential: Cannot Function Without	Safety Mandated	Replacement	Clinical Equipment
UH ENDOSCOPY	Olympus Scope/Processor Replacement	2,160,000	Essential: Cannot Function Without	New Technology	Replacement	Clinical Equipment
PLANNING, DESIGN AND CONSTRUCTION (PDC)	Sky Tower Automated Guidance Vehicle Upgrades	1,855,000	Important: Necessary for Improvement	New Technology	Strategic (New Service/Expansion)	Clinical Equipment
PLANNING, DESIGN AND CONSTRUCTION (PDC)	Sky Tower P-Tube System expansion and upgrades	1,700,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
TECHNICAL SERVICES	Replace end-of-life Cisco UCS equipment	1,489,989	Essential: Cannot Function Without	Required Maintenance	Replacement	Information Systems
RBG OP PHARMACY	ScriptPro / Parata Robots	1,328,000	Essential: Cannot Function Without	Safety Mandated	Replacement	Information Systems
TECHNICAL SERVICES	Cisco Voice UCS / Routers / Gateways	1,263,252	Important: Necessary for Improvement	Required Maintenance	Mandated (Regulatory Safety & Required Maintenance)	Information Systems
FLEET SERVICES	Mamography RV	1,211,992	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Administrative Equipment
UH HT 7 MEDICINE	Medtronic Stealth S8	1,014,230	Essential: Cannot Function Without	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
TECHNICAL SERVICES	Dell/EMC Extrem-IO 1 Replacement	890,400	Essential: Cannot Function Without	Required Maintenance	Replacement	Information Systems
TECHNICAL SERVICES	UHS Core/Distribution	857,427	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Information Systems
UMA - UHS WOUND CARE	TDI/UH - Sechrist 4100 Hyperbaric Oxygen Chambers	821,852	Essential: Cannot Function Without	New Service	Replacement	Clinical Equipment
RBG RADIOLOGY XRAY	Philips X-Ray Unit	600,000	Essential: Cannot Function Without	Regulatory Mandated	Replacement	Clinical Equipment
UMA - HILLIARD CLINIC	Additional Parking Space at the Hilliard Center	584,861	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
UH RADIOLOGY XRAY	OEC Elite CFD 21 cm Digital Super C-arm	557,700	Essential: Cannot Function Without	Safety Mandated	Replacement	Clinical Equipment
PAV OP PHARMACY	Adherence Packaging	535,000	Proactive: Necessary To Avoid Problems	New Technology	Strategic (New Service/Expansion)	Clinical Equipment
PLANNING, DESIGN AND CONSTRUCTION (PDC)	New Clinic Infrastructure	500,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
PLANNING, DESIGN AND CONSTRUCTION (PDC)	New Clinic Infrastructure	500,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
PLANNING, DESIGN AND CONSTRUCTION (PDC)	New Clinic Infrastructure	500,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
PLANNING, DESIGN AND CONSTRUCTION (PDC)	New Clinic Infrastructure	500,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
PLANNING, DESIGN AND CONSTRUCTION (PDC)	New Clinic Infrastructure	500,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Construction/Renovation
TECHNICAL SERVICES	Wireless Remediation for TDI, North and Jail	476,398	Important: Necessary for Improvement	Required Maintenance	Mandated (Regulatory Safety & Required Maintenance)	Information Systems
SW OP PHARMACY	Southwest Pharmacy Remodel	400,000	Important: Necessary for Improvement	Safety Mandated	Strategic (New Service/Expansion)	Construction/Renovation
TECHNICAL SERVICES	UPS Backup Battery Power	400,000	Important: Necessary for Improvement	Required Maintenance	Replacement	Information Systems
TECHNICAL SERVICES	Rubrik Clusters for Backup and Recovery	375,000	Essential: Cannot Function Without	New Service	Replacement	Information Systems
FACILITIES MANAGEMENT	Building Automation System (BAS) Upgrade	350,000	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Construction/Renovation
FACILITIES MANAGEMENT	TDI-Condensing Boilers	300,000	Important: Necessary for Improvement	Required Maintenance	Replacement	Construction/Renovation
