



## **BEXAR COUNTY COMMISSIONERS COURT**

**Tuesday, December 10, 2024**

### **Consideration and Appropriate Action Regarding Bexar County Hospital District d/b/a University Health's Consolidated Operating, Debt Service and Capital Budgets for Fiscal Year 2025**

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#### **Key Assumptions**

The preliminary 2025 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 2025 budget incorporates many known or expected changes for the upcoming year. These include inflation impacts, changes in Medicaid supplemental funding, major projects, and changes in patient volumes. To address these issues, University Health continues to improve operational efficiencies and reduce expenses wherever possible without sacrificing quality of care. At the Board meeting, staff will present additional information on the preliminary 2025 Operating, Debt Service, and Capital budgets.

#### **Inflation Impacts**

University Health and health care systems across the country are being impacted by inflation on wages, supplies, and many purchased services. This inflationary environment is squeezing margins as costs are increasing faster than reimbursements. Governmental payers such as Medicare and Medicaid have processes for increasing payment rates but these processes can take years to catch up to quickly escalating expenses. Commercial insurance companies have multi-year contracts with health care providers like University Health, which normally have annual escalators in the three percent range. Health care providers will be under financial stress until payment rates catch up to current expense levels.

#### **Supplemental Medicaid Funding Programs**

Supplemental Payments are additional Medicaid payments to healthcare providers that are separate from and in addition to "base Medicaid payments". The payments can be made in lump sum or added to individual claims paid to University Health. Supplemental funding which is included on individual claims is included in the Net Patient Revenue line on the Income Statement, the programs that pay in lump sums are reported as separate income sources. In 2025, University Health estimates total

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supplemental funding at approximately \$340 million which is consistent with the 2024 projection. Detail on the various programs and amounts can be found in the included Attachment 1.

**Large Projects**

There are a number of large projects with budget implications that staff and leadership will focus on during 2025 which include the following:

- The opening of the new Women’s and Children’s Hospital in December 2023 has provided additional capacity for Pediatric and Women’s services which have grown dramatically during 2024. The Labor and Delivery area has increased by over 25%. We anticipate continued growth in 2025, with an increase in deliveries, pediatric admissions, and a higher census in the Neonatal Intensive Care Unit (NICU). There are also several projects that are still underway in the podium section of the new hospital.
- The Community Hospitals project consisting of two similar facilities one in Northeast Bexar County and one in South Bexar County broke ground in 2024. Although these projects will require significant time and effort from staff, there will be minimal impact to the operating budget until the facilities come on line in early 2027. The total estimated project cost is \$1.5 billion. In September 2022, University Health acquired \$300 million of bond funding, followed by an additional \$200 million in August of 2023 to support the project. Combined with \$620 million in cash reserves, the project fund has a current funded balance of \$1.1 billion. Additional cash reserves will be allocated to the project over the next few years during the construction phase.
- On October 11, 2022, Bexar County Commissioners Court awarded \$40 million in ARPA funding for the construction of two public health facilities in underserved areas of Bexar County. One facility will be located on University Health property near Texas A&M - San Antonio named the University Health Vida and the other on land at I-10 east and East Houston Street named the University Health Wheatley. Similar to the Community Hospitals Project, the public health facilities are under construction and will have minimal impact to the 2025 operating budget. These facilities should start seeing patients in late 2025.
- Facilities improvements will continue with infrastructure repair and upgrades at existing locations alongside planned opening of additional school based and

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regional clinic locations. A multi-year project to expand and renovate the University Hospital Lab and Pathology department is planned to start in 2025.

- The Retail and Specialty Pharmacy programs are budgeted to continue to grow during 2025. The Specialty Pharmacy service provides high cost, specialty drugs to patients experiencing chronic illness. Growth of these programs will increase pharmacy supply expense and staffing costs, offset by additional pharmacy revenue. In 2024, University Health acquired a 142,500 square foot office building located near our current Business Center I and II buildings on Northwest Parkway. In 2025 staff will start the process to move some pharmacy operations and other departments out of University Hospital into the new space to free up much needed parking at the Hospital campus.

There are also multiple ongoing operational and quality improvement initiatives that will impact the 2025 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 process improvements in many areas including care transitions, Emergency Department, surgical services and many other clinical and non-clinical areas.

The table below details the summary information for the preliminary 2025 Operating, Debt Service, and Capital Budget for University Health.

| <b>Consolidated</b><br>(Dollars in Millions) | <b>2024<br/>Projected</b> | <b>2025<br/>Preliminary<br/>Budget</b> | <b>Variance<br/>from<br/>Projected</b> | <b>% Variance</b> |
|--|---------------------------|--|--|-------------------|
| <b>Total Operating Revenue</b>               | \$3,366.2                 | \$3,649.0                              | \$282.7                                | 8.4%              |
| <b>Total Operating Expense</b>               | \$3,083.2                 | \$3,502.6                              | \$419.4                                | 13.6%             |
| <b>Operating Gain</b>                        | \$283.0                   | \$146.4                                | (\$136.6)                              | (48.3%)           |
| <b>Nonoperating Revenue/(Expense):</b>       |                           |  |  |                   |
| <b>Depreciation/Amortization</b>             | (\$158.8)                 | (\$170.5)                              | (\$11.6)                               | (7.3%)            |
| <b>Other Non-operating</b>                   | \$128.2                   | \$57.3                                 | (\$70.8)                               | (55.3%)           |
| <b>Premium Deficiency Reserve</b>            | \$1.5                     | \$2.5                                  | \$1.0                                  | 69.5%             |
| <b>Total Non-Operating Revenue</b>           | (\$29.2)                  | (\$110.6)                              | (\$81.4)                               | (279.1%)          |
| <b>Bottom Line excluding Debt Service</b>    | <b>\$253.9</b>            | <b>\$35.8</b>                          | <b>(\$218.1)</b>                       | <b>(85.9%)</b>    |
| <b>Debt Service Expense</b>                  | \$96.4                    | \$99.8                                 | \$3.4                                  | 3.6%              |
| <b>Capital Requirements</b>                  | <b>\$47.4</b>             | <b>\$46.3</b>                          | <b>(\$1.1)</b>                         | <b>(2.3%)</b>     |

Additional detail on the budget for University Health less Community First is located in the attached Exhibits listed below:

Attachment 1 2025 Operating Budget - University Health  
Exhibit 1A 2025 Consolidated University Health - Income Statement  
Exhibit 1B 2025 University Health less Community First - Income Statement  
Exhibit 1C 2025 Community First - Income Statement  
Exhibit 2 2025 Activity and notes  
Exhibit 3 2025 Budget, Changes to Total Operating Revenue  
Exhibit 4 2025 Budget, Legislative Changes  
Exhibit 5 2025 Budget, Changes to Total Operating Expense  
Exhibit 6 2025 Budget, FTE Changes  
Exhibit 7 2025 Budget, Analysis of Tax Rate  
Exhibit 8 2025 Budget, Detail of Capital Request  
Exhibit 9 Summary of Real Estate Transactions in 2024

**Changes in Utilization:**

Total discharges are projected to grow by 5.2% with 4.2% growth in adults and 17.5% in pediatrics. The primary driver for the increase in discharge volume is related to planned increases in deliveries and pediatric admissions due to the additional capacity created with the opening of the new Women’s & Children’s Hospital and continued growth in Pediatric Specialty service lines. Outpatient ambulatory clinic volume is budgeted to achieve an 18.6% increase over 2024 projected activity. The outpatient ambulatory volume increase is related to additional providers in University Medicine Associates (UMA) group.

**Routine Capital:**

The Capital Committee, working with the area Vice Presidents, prioritized the 2025 capital request. The capital budget for 2025 is recommended at \$46.0 million, which is \$0.7 million lower than the 2024 routine capital budget. In prioritizing the capital needs for 2025, 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 priority category is in the following table:

Exhibit 8 includes the detail of capital requests for the Clinical Services Division, a detail of the Community First Capital request of \$308 thousand is on page 33 of Attachment 1.

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| <b>2025 Routine Capital Requirements</b> |  |                      |  |                      |  |
|--|--|----------------------|--|----------------------|--|
| <b>Priority</b>                          | <b>Mandated<br/>(Regulatory Safety<br/>&amp; Required<br/>Maintenance)</b> | <b>Replacement</b>   | <b>Strategic (New<br/>Service /<br/>Expansion)</b> | <b>Grand Total</b>   |  |
| Essential: Cannot Function Without       | \$ 6,767,671   | \$ 14,319,259        | \$ 3,616,218                                       | \$ 24,703,148        |  |
| Important: Necessary For Improvement     | \$ 539,778   | \$ 4,269,585         | \$ 8,532,323                                       | \$ 13,341,686        |  |
| Proactive: Necessary To Avoid Problems   | \$ 1,060,000   | \$ 5,380,460         | \$ 1,528,204                                       | \$ 7,968,664         |  |
| <b>Total Clinical Services</b>           | <b>\$ 8,367,449</b>  | <b>\$ 23,969,304</b> | <b>\$ 13,676,745</b>                               | <b>\$ 46,013,499</b> |  |

**Debt Service Requirement:**

The required principal and interest payments on University Health’s outstanding bonds due in 2025, is \$99.8 million. This amount is \$3.4 million higher than 2024 debt service. The increase is due to the additional bonds issued in 2022 and 2023 for the Community Hospitals project. The Commissioners Court approved the tax rate supporting the Debt Service tax levy on September 10, 2024.

| <b>Debt Service</b>         |                           |  |  |                       |
|-----------------------------|---------------------------|--|--|-----------------------|
| <b>Dollars in millions</b>  | <b>2024<br/>Projected</b> | <b>2025<br/>Preliminary<br/>Budget</b> | <b>Variance<br/>from<br/>Projected</b> | <b>%<br/>Variance</b> |
| <b>Debt Service Payment</b> | \$ 96.4                   | \$ 99.8                                | \$ 3.4                                 | 3.6%                  |

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

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Bexar County Hospital District d/b/a University Health’s Consolidated Operating, Debt  
Service and Capital Budgets for Fiscal Year 2025**

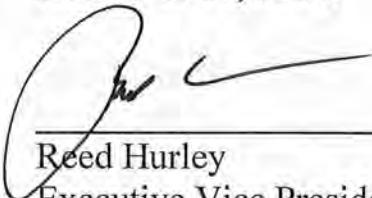
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**Recommendation:**

The Board of Managers’ approved the Operating, Debt Service and Capital Budgets for Fiscal Year 2025 at the Board of Managers meeting held on November 19, 2024, and endorses it to Bexar County Commissioners’ Court for final approval on December 10, 2024.

  
\_\_\_\_\_  
Reed Hurley  
Executive Vice President/  
Chief Financial Officer

  
\_\_\_\_\_  
William A. Phillips, Jr.  
Executive Vice President/  
Chief Operating Officer

  
\_\_\_\_\_  
Edward Banos  
President/Chief Executive Officer



Consideration and Appropriate Action Regarding  
Bexar County Hospital District d/b/a  
University Health's Consolidated Operating,  
Debt Service and Capital Budgets  
for Fiscal Year 2025

Tuesday, December 10, 2024

*Edward Banos, President/CEO*  
*Reed Hurley, CFO*



**University Health  
Consolidated Operating, Debt Service,  
and Capital Budgets  
For Fiscal Year 2025**

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## University Health Consolidated 2025 Budget: Major Drivers

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### **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 2025 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 2025 Budget**

- Supplemental funding sources have somewhat stabilized with the 1115 Waiver extension and ending of the COVID-19 Public Health Emergency. Although these programs remain volatile, the major consideration for Budget 2025 is the expected cuts to the Disproportionate Share (DSH) program that were passed as part of the Affordable Care Act but delayed in implementation until its extension expires on December 31, 2024. Legislative intervention will be necessary to prevent the expected \$62.5 million in DSH cuts expected for Budget 2025.
- Additional investments in staff recruitment and retention will continue into the 2025 Budget. Market adjustments for clinical staff, additional enhancements to retention incentives, and education reimbursement programs are necessary to ensure University Health is able to retain top talent that provides care to a growing population. Further funds for market increases are included in the Preliminary 2025 Operating budget and will be implemented over the year as needed to recruit and retain staff critical to maintaining high quality clinical care.
- Community First Health Plans (Community First) achieved go-live of the Star+Plus plan on September 1, 2024 and is expecting to manage 13,502 enrollees in Budget 2025. The Star+Plus Managed Medicaid program is open to adults who have disabilities or are aged 65 or older so effective management of this new plan will be a significant focus for the Community First team in the upcoming year. Staff are expecting the program to significantly increase the Premium Revenue and offsetting Medical Claims expense in Budget 2025.
- 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 2025. The increased costs will be offset by increased patient revenue from insured populations.
- University Health acquired the new Business Center III in mid-2024 to support the expanding needs for staff who are required to deliver high-quality clinical care but are not needed at the bedside. Leadership will relocate staff who currently work at University Hospital to free up much needed parking space and staff that work in several leased locations. A centralized pharmacy distribution center will be developed at Business Center III over the coming years with significant time and effort being dedicated for best use of this space in Budget 2025.
- Resource investment to improve and upgrade existing buildings, equipment, and software will be an ongoing focus in 2025, as University Health continues its pursuit of being the preferred health system in the community.

## **Capital Budget Projects**

Funded Projects that will impact operations and the 2025 Budget:

- The opening of the new Women's and Children's Hospital in late 2023 provided additional capacity for Pediatric and Women's services. Continued growth into this capacity will result in additional deliveries, pediatric admissions, and the Women's service line. Additional inpatient bed capacity will be available in January 2025 as the refresh of Sky Tower units is completed and the 7<sup>th</sup> floor, previously the Pediatric unit, reopens for Adult Medicine patients. There are several projects that are still underway in the podium section of the new hospital.
- The Community Hospitals project consisting of two similar facilities one in Northeast Bexar County and one in South Bexar County has broken ground in 2024 and significant progress is underway. Although these projects will require significant time and effort from staff, there will be minimal impact to the operating budget until the facilities come online. The total estimated project cost is \$1.5 billion. Staff acquired \$300 million of bond funding in September 2022 and \$200 million in August of 2023 to help fund the project. Combined with \$616 million of cash reserves the project fund has a current balance of \$1.1 billion. Additional cash reserves will be allocated to the project over the next few years during the construction phase.
- On October 11, 2022, Bexar County Commissioners Court awarded \$40 million in ARPA funding for the construction of two public health facilities in underserved areas of Bexar County. One facility will be located on University Health property near Texas A&M - San Antonio and the other on land at I-10 east and East Houston Street. Similar to the Community Hospitals Project, the public health facilities broke ground during 2024 and are planned to open in late 2025 but will have minimal impact to the 2025 operating budget.
- Facilities improvements will continue with infrastructure repair and upgrades at existing locations, make-ready efforts for Business Center III, and planned opening of additional school based and regional clinic locations. Continued efforts to modernize University Health elevators and the Central Utility Plant will be a focus to improve the patient experience.

**Operational Improvements – Working in conjunction with UT Physicians**

- Emergency Room throughput and efficiency: Power UP
- Clinical Quality Outcome scores and work to achieve Leapfrog A
- Clinical Documentation improvements
- Maintain and improve patient satisfaction
- Length of stay reductions with enhanced Care Coordination
- Employee engagement and satisfaction
- Implement strategic tactics to fulfill projected activity by:
  - Focusing on key service lines
    - Children's Health
    - 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, retention, and continuous learning programs
- Produce positive financial results to fund capital improvements

## **2025 Consolidated Budget Summary**

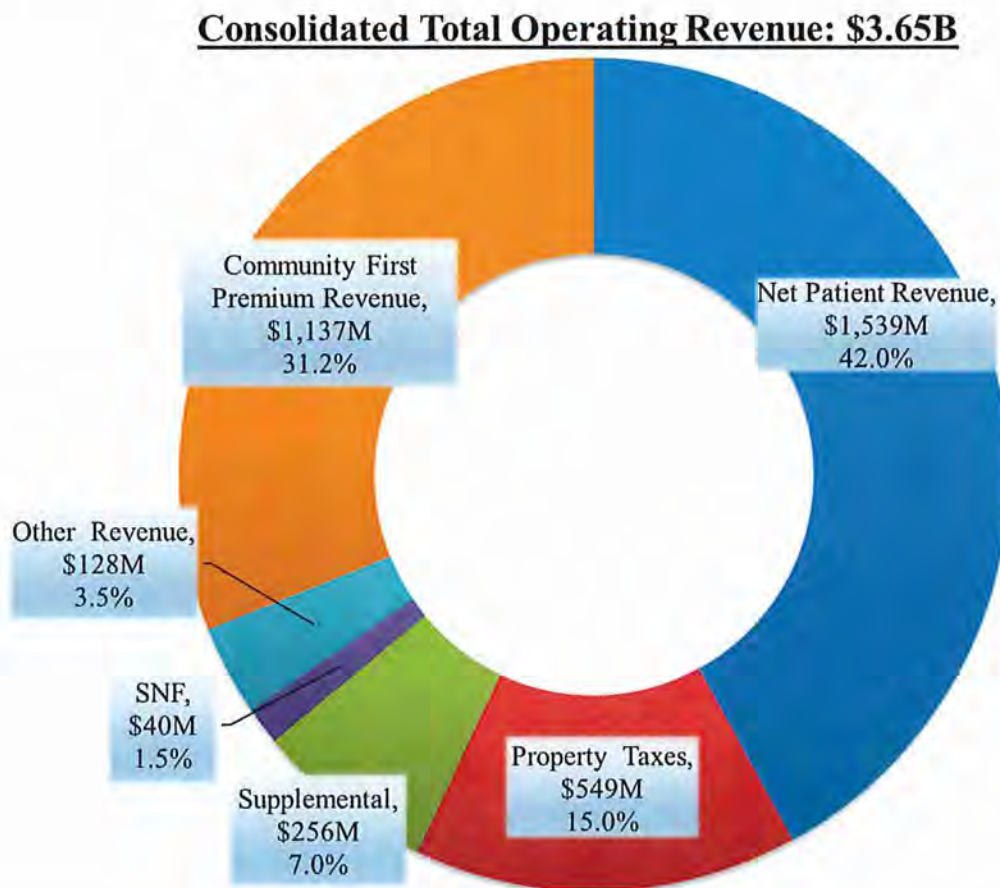
The table below is a summary of the 2025 Consolidated Budget and a comparison to Projected 2024.