UH RT SL IP PHARMACY	Carousel for Inpatient Central Pharmacy	295,000	Proactive: Necessary To Avoid Problems	Staff Request	Strategic (New Service/Expansion)	Clinical Equipment
UH ECMO ADV TECHNOLOGY VR	Spectrum Medical ECMO pump and transport frame	283,000	Proactive: Necessary To Avoid Problems	New Service	Strategic (New Service/Expansion)	Clinical Equipment
RBG ASC OR	Storz Laparoscopy Tower	264,428	Essential: Cannot Function Without	New Service	Strategic (New Service/Expansion)	Clinical Equipment
FACILITIES MANAGEMENT	Replace AHU on 1st Floor Horizon.	250,000	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Construction/Renovation
IT IMAGING SERVICES	Agfa EI Project Adjustment	225,000	Essential: Cannot Function Without	New Technology	Strategic (New Service/Expansion)	Information Systems
SE DIALYSIS	Replacing 23 G RO	215,000	Essential: Cannot Function Without	Regulatory Mandated	Replacement	Clinical Equipment
COMMUNICATION SERVICES-UH	Tech Center NOC Monitoring System	200,000	Important: Necessary for Improvement	New Technology	Replacement	Information Systems
UH HT 7 MEDICINE	Bundle NIM Vital System w/Cart	187,563	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
STERILE PROCESSING	Ultrasonic Washer	179,906	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH CATH LAB	Cryo Console	170,000	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	Alcon Constellation vitrectomy machine	169,999	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
STERILE PROCESSING	Titan Retractor	167,940	Proactive: Necessary To Avoid Problems	New Service	Strategic (New Service/Expansion)	Clinical Equipment

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
UMA - UHS WOUND CARE	TCOM - Transcutaneous Oxygen Monitoring - this measures is a noninvasive test that assesses the partial pressure of oxygen diffusing through the skin. TCOM can be used as a measure of blood flow to the tissue that is needed for wound healing and evaluation.	161,340	Essential: Cannot Function Without	New Service	Replacement	Clinical Equipment
UH HT 7 MEDICINE	Mizuho Osi ProAxis spine table	159,650	Proactive: Necessary To Avoid Problems	Physician Request	Strategic (New Service/Expansion)	Clinical Equipment
RBG ASC OR	Olympus OER-Elite Scope Washer	138,732	Essential: Cannot Function Without	New Technology	Replacement	Clinical Equipment
FACILITIES MANAGEMENT	5 Transit Connect Vehicles	123,275	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Administrative Equipment
FLEET SERVICES	Vehicle (Police)	120,000	Proactive: Necessary To Avoid Problems	Required Maintenance	Replacement	Administrative Equipment
UH HT 7 MEDICINE	Stealth Pedi ENT Cart Kit Fusion w/ Stealthstation ENT Software	107,100	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	Pedi arthroscopic tower with scopes and cameras	103,688	Important: Necessary for Improvement	New Technology	Strategic (New Service/Expansion)	Clinical Equipment
UH MRI	Cardiac Patient Monitoring System (MRI)	100,000	Essential: Cannot Function Without	Safety Mandated	Replacement	Clinical Equipment
RBG ASC OR	Olympus Colonoscope	92,973	Essential: Cannot Function Without	Physician Request	Replacement	Clinical Equipment
FLEET SERVICES	Vehicle (Courier)	90,000	Proactive: Necessary To Avoid Problems	Required Maintenance	Replacement	Administrative Equipment
RBG ASC OR	Olympus Endoscope	85,007	Essential: Cannot Function Without	Physician Request	Replacement	Clinical Equipment
UH MICROBIOLOGICAL PATHOLOGY	BSII hoods	81,200	Essential: Cannot Function Without	Regulatory Mandated	Replacement	Clinical Equipment
MAIL ROOM	DS-180i Folder-Inserter	80,323	Essential: Cannot Function Without	New Technology	Replacement	Administrative Equipment
UH MRI	Invivo Neuro Dynasuite	80,000	Essential: Cannot Function Without	New Technology	Replacement	Clinical Equipment