| <b>Consolidated</b><br>(Dollars in Millions) | <b>2024<br/>Projected</b> | <b>2025<br/>Preliminary<br/>Budget</b> | <b>Variance<br/>from<br/>Projected</b> | <b>% Variance</b> |
|--|---------------------------|--|--|-------------------|
| <b>Total Operating Revenue</b>               | \$3,366.2                 | \$3,649.0                              | \$282.7                                | 8.4%              |
| <b>Total Operating Expense</b>               | \$3,083.2                 | \$3,502.6                              | \$419.4                                | 13.6%             |
| <b>Operating Gain</b>                        | \$283.0                   | \$146.4                                | (\$136.6)                              | (48.3%)           |
| <b>Nonoperating Revenue/(Expense):</b>       |                           |  |  |                   |
| <b>Depreciation/Amortization</b>             | (\$158.8)                 | (\$170.5)                              | (\$11.6)                               | (7.3%)            |
| <b>Other Non-operating</b>                   | \$128.2                   | \$57.3                                 | (\$70.8)                               | (55.3%)           |
| <b>Premium Deficiency Reserve</b>            | \$1.5                     | \$2.5                                  | \$1.0                                  | 69.5%             |
| <b>Total Non-Operating Revenue</b>           | (\$29.2)                  | (\$110.6)                              | (\$81.4)                               | (279.1%)          |
| <b>Bottom Line excluding Debt Service</b>    | <b>\$253.9</b>            | <b>\$35.8</b>                          | <b>(\$218.1)</b>                       | <b>(85.9%)</b>    |
| <b>Debt Service Expense</b>                  | \$96.4                    | \$99.8                                 | \$3.4                                  | 3.6%              |
| <b>Capital Requirements</b>                  | <b>\$47.4</b>             | <b>\$46.3</b>                          | <b>(\$1.1)</b>                         | <b>(2.3%)</b>     |

- University Health's Consolidated 2025 Budget (Exhibit 1A) reflects a gain from operations of \$146.4 million and a bottom line gain of \$35.8 million after including non-operating income/(expense) of (\$110.6) million.
- University Health less Community First, the Clinical Services Division (Exhibit 1B) reflects a \$138.3 million gain from operations and a bottom line gain of \$22.6 million after including depreciation/amortization expense of \$166.3 million and \$50.6 million of non-operating revenue.
- Community First (Exhibit 1C) reflects a gain from operations of \$8.1 million and a bottom line gain of \$13.2 million after including depreciation/amortization expense of \$4.2 million, premium deficiency reserve of \$2.5 million and non-operating income of \$6.7 million.
- The budget includes \$99.8 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 2025 is \$0.042535 per \$100 valuation (Exhibit 7).
- University Health's 2025 on-going capital budget for the clinical services

- University Health's 2025 on-going capital budget for the clinical services includes \$46.0 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 Community First are \$308 thousand.

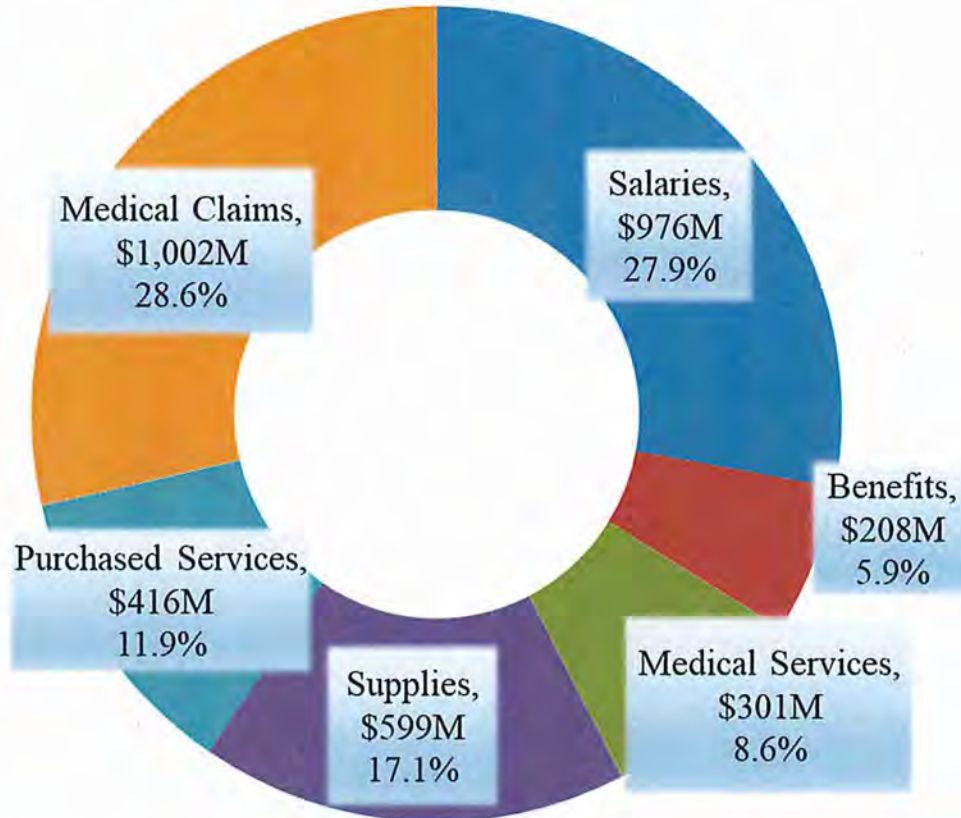
A summary of consolidated sources of funding is as follows:



On a consolidated basis, Total Operating Revenue is \$3.65 billion. Net Patient Revenue (NPR), or collections from third party payers and patients, represents the largest percent at 42.0%. Premium revenue from Community First follows at 31.2%. Property taxes account for 15.0% of total operating revenue, Supplemental Funding accounts for 7.0%, and Other Revenue sources are 5.0% of total operating revenue.

A summary of Consolidated Total Operating Expense is as follows:

**Consolidated Total Operating Expenses:**  
**\$3.5B**



On a consolidated basis, Total Operating Expense is \$3.50 billion. Salaries and benefits represent the largest percentage at 33.8% followed by Medical Claims for Community First at 28.6%, Supplies are 17.1%, Purchased Services at 11.9%, and Medical Services are at 8.6%.



**Clinical Services Division (University Health less Community First)**  
**Preliminary Operating and Capital Budget for Fiscal Year 2025**

University Health developed the 2025 Clinical Services Division Budget to incorporate the strategies and initiatives described in the preceding sections. The Clinical Services Division Preliminary 2025 Budget will produce an operating gain of \$138.7 million and bottom line of \$23.1 million.

Below is a summary of the 2025 Preliminary Budget and a comparison to Projected 2024:

| <b>University Health</b><br>(Less Community First) | <b>2024<br/>Projected</b> | <b>2025<br/>Preliminary<br/>Budget</b> | <b>Variance<br/>from<br/>Projected</b> | <b>%<br/>Variance</b> |
|--|---------------------------|--|--|-----------------------|
| Dollars in Millions                                |                           |  |  |                       |
| <b>Total Operating Revenue</b>                     | \$2,468.0                 | \$2,511.5                              | \$43.5                                 | 1.8%                  |
| <b>Total Operating Expense</b>                     | \$2,213.6                 | \$2,373.2                              | \$159.6                                | 7.2%                  |
| <b>Gain/(Loss) from Operations</b>                 | \$254.4                   | \$138.3                                | (\$116.1)                              | (45.6%)               |
| <b>Depreciation Expense</b>                        | (\$156.3)                 | (\$166.3)                              | (\$10.0)                               | 6.4%                  |
| <b>Other Non-Operating</b>                         | \$114.6                   | \$50.7                                 | (\$64.0)                               | (55.8%)               |
| <b>Total Non-Operating Revenue/Expense</b>         | (\$41.6)                  | (\$115.6)                              | (\$74.0)                               | (177.9%)              |
| <b>Bottom Line Excluding Debt Service</b>          | <b>\$212.8</b>            | <b>\$22.6</b>                          | <b>(\$190.1)</b>                       | <b>(89.4%)</b>        |
| <b>Debt Service</b>                                | \$96.4                    | \$99.8                                 | \$3.4                                  | 3.6%                  |
| <b>Capital Requirements</b>                        | <b>\$46.7</b>             | <b>\$46.0</b>                          | <b>(\$0.7)</b>                         | <b>(1.6%)</b>         |

- University Health (less Community First), the Clinical Services Division (Exhibit 1) reflects a \$138.3 million gain from operations and a bottom line gain of \$22.6 million after including depreciation/amortization expense of \$166.3 million and \$50.7 million of non-operating gain from interest income.
- The budget includes \$99.8 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 2025 is \$0.042535 per \$100 valuation (Exhibit 7).
- University Health's 2025 on-going capital budget for Clinical Services includes \$46.0 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 \$24.0 million, \$13.7 million for strategic or new



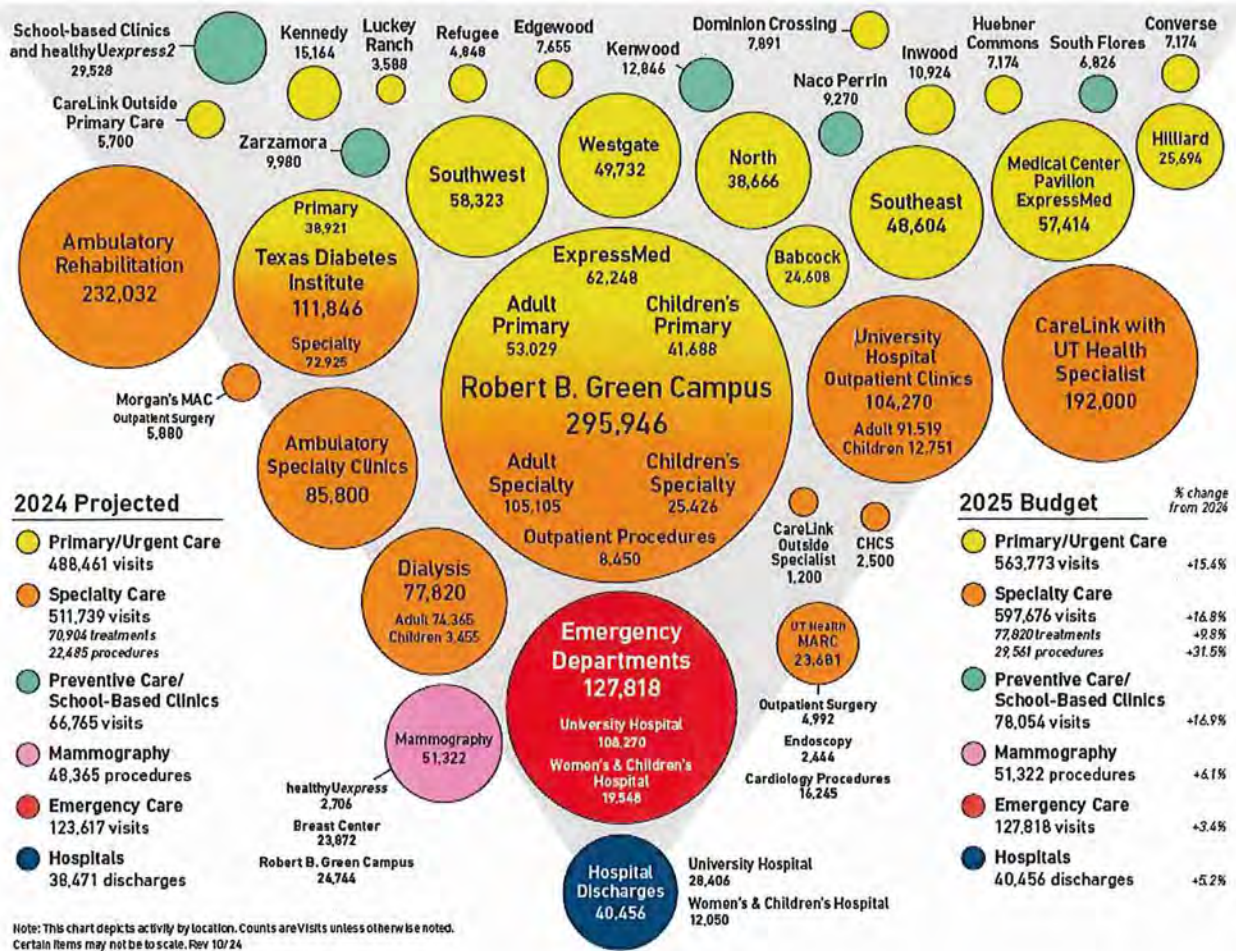
services, and \$8.4 million for mandated regulatory or safety items. Several large capital projects include \$9.3 million to replace three CT scanners that are at end of life, \$6.3 million to replace IT network hardware and licenses, \$4.0 million for replacing and upgrading aged clinical equipment and infrastructure, and \$2.6 million to begin replacing the fleet of inpatient beds that are at end of life.

### **Clinical Activity (Access) Assumptions**

The Preliminary 2025 budget projects inpatient discharge activity will increase by 5.2% and outpatient activity will increase by 18.6% compared to the volumes projected for 2024. For budgeting purposes, the assumption is that the demand for services will remain strong and inpatient growth is supported by additional bed capacity becoming available after the completion of Sky Tower refresh and optimization of bed use in the Women's & Children's Hospital. Additional growth opportunities are created by expanded Ambulatory Clinic capacity, including the planned opening of the new Morgan's MAC Ambulatory Surgery Center, and through improvements in efficiency. A detail of Activity in the Preliminary 2025 Budget can be found in Exhibit 2. The major factors contributing to this growth include:

- Assumption that demand for services will remain strong.
- Women's & Children's service line enhancement will drive continued volume increases in both inpatient and outpatient settings.
- Additional ambulatory clinic locations, including additional school-based clinics and completed renovation of the former PHC locations at Kenwood & Zarzamora, are supported by optimization of provider schedule templates and increased recruitment of new UMA providers.

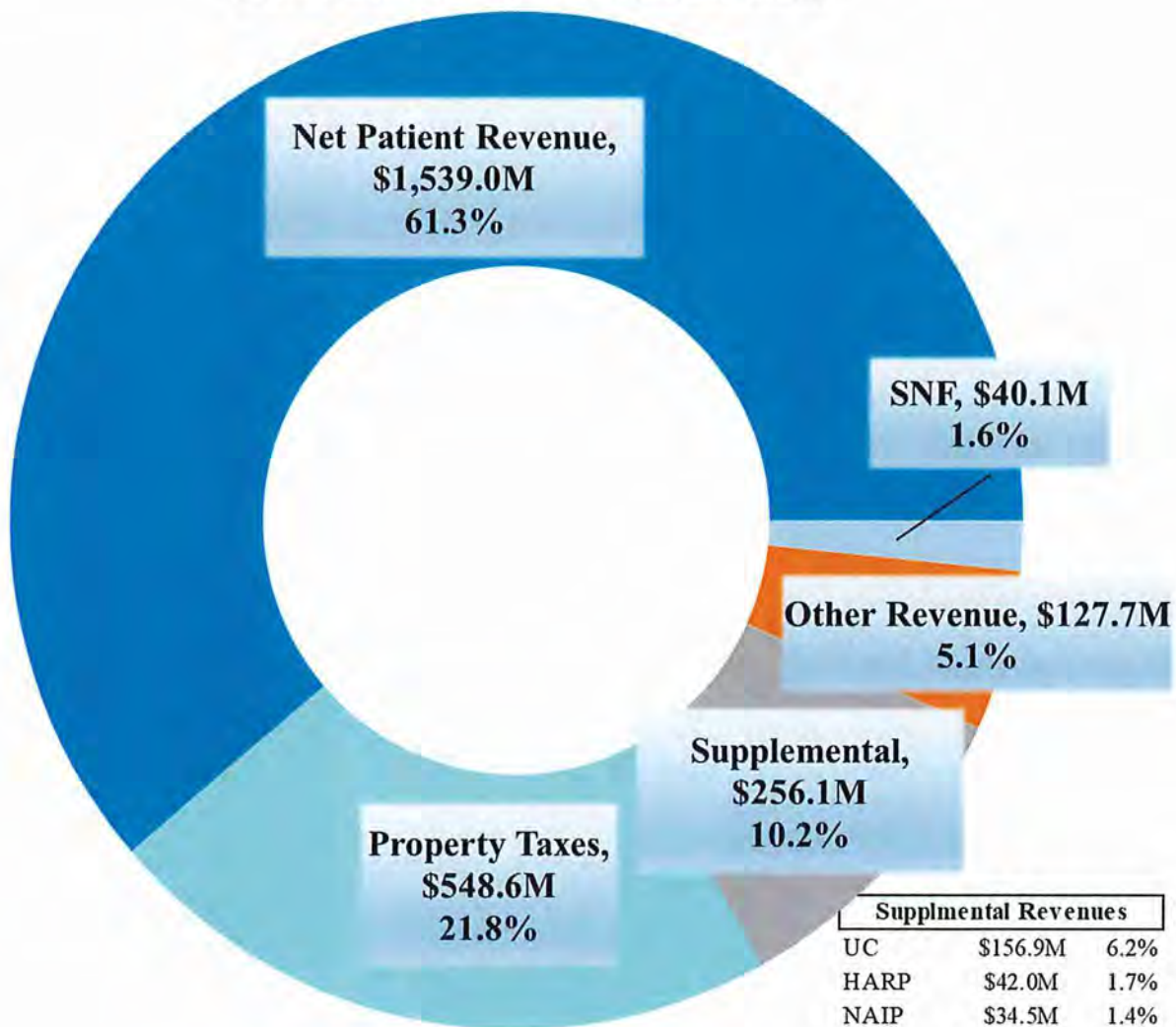
The following chart illustrates the relative magnitude of the activity projections.