UH HT 7 MEDICINE	Karl Storz Video Source-IMAGE1S-4U-KT	77,910	Important: Necessary for Improvement	Regulatory Mandated	Strategic (New Service/Expansion)	Clinical Equipment
STERILE PROCESSING	Ultrasonic Washer	75,563	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH ST 9 TRANSPLANT/CT ICU	Total Lift ICU Bed	75,428	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
RBG ASC OR	EndoFlip System 2.0	75,316	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Clinical Equipment
GARAGE OPERATIONS	Nilfisk Garage Sweeper	73,164	Important: Necessary for Improvement	Required Maintenance	Replacement	Administrative Equipment
UH CATH LAB	TEE Probes	72,000	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
FACILITIES MANAGEMENT	F250 HD Crew Cab w/Tommy Lift & tow hitch package	70,000	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Administrative Equipment
UMA - UHS WOUND CARE	Bariatric Chairs - Healogics Replacement	69,696	Essential: Cannot Function Without	New Service	Replacement	Clinical Equipment
UH HT 7 MEDICINE	Storz 4K Surgical Monitor	69,022	Important: Necessary for Improvement	Regulatory Mandated	Strategic (New Service/Expansion)	Clinical Equipment
UH HT 7 MEDICINE	Karl Storz Light Source - TL 300	58,518	Important: Necessary for Improvement	Regulatory Mandated	Strategic (New Service/Expansion)	Clinical Equipment

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
STERILE PROCESSING	Prep Pack Workstations	57,999	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	Medtronic Stealth MR8 Drill	55,134	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
CLINICAL SYSTEMS	SCC SoftRecruit application	54,275	Important: Necessary for Improvement	New Technology	Strategic (New Service/Expansion)	Information Systems
UH HT 7 MEDICINE	Shockpulse-SE Lithotripsy System, Footswitch, Transducer, Nose Cone & Wrench	50,583	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	Integra Mayfield Radiolucent Head Positioner	49,345	Essential: Cannot Function Without	Required Maintenance	Strategic (New Service/Expansion)	Clinical Equipment
UH HT 7 MEDICINE	fluid mangement sysytem (FMS) TRU Clear	48,395	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH CATH LAB	Philips Azurion Upgrade Lab 3	45,000	Important: Necessary for Improvement	Required Maintenance	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH CORE LAB	Lab refrigerators	44,000	Essential: Cannot Function Without	Regulatory Mandated	Replacement	Clinical Equipment
MARC ASC	Anesthesia Integration Equipment	44,000	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
SLEEP DISORDERS CLINIC	Transcutaneous CO2 monitor for Pedi Sleep Studies	43,731	Essential: Cannot Function Without	Required Maintenance	Replacement	Clinical Equipment
MAIL ROOM	IS-6000 DS Mailing System	40,333	Essential: Cannot Function Without	New Technology	Replacement	Administrative Equipment
FACILITIES MANAGEMENT	HVAC truck	40,000	Important: Necessary for Improvement	New Service	Mandated (Regulatory Safety & Required Maintenance)	Administrative Equipment
CAFETERIA	Three (3) Merrychef Ovens	40,000	Essential: Cannot Function Without	Required Maintenance	Replacement	Administrative Equipment
UH ST G ADULT ED	Weighing Stretchers	40,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
AMB SPEECH THERAPY	Stroboscopy with Rigid Scope	39,727	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UMA - SW CLINIC	MAC VU360 EKG - System + Trolley	38,987	Essential: Cannot Function Without	Required Maintenance	Replacement	Clinical Equipment
UH ST G TRAUMA RESUSCITATION UNIT	Stryker Weighing Stretchers	38,818	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH ST G ADULT ED	Stryker Power Ambulance/EMS	38,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	AEX Generator	37,748	Important: Necessary for Improvement	Required Maintenance	Strategic (New Service/Expansion)	Clinical Equipment