### Total Operating Revenue – Clinical Services Division

2025 Total Operating Revenue is budgeted at \$2.5 billion, which is \$43.5 million or 1.8% higher than the 2024 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: \$2.51B



| Supplemental Revenues |                 |              |
|-----------------------|-----------------|--------------|
| UC                    | \$156.9M        | 6.2%         |
| HARP                  | \$42.0M         | 1.7%         |
| NAIP                  | \$34.5M         | 1.4%         |
| GME                   | \$17.7M         | 0.7%         |
| DSH                   | \$4.8M          | 0.2%         |
| ATLIS                 | \$0.2M          | 0.0%         |
| <b>TOTAL</b>          | <b>\$256.1M</b> | <b>10.2%</b> |

## **Net Patient Revenue (NPR)**

2025 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 \$1.54 billion which is an increase of \$95.3 million compared to the 2024 projection. The following is a summary of the key NPR assumptions:

- Actual inpatient payment rates by service line from calendar year 2024 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.
- Volume increases from Inpatient, Outpatient, and UMA Clinic services are projected to add \$28.1 million to NPR over the projected 2024 run rate.
- The Texas Medicaid Comprehensive Hospital Increase Reimbursement Program (CHIRP) will enhance 2025 Medicaid NPR by an estimated \$19.1 million in an effort for Texas Medicaid payment rates to more closely reflect Medicare payment rates. This increase in NPR includes the offsetting increase in the amount of Intergovernmental Transfer (IGT) funding that was previously recorded as a Medical Service expense in 2024.
- The Texas Incentives for Physicians and Professional Services (TIPPS) program is a transition from the DSRIP program to improve health outcomes and better manage the leading drivers of healthcare costs. This program will convert from a lump sum Supplemental Payment amount in 2024 to an enhanced rate program that will positively impact 2025 NPR by \$17.5 million which includes the offsetting IGT.
- Managed care contract rate improvements will increase NPR by \$12.7 million due to recent contract renegotiations with significant payers whose members choose to receive care at University Health.
- Retail, Specialty, and the Meds-to-Beds Pharmacy program will continue to grow in 2025 Budget by an estimated \$10.9 million in NPR.
- Budget 2025 includes a Cost of Living Adjustment (COLA) that is implemented by the Centers for Medicare & Medicaid Services annually in an attempt for Medicare payments to maintain equity with the rise of inflation. The budget includes this 2.6% payment increase for all Medicare and Managed Medicare payments and results in a NPR increase of \$7.8 million in 2025.
- Patients who are on Carelink or who do not have insurance receive a significant discount on the amount owed for services at University Health. In Budget 2025, staff are expecting a \$0.9 million decrease in collections for this patient responsibility due to macroeconomic inflationary pressures impacting the ability to pay.



## **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, frequent rule changes, and often have a limited life span. University Health staff utilized the best information available as of October 2024, to prepare the impact of Regulatory and Legislative actions (Exhibit 4). All of the changes in this chart, which reflect a \$2.4 million increase in funding from the 2024 projection, are included in the Preliminary 2025 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:

### **Supplemental Medicaid Funding Programs**

Supplemental Payments are additional Medicaid payments to healthcare providers that are separate from and in addition to “base Medicaid payments”. The payments can be paid as lump sum or included as an increase to individual claims. In 2025, University Health estimates Medicaid supplemental funding as follows:

- **The Texas’ Uncompensated Care (UC) fund**

On January 15, 2021, Texas received Federal approval for the Texas Healthcare Transformation and Quality Improvement 1115 Demonstration Waiver through September 30, 2030. The waiver allows the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements and directs more funding to hospitals that serve large numbers of uninsured patients. The source of Texas’ Uncompensated Care (UC) funding is the Waiver. The UC funding benefit to University Health for 2025 is estimated at \$156.9 million, an increase of \$36.0 million from the 2024 funding level. The increase is related to the additional cap space created by the planned implementation of the DSH cuts in 2025.

- **The Disproportionate Share Hospital (DSH) Program**

The DSH program provides payments to hospitals that serve a disproportionately large number of Medicaid and low-income patients. The estimated benefit from this program for 2025 is \$4.8 million, which is \$62.5 million less than the 2024 projection. The cut is a result of scheduled DSH reductions at the Federal level from the initial passage of the Affordable Care Act. The reductions will take effect in January 2025 unless Congress delays the cuts again. If the DSH cuts are delayed, the increase in UC funding mentioned above will be reduced.

- **The Graduate Medical Education Fund (GME)**

Parkland Health, Harris Health and University Health all have significant unfunded costs for Graduate Medical Education (GME). This program allows for partial reimbursement of those costs through the Medicaid program, provided the local public health system like University Health agrees to make the intergovernmental transfer (IGT) for the State. This program provided University Health with a net benefit of \$17.0 million in 2024. It is projected to slightly increase in 2025 due to additional funding pool available to University Health. The unreimbursed GME expense for 2025 is \$15 million, after the partial Medicaid GME program reimbursement.

- **The Hospital Augmented Reimbursement Program (HARP)**

HARP is a supplemental program that provides additional funding for public hospitals by supplementing the payments for non-Managed Medicaid patients, sometimes called Fee-For-Service patients. The estimated benefit from this program for 2025 is \$42.0 million, which is \$2.2 million more than the 2024 projection due to the planned growth in Traditional Medicaid volumes.

### **Directed Payment Programs (DPPs)**

Directed Payments are authorized under 42 CFR 438.6(c) which allow states to set parameters for Medicaid managed care spending to assist states in achieving their overall goal of delivery system and payment reform. Specifically, Texas directs Medicaid Managed Care Organizations (MCOs) to make certain payments to healthcare providers, either through an adjustment to the monthly base capitation rates or through a separate payment term. These programs normally have quality metrics as a component of the payment calculation and funding helps offset the cost of treating managed Medicaid patients. In 2025, University Health estimates Medicaid Directed Payment Program funding as follows:

- **The Network Access Improvement Program (NAIP)**

NAIP is a designated pass through program, which is a lump sum payment that is passed through Managed Medicaid payers to participating providers. The NAIP program is projected to provide \$34.5 million in benefit for 2025, which is \$6.3 million higher than in 2024 due to a reallocation of available funding to this program which favors the University Health quality and payer mix outcomes. This program is scheduled to end in 2027.

- **The Comprehensive Hospital Increase Reimbursement Program (CHIRP) :**

CHIRP replaced the Uniform Hospital Rate Increase Program beginning September 1, 2021. CHIRP provides increased Medicaid payments to hospitals for inpatient and outpatient services provided to persons enrolled in STAR and STAR+PLUS. CHIRP funds are paid through two components of the managed care capitation rates. University Health qualifies for a the Uniform Hospital Rate Increase Payment component that provides a uniform rate increase payment which is based on a percentage of the Medicare gap (the difference between what Medicare is estimated to pay for the services and what Medicaid actually paid for the same services). The estimated benefit from this program for 2025 is \$64.1 million, which is \$19.1 million more than the 2024 projection. These payments are added on to each qualifying Managed Medicaid payment and are included in Net Patient Revenue.

- **The Texas Incentives for Physicians and Professional Services (TIPPS):**

TIPPS increases the payments for physician services provided to Managed Medicaid patients. The estimated benefit from this program for 2025 is \$17.5 million, which is \$500 thousand more than the 2024 projection. In 2024, the majority of the TIPPS benefit was paid as a lump sum amount however for State Fiscal Year 2025, those payments will be converted to a Managed Medicaid payment enhancement that will positively impact Net Patient Revenue. There will be very limited to no payments expected in lump sum in 2025.

- **Aligning Technology by Linking Interoperable Systems (ATLIS):**

ATLIS is a new Texas Medicaid Quality Outcome program for State Fiscal Year 2025 that focuses funding primarily toward Children's Hospitals in its initial year. Participants are required to implement the structures, processes, and use of client data transmitted electronically between MCOs and providers in their networks to improve client outcome measures and to implement, evaluate, improve, and mature alternative payment models (APMs) for Medicaid beneficiaries that may benefit University Health beyond the planned 2025 impact of \$165 thousand in future years.

## **Property Tax M&O**

Bexar County Certified Assessed Values increased to \$305 billion, a 5.4% increase over 2023 valuations. To provide Bexar County taxpayer relief, University Health increased the homestead exemption from 5% to 20%, the maximum statutory amount available for homeowners. The impact of the increased homestead exemption is projected to decrease M&O tax revenue by \$21.0 million as compared to 2024 M&O tax revenues. Excluding Community First, property taxes for operations as a percent of Total Operating Revenue decreased from 25% in Budget 2024 to 22% in Budget 2025. The existing tax rate of \$0.276235 was approved by the Bexar County Commissioners Court on September 10, 2024.

A summary of the property taxes reflected is as follows:

### **Preliminary 2025 Budget: Analysis of Tax Rate**

| Dollars in<br>Thousands | 2023 Tax<br>Rate | 2024 Tax<br>Rate | Tax Rate<br>Change<br>from<br>Existing<br>Rate | % Change<br>from<br>Existing<br>Tax Rate | 2024<br>Estimated<br>Taxes <sup>1</sup> | 2025<br>Estimated<br>Taxes <sup>2</sup> | Proposed<br>Net<br>Change<br>From<br>Prior Year | %<br>Change |
|-------------------------|------------------|------------------|--|--|---|---|---|-------------|
| Operating Rate          | 0.236335         | 0.233700         | (0.002635)                                     | (1.11%)                                  | \$569,445                               | \$548,596                               | (\$20,849)                                      | -3.66%      |
| Debt Rate               | 0.039900         | 0.042535         | 0.002635                                       | 6.60%                                    | \$96,307                                | \$99,848                                | \$3,541   | 3.68%       |
| Total Tax Rate          | 0.276235         | 0.276235         | 0.000000                                       | 0.00%                                    | \$665,752                               | \$648,444                               | (\$17,308)                                      | -2.60%      |

<sup>1</sup> 2024 Estimated Tax revenue calculated on 2023 property values as of 10/01/23 and 2023 Tax Rate

<sup>2</sup> 2025 Estimated Tax revenue calculated on 2024 property values certified on 07/20/2024 and 2024 Tax Rate with an assumed collection rate of 97.99%

Exhibit 7 reflects the tax rate calculation.



**Other Revenue**

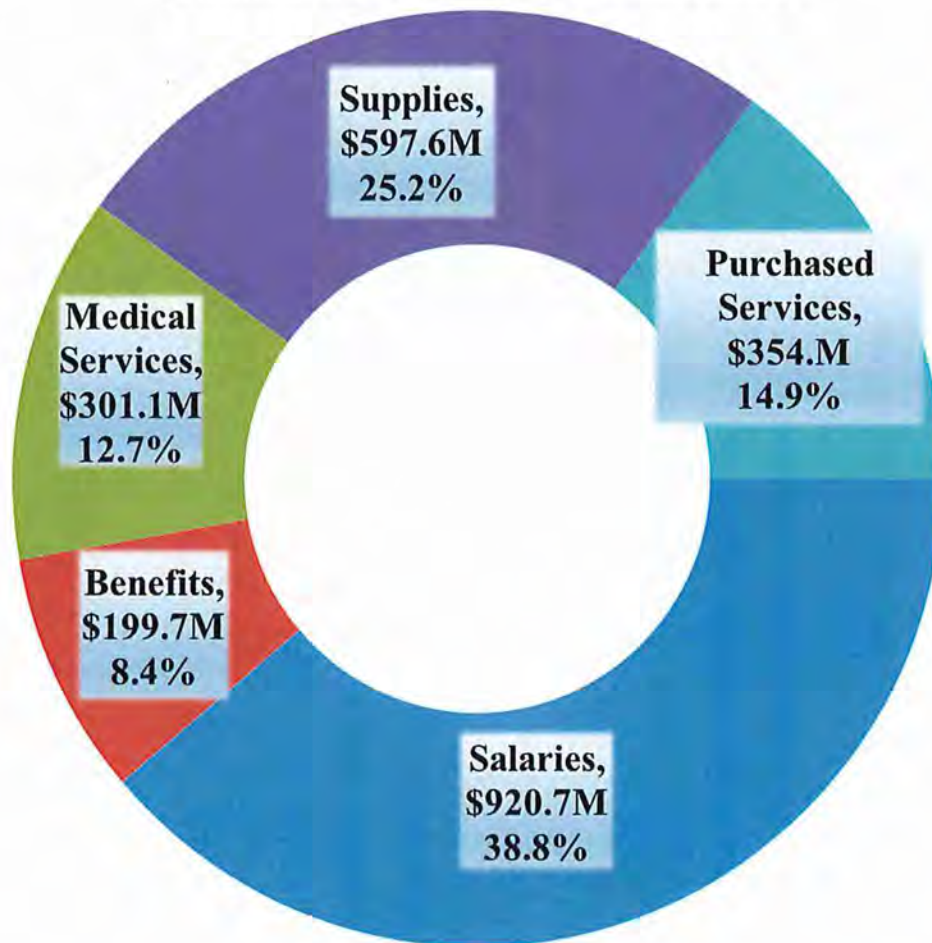
| <b>Other Revenue</b>           |                |             |
|--------------------------------|----------------|-------------|
| (Dollars in Millions)          |                |             |
| <b>2024 Projected</b>          | <b>\$113.9</b> |             |
| <b>Changes</b>                 |                |             |
| Grant Revenue                  | \$2.3          | 2.0%        |
| <b>Total Change</b>            | <b>\$2.3</b>   | <b>2.0%</b> |
| <b>2025 Preliminary Budget</b> | <b>\$116.2</b> |             |

Other Revenue of \$116.2 million includes 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 University Hospital and the Texas Diabetes Institute, pharmacy rebates, vendor rebates, medical records copies, lease payments, and other miscellaneous items.

- Grant Revenue is budgeted to increase by \$2.3 million due to new grants received, primarily the new Naloxone grant program as part of the opioid settlement, and slight modifications in other existing grants and related programs.
- Foundation revenue is projected to remain flat with 2024 projection as staff transition from the fundraising for the Women's & Children's Hospital campaign toward the new initiatives focused on expansion of Community Hospitals.

**Total Operating Expense**

Total Operating Expense for 2025 is budgeted at \$2.37 billion, a \$159.6 million or 7.2% increase over the 2024 projected total. For the Clinical Services Division (University Health less Community First) salaries and benefits make up 47.2% of operating expense. Medical Services, Purchased Services, and Supplies make up 12.7%, 25.2%, and 14.9%, respectively. A chart summarizing the changes in expense category and the drivers that impact the changes is provided in Exhibit 5.

**Total Operating Expenses: \$2.37B**

**Salaries**

| <b>Salaries</b>                           |                |             |
|---|----------------|-------------|
| (Dollars in Millions)                     |                |             |
| <b>2024 Projected</b>                     | <b>\$863.9</b> |             |
| <b>Changes</b>                            |                |             |
| Retention Incentive and Market Adjustment | \$28.1         | 3.3%        |
| Volume Impact                             | \$20.2         | 2.3%        |
| Fill 2024 Vacant Positions                | \$4.1          | 0.5%        |
| Improved Efficiency                       | \$3.0          | 0.3%        |
| Grant Services                            | \$1.5          | 0.2%        |
| <b>Total Change</b>                       | <b>\$56.9</b>  | <b>6.6%</b> |
| <b>2025 Preliminary Budget</b>            | <b>\$920.7</b> |             |

The 2025 Budgeted Salary cost of \$920.7 million is \$56.9 million or 6.6% higher than 2024 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 requested to be budgeted in 2025 that was unfilled as of July 2024.
- The 2025 budget reflects a significant investment in University Health staff to recruit and retain top talent in a highly competitive marketplace and continued period of labor market disruption. Substantial efforts to recruit and retain employed staff are reflected in the 2025 salary dollars with a budgeted increase of \$28.1 million for market adjustments to support these efforts. These increases address specific job titles or categories that require supplemental pay increase to maintain market competitiveness.
- The increased activity in patient care areas across the hospital and ambulatory clinic locations will require additional variable staffing to provide patient care. Management activities to improve staffing efficiency in these areas partially offset the volume-driven increases resulting in a net increase of salary expense by \$20.2 million.
- Compared to the Projected 2024 amount, \$4.1 million of salary is included in Budget 2025 to accommodate for a full-year of positions and their salaries that were budgeted and needed in 2024 but were unfilled through a portion of the year. Budget 2025 expectation is these positions will be occupied throughout the year.

- Additional positions in non-volume adjusted patient care departments will support the improved efficiency of direct care patient teams. Investment of additional positions service in the Care Coordination and inpatient Pharmacy teams will support our physician and nurse staff improve the throughput of hospital operations by decreasing the expected length of stay for each inpatient stay by ensuring a more timely and safe discharge. The investment in additional support roles will increase salary expense by \$3.0 million in 2025.
- Opportunities to capture additional grant awards will result in an additional \$1.5 million staffing expense for the Grant Services department in 2025. A corresponding increase in Grant Revenue will offset the additional salary expense in Budget 2025.