CENTER FOR CLINICAL EXCELLENCE	Sim Junior is an interactive pediatric simulator	35,000	Important: Necessary for Improvement	New Technology	Strategic (New Service/Expansion)	Clinical Equipment
STERILE PROCESSING	Drying Cabinet	34,511	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
DETENTION HEALTH CARE - ADULT	Piccolo Blood Chemistry Analyzer	31,000	Important: Necessary for Improvement	Physician Request	Strategic (New Service/Expansion)	Clinical Equipment
UH HT SL PEDI ED	Glidescope	30,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
UH ST G ADULT ED	Olympus Scopes	30,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
CENTER FOR LIFE	Philips Monitor MX800 w/transport.	28,821	Essential: Cannot Function Without	Regulatory Mandated	Strategic (New Service/Expansion)	Clinical Equipment
CENTER FOR LIFE	Ultrasound probes-FUS8720 L12-3 & FUS8731 C5-1	27,139	Essential: Cannot Function Without	Regulatory Mandated	Strategic (New Service/Expansion)	Clinical Equipment
UH RT SL IP PHARMACY	Medication Freezer	27,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Clinical Equipment
UH RT SL IP PHARMACY	Medication Refrigerators	27,000	Important: Necessary for Improvement	New Service	Strategic (New Service/Expansion)	Clinical Equipment
MARC ASC	Flexible Laryngoscope	24,775	Essential: Cannot Function Without	Physician Request	Strategic (New Service/Expansion)	Clinical Equipment
UH HT 7 MEDICINE	VenaCure 1470Pro laser	24,625	Essential: Cannot Function Without	Required Maintenance	Strategic (New Service/Expansion)	Clinical Equipment
UH DIAGNOSTIC CARDIOLOGY	Tilt Table	24,410	Important: Necessary for Improvement	Safety Mandated	Replacement	Clinical Equipment
UH HT SL PEDI ED	Panda Infant Warmer	23,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT 7 MEDICINE	Trasonic HT363	22,678	Essential: Cannot Function Without	New Technology	Strategic (New Service/Expansion)	Clinical Equipment
COPY CENTER	En/Press Unit w Enterprise Feeder	20,845	Essential: Cannot Function Without	New Technology	Replacement	Administrative Equipment
MARC ASC	True Clear Hysteroscope	20,651	Essential: Cannot Function Without	New Service	Strategic (New Service/Expansion)	Clinical Equipment
UH HT 4 LABOR DELIVERY	Ligasure ValleyLab FT10 Energy Platform	20,000	Essential: Cannot Function Without	Required Maintenance	Replacement	Clinical Equipment
UH CATH LAB	Phillips Transducer	20,000	Important: Necessary for Improvement	Physician Request	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH HT SL PEDI ED	Weighing Stretchers	20,000	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
CENTER FOR LIFE	Noninvasive cardiac output/Hemodynamic monitoring	18,850	Essential: Cannot Function Without	Safety Mandated	Strategic (New Service/Expansion)	Clinical Equipment
LAB ADMINISTRATION	Microscopes	18,750	Proactive: Necessary To Avoid Problems	Required Maintenance	Replacement	Clinical Equipment
UH RT SL IP PHARMACY	Sterile Preparation Hood	18,000	Important: Necessary for Improvement	Regulatory Mandated	Replacement	Clinical Equipment
UH DIAGNOSTIC CARDIOLOGY	Ultima MVO2 GE Integration and Ergometer	17,819	Essential: Cannot Function Without	Physician Request	Strategic (New Service/Expansion)	Clinical Equipment
UMA - UHS HEARING AND BALANCE	Verifit Audioscan	14,275	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UMA - SALINAS CLINIC	Leisegang Optik Model 2 Photo Swing Colposcope	13,905	Essential: Cannot Function Without	New Service	Strategic (New Service/Expansion)	Clinical Equipment
UMA - SO FLORES PEDI CLINIC	Leisegang Optik Model 2 Photo Swing Colposcope	13,905	Essential: Cannot Function Without	New Service	Strategic (New Service/Expansion)	Clinical Equipment
UMA - UHS HEARING AND BALANCE	Tympanometer	13,865	Essential: Cannot Function Without	Regulatory Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
RBG ASC OR	Stryker Smart Pump Tourniquet	9,604	Essential: Cannot Function Without	New Technology	Replacement	Clinical Equipment