### **Employee Benefits**

| <b>Benefits</b>                |                |              |
|--------------------------------|----------------|--------------|
| (Dollars in Millions)          |                |              |
| <b>2024 Projected</b>          | <b>\$177.4</b> |              |
| <b>Changes</b>                 |                |              |
| OPEB Liability                 | \$8.5          | 4.8%         |
| Pension Liability              | \$6.0          | 3.4%         |
| Health Benefit                 | \$5.2          | 3.3%         |
| FICA & Employment Taxes        | \$2.6          | 1.5%         |
| <b>Total Change</b>            | <b>\$22.3</b>  | <b>12.6%</b> |
| <b>2025 Preliminary Budget</b> | <b>\$199.7</b> |              |

Benefits of \$199.7 million are \$22.3 million or 12.6% higher than 2024 projected primarily driven by a combination of an increase in Other Post Employment Benefit (OPEB) expense, an increase in Pension liability expense, employee and dependent Health Benefit expense, and payroll FICA taxes on behalf of our employees. Both the OPEB and Pension plans are impacted by third-party actuarial valuations and accounting guidance that define the expected contributions for University Health to support former employees and their dependents. The increase in Health Benefit expense is driven by the growth in staff opting into the University Health benefit program and a slight increase in pharmaceutical expense per covered individual related to new, high-cost weight management drugs.

**Medical Services**

| <b>Medical Services</b>                     |                |             |
|---|----------------|-------------|
| (Dollars in Millions)                       |                |             |
| <b>2024 Projected</b>                       | <b>\$298.7</b> |             |
| <b>Changes</b>                              |                |             |
| UT Master Services Increase                 | \$6.8          | 2.3%        |
| Carelink Payments to Community Providers    | \$2.3          | 0.8%        |
| UMA Provider Lease from UT Health           | \$2.0          | 0.7%        |
| Medicaid Intergovernmental Transfer Expense | (\$8.6)        | -2.9%       |
| <b>Total Change</b>                         | <b>\$2.5</b>   | <b>0.8%</b> |
| <b>2025 Preliminary Budget</b>              | <b>\$301.1</b> |             |

Medical Services expense includes payments to third-party physician partners and other professional providers of service to University Health's patients. The 2025 budgeted expense of \$301.1 million reflects an increase of \$2.5 million or 0.8% from the projected 2024 amount. The increase is primarily due to the following:

- UT Health's Master Services Agreement, budgeted at \$184.7 million in 2025, results from a commitment from University Health to fund targeted UT Physician salary increases to ensure market competitiveness and ability to meet the coverage needs at University Hospital.
- Carelink payments to community providers is expected to increase \$2.3 million in Budget 2025 due to Medicaid disenrollment and the increasing unemployment rates as part of the challenging macro-economy. As Bexar County residents lose employed health insurance or Medicaid coverage, staff are planning to offer Carelink services as an alternative to continue supporting their health needs.
- University Medicine Associates (UMA) leases some providers from UT Health as part of an arrangement to support the efficient expansion of care and allow daily operational management under the leadership of University Health. In Budget 2025, the increase of this arrangement is expected to increase Medical Services expense by \$2 million due to additional investments in Anesthesia coverage to support the growth in Operating Room and procedural cases along with various other physician service agreements. The increase in expense is offset by an increase in UMA Net Patient Revenue.

- University Health and other public health systems support the funding of Supplemental Revenue programs through an Inter-Governmental Transfer (IGT) to the State in order to draw down funding from the Federal government. Historically, the IGT expense for the CHIRP/UHRIP program was recorded as a Medical Service expense but beginning in Budget 2025, the IGT expense will be recorded as an offset to NPR and match the location of program revenue recognition. This change results in a decrease to Medical Service expense of \$8.6 million for Budget 2025.

### **Purchased Services**

| <b>Purchased Services</b>                  |                |             |
|--|----------------|-------------|
| (Dollars in Millions)                      |                |             |
| <b>2024 Projected</b>                      | <b>\$335.2</b> |             |
| <b>Changes</b>                             |                |             |
| Information Technology                     | \$5.9          | 1.8%        |
| Aged Building Repair & Maintenance         | \$4.0          | 1.2%        |
| Insurance Premium                          | \$3.0          | 0.9%        |
| Transplant Growth                          | \$2.9          | 0.9%        |
| Grant Expansion and Public Health Programs | \$1.8          | 0.5%        |
| Utilities and Maintenance                  | \$1.2          | 0.4%        |
| <b>Total Change</b>                        | <b>\$18.8</b>  | <b>5.6%</b> |
| <b>2025 Preliminary Budget</b>             | <b>\$354.0</b> |             |

Purchased Services are budgeted overall at \$354.0 million, a \$18.8 million increase or 5.6% higher than the 2024 projection. Contributing to this change are the following:

- University Health is a proud award winning system that deeply invests in supportive technology and has earned designation as Level 10 Most Wired by CHiME, one of fifteen hospitals to earn Epic's three diamond distinction, and HIMMS Level 7, among others. Investment in technology drives efficiency in operational performance, reduction in unnecessary care variation, and enhancement in revenue. These investments continue in Budget 2025 with a planned \$5.9 million increase of IT license maintenance and service expense with the majority of that related to Epic volume-driven maintenance and hosting expenses.
- Clinical buildings and related infrastructure in some locations of University Health are significantly aged and require additional resources to modernize and maintain the use of these locations. Budget 2025 includes an additional \$4.0 million of investment to improve the timeliness and reliability of the elevator service through a comprehensive modernization effort, refresh of Central Utility Plant components, and repair of various other infrastructure at University Health locations.

- Commercial property insurance is a significant risk mitigation effort for University Health to protect against unforeseen hazards and ensure good stewardship of resources. The growth of University Health infrastructure on the Medical Center campus along with additional clinical and support locations in Bexar County result in a need for expanded coverage of property, cyber-security, and business disruption insurance. In addition, the projected 2024 Insurance Premium expense was offset by a one-time premium credit issued by FM Global for recognition of our long-standing relationship and successful risk mitigation efforts. The expected increase of Insurance Premium expense in Budget 2025 is expected to be \$3.0 million.
- Transplant Programs increased by \$2.9 million in 2025 for organ acquisition and the corresponding cost of timely travel and support of those organs due to an expanded organ procurement service area in support of the continued growth in transplant cases, specifically the liver and lung transplant programs.
- Grant Services and the Institute for Public Health continue to grow to better serve the Bexar County population with programs that positively improve wellness in our community. Coordination with third-party organizations further improve the timeliness of these program impacts and expect a \$1.8 million increase in contract with these third-parties in Budget 2025.
- The expanded care locations for University Health, including the full opening of the Women's & Children's Hospital Podium and Business Center 3 comes with additional expenses for utility costs to support the additional square footage. In addition, staff expected a 3% inflation on these utilities costs in Budget 2025 resulting in additional Purchased Service expense of \$1.2 million.

## Supplies

| Supplies  |                |              |
|---|----------------|--------------|
| (Dollars in Millions)                           |                |              |
| <b>2024 Projected</b>                           | <b>\$538.4</b> |              |
| <b>Changes</b>                                  |                |              |
| Pharmaceutical: Retail Pharmacy                 | \$29.8         | 5.5%         |
| Medical Supplies: Inpatient & Ambulatory Growth | \$12.5         | 2.3%         |
| OR & Procedural Supply Cost                     | \$5.3          | 1.0%         |
| Pharmaceutical: Naloxone Grant Program          | \$5.0          | 0.9%         |
| Non-medical Supplies                            | \$4.2          | 0.8%         |
| Aged Infrastructure Investment                  | \$2.5          | 0.5%         |
| <b>Total Change</b>                             | <b>\$59.3</b>  | <b>11.0%</b> |
| <b>2025 Preliminary Budget</b>                  | <b>\$597.6</b> |              |

In 2025, Supplies are budgeted at \$597.6 million, which is a \$59.3 million or 11.1% increase over projected 2024. Major impacts to the increase in supply cost are due to

the following:

- Pharmaceutical expenses are planned to increase by \$29.8 million primarily related to continued growth in the Meds-to-Beds, Retail Pharmacy, and Specialty Pharmacy volumes which generate additional pharmacy revenue to cover the expense increase.
- Routine Medical Supply use driven by growth in volume at University Hospital, Ambulatory Surgical Centers, and Ambulatory Clinic locations are expected to increase by \$12.5 million in Budget 2025. The budget plan for these variable expenses is generated using metric driven analytics that hold the medical supply expense per unit of service at, or below, historical performance levels.
- Operating Room and advanced procedures are expected to use an additional \$4.3 million more in supplies during Budget 2025. The increase is due to additional procedural volume as University Health continues to optimize room utilization and perform more advanced procedures that frequently required high-cost implantable devices to improve health outcomes for the most complex patient care. The additional procedural supply expense will generate additional net patient revenue to offset the expense.
- University Health was awarded a new Naloxone Grant Program offset the impact of opioid addiction as part of the Opioid Settlement Agreement. This grant is intended to support the county-wide distribution of Naloxone, a drug that counteracts the effects of opioids and limits the medical impact of overdose. The increase of pharmaceutical expense related to this grant is \$5.0 million in Budget 2025 and will be offset by additional grant revenues.
- Non-medical supply expenses are expected to increase by \$4.2 million due to an expected 3% inflation for furniture and minor equipment, an expected 5% increase in raw food cost related to the growth of patient meals and associated visitor increases, along with additional non-capital expense related to the opening and use of Business Center III.
- University Health is planning to continue investment in the upkeep and modernization of the aged buildings and infrastructure that will continue into Budget 2025. Major projects include the carry-over and expansion of elevator modernization and replacement of the Medical Center Pavilion windows to ensure a positive patient experience. These projects are expected to increase the non-medical Supply expense by an estimated \$2.5 million in Budget 2025.



**Non-Operating Revenue/(Expense Assumptions)**

| <b>Non-Operating Revenue/Expense</b> |                         |
|--------------------------------------|-------------------------|
| (Dollars in Millions)                |                         |
| <b>2024 Projected</b>                | <b>(\$41.6)</b>         |
| <b>Changes</b>                       |                         |
| Depreciation                         | (\$10.0) -24.1%         |
| Unrealized Gain/Loss                 | (\$39.4) -94.7%         |
| Interest Income                      | (\$24.6) -59.1%         |
| <b>Total Change</b>                  | <b>(\$74.0) -177.9%</b> |
| <b>2025 Preliminary Budget</b>       | <b>(\$115.6)</b>        |

The Non-Operating Revenue/(Expense) budget for 2025 has three primary assumptions driving the \$74.0 million increase of expense in this area.

- The opening of Women's & Children's Hospital Podium in late 2024 and the full-year of the new Business Center III will result in additional depreciation expense of \$10.0 million in Budget 2025.
- The 2024 projection includes \$39.4 million in unrealized gain related to the current weighting of investment rates being higher than long-term investment yields. In 2025 Budget, we are expecting continued volatility in interest rates but due to the uncertainty of rate direction, will not budget any unrealized gain or loss.
- Interest Income is projected to decrease by \$24.6 million due to a lower interest rate environment and lower investable balances due to the continued investment in the Community Hospitals projects.

**Debt Service Requirement**

Debt service payments for 2025 are estimated at \$99.8 million. The 2024 debt tax rate, which funds payments due in 2025, is \$0.042535 per \$100 valuation. The required debt payment for 2025 increases by \$3.4 million. The Commissioners Court approved the Debt Service tax levy of \$99.8 million on September 10, 2024.

| <b>Debt Service</b>         |                   |                               |                               |               |
|-----------------------------|-------------------|-------------------------------|-------------------------------|---------------|
| Dollars in millions         | 2024<br>Projected | 2025<br>Preliminary<br>Budget | Variance<br>from<br>Projected | %<br>Variance |
| <b>Debt Service Payment</b> | \$ 96.4           | \$ 99.8                       | \$ 3.4                        | 3.6%          |

## **Ongoing Capital Requirements**

The capital budget for 2025 Clinical Services is recommended to be set at \$46.0 million. In prioritizing the capital needs for 2025, 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:

| <b>2025 Routine Capital Requirements</b> |  |                      |  |                      |  |
|--|--|----------------------|--|----------------------|--|
| <b>Priority</b>                          | <b>Mandated<br/>(Regulatory Safety<br/>&amp; Required<br/>Maintenance)</b> | <b>Replacement</b>   | <b>Strategic (New<br/>Service /<br/>Expansion)</b> | <b>Grand Total</b>   |  |
| Essential: Cannot Function Without       | \$ 6,767,671   | \$ 14,319,259        | \$ 3,616,218                                       | \$ 24,703,148        |  |
| Important: Necessary For Improvement     | \$ 539,778   | \$ 4,269,585         | \$ 8,532,323                                       | \$ 13,341,686        |  |
| Proactive: Necessary To Avoid Problems   | \$ 1,060,000   | \$ 5,380,460         | \$ 1,528,204                                       | \$ 7,968,664         |  |
| <b>Total Clinical Services</b>           | <b>\$ 8,367,449</b>  | <b>\$ 23,969,304</b> | <b>\$ 13,676,745</b>                               | <b>\$ 46,013,499</b> |  |

A detailed listing of capital requests is displayed on **Exhibit 8**.

## **Community First Health Plans**

### **Consolidated Operating and Capital Budget for Fiscal Year 2024**

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#### **Executive Summary**

Community First Health Plans, Inc. (Community First) was established in 1995 to begin providing health care coverage to the citizens of Bexar and seven surrounding counties. Community First 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 Fiscal Year (FY) 2025, Community First will manage the healthcare needs for an expected average consolidated membership of 166,523 members while delivering a budgeted net income of \$13,151,988. The budgeted underwriting income (excluding Investment Income, Premium Deficiency Reserve, and Federal Income Tax) is budgeted to be a underwriting gain of \$3,931,268.

The Executive Management team has considered and incorporated into the preliminary FY 2025 Budget all necessary resources that will enable Community First to achieve its financial targets while still delivering operational excellence and providing quality care. The goals and strategic priorities include:

- 1) Expand market share in the STAR, STAR Kids, STAR+PLUS and CHIP lines of business as it relates to membership.
- 2) Increase membership in Medicare and Market Place.
- 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 system.
- 5) Enhance and expand advanced financial and medical economic analytics, including predictive modeling and risk score optimization.
- 6) Continue to improve member and provider satisfaction, and quality medical outcome measures.

The remainder of this report provides insight into the development of the FY 2025 budget for review and consideration:

#### **Membership:**

Throughout FY 2025, Community First will manage the health care services for an

expected average consolidated membership of 166,523 members. This represents an overall decrease of 1,753 members, which is a -1.1% change when compared to the actual membership as of September 2024.

| Product            | As of Sept 2024<br>Membership | FY 2025 Budget<br>Membership | Inc / (Dec)    | % Change     |
|--------------------|-------------------------------|------------------------------|----------------|--------------|
| STAR               | 115,277                       | 113,499                      | (1,778)        | -1.6%        |
| STAR KIDS          | 6,132                         | 5,927                        | (205)          | -3.5%        |
| STAR+PLUS          | 15,471                        | 13,502                       | (1,969)        | -14.6%       |
| CHIP               | 6,513                         | 7,687                        | 1,174          | 15.3%        |
| CHIP PERINATE      | 564                           | 473                          | (91)           | -19.3%       |
| MEDICARE ADVANTAGE | 48                            | 100                          | 52             | 52.0%        |
| MEDICARE DSNP      | 8                             | 410                          | 402            | 98.1%        |
| MARKET PLACE       | 1,738                         | 2,005                        | 267            | 13.3%        |
| COMMERCIAL         | 1                             | 1                            | -              | 0.0%         |
| ASO                | 22,524                        | 22,919                       | 395            | 1.7%         |
| <b>TOTAL</b>       | <b>168,276</b>                | <b>166,523</b>               | <b>(1,753)</b> | <b>-1.1%</b> |

The expected change in membership is due to several factors:

- Reinstatement of the Health & Human Services Commission (HHSC) enrollment and disenrollment procedures effective May 2024 (STAR/CHIP).
- Continuing the diversification strategy by expanding Medicare and Market Place.
- Execution of STAR+PLUS effective September 1, 2024.

### **Revenue:**

Total Revenue for FY 2025 is budgeted at \$1.14B. This represents an increase of 26.63% over the FY 2024 Outlook.

The table below represents the change in revenue per member per month (PMPM) between the FY 2025 Budget and September 2024 year-to-date (YTD) actuals.

| Product            | FY 2024 Revenue -<br>PMPM | FY 2025 Revenue -<br>PMPM | Inc / (Dec) | % Change |
|--------------------|---------------------------|---------------------------|-------------|----------|
| STAR               | 380.94                    | 372.42                    | (8.52)      | -2.3%    |
| STAR KIDS          | 2,404.82                  | 2,406.05                  | 1.23        | 0.1%     |
| STAR+PLUS          | 2,483.94                  | 2,483.94                  | -           | 0.0%     |
| CHIP               | 170.16                    | 160.52                    | (9.64)      | -6.0%    |
| CHIP PERINATE      | 454.86                    | 473.42                    | 18.56       | 3.9%     |
| MEDICARE ADVANTAGE | 930.55                    | 1,125.92                  | 195.37      | 17.4%    |
| MEDICARE DSNP      | 1,695.58                  | 2,085.21                  | 389.63      | 18.7%    |
| MARKET PLACE       | 813.88                    | 