UH RT 3 HLA LAB	ELISA reader	9,200	Proactive: Necessary To Avoid Problems	Required Maintenance	Replacement	Clinical Equipment
MARC ASC	Horseshoe Headrest	9,018	Essential: Cannot Function Without	New Service	Strategic (New Service/Expansion)	Clinical Equipment
MARC ASC	Microfree Oscillating Saws	8,990	Important: Necessary for	Physician Request	Strategic (New	Clinical Equipment
CAFETERIA	Dish machine	8,800	Essential: Cannot Function Without	Required Maintenance	Replacement	Administrative Equipment

**Preliminary 2022 Budget, Capital Requests
University Health less CFHP**

2022						
Dept. Name	Request Name	Amount	Priority	Reason	Class	Category
UH MICROBIOLOGICAL PATHOLOGY	Table Top Autoclave	7,600	Essential: Cannot Function Without	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
UH CATH LAB	TEE Probe Storage Cabinet	7,000	Important: Necessary for Improvement	Safety Mandated	Mandated (Regulatory Safety & Required Maintenance)	Clinical Equipment
AMB SPEECH THERAPY	Visipitch	6,250	Essential: Cannot Function Without	Safety Mandated	Replacement	Clinical Equipment

Total 2022 Amount	40,597,541
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Property Acquisitions/Dispositions

Description	Address	Status	Building / Space Sqft
New Facility Acquisitions			
University Park (Business Center Office #1)	5800 Farinon 78249	Purchased	88,520
This building replaced the old business center located on Spencer Lane (See Facility Disposition below). Additionally, other non clinical business related departments located at University Hospital were relocated here to allow for clinical growth at University Hospital.			
University Park (Business Center Office #2)	5959 NW Pkwy 78249	Purchased	76,487
This building is adjacent to Business Center Office #1. This building houses our Epic team, IT staff, and the Training Department. The move reduced lease expense.			
Women's Imaging Center	8403 Wurzbach	Purchased	6,051
Currently the Women's Imaging Center is located in leased space on the third floor of the Mays Cancer Center. This project moves the Women's Imaging Center into a single story facility on Wurzbach Road near the new Women's and Children's Hospital. The single story structure will improve patient access, convenience and allow for future clinical growth.			
New Real Estate			
W. Loop 1604 / Shaenfield Rd	37.52 Acres (N. Loop 1604/Shaenfield Rd)	Purchased	
W. Loop 1604 / Shaenfield Rd	15.83 Acres (N. Loop 1604/Shaenfield Rd)	Purchased	
These two properties are located on the far west side of Bexar County. They serve as prime locations for future clinical sites, projected to include but not limited to, clinics, medical office buildings, pharmacies, surgical and imaging centers and a community hospital.			
Retama	42.5 Acres (Retama Parkway and Lookout Road)	Under Contract	
This property is located on the far north east sector of Bexar County along the I-35 corridor. It serves as prime location for future clinical sites, projected to include but not limited to, clinics, medical office buildings, pharmacies, surgical and imaging centers and a community hospital.			
VIDA (Zarzamora St. and Jaguar Blvd.)	67.57 Acres (Southside-Southstar at Verano)	Under Contract	
This property is centrally located in South Bexar County adjacent to Texas A&M San Antonio. It serves as prime location for future clinical sites, projected to include but not limited to, clinics, medical office buildings, pharmacies, surgical and imaging centers and a community hospital.			
Facility Dispositions			
Business Center	355 Spencer Lane 78201 (6224 West Interstate 10)	Under a Sales Contract	20,514
The Business Center on Spencer Lane was acquired in 2005 to facilitate the expansion of clinical services at University Hospital. Due to its size and cost to renovate, it no longer meets University Health needs. Staff was relocated to new Business Center Office #1 at 5800 Farinon.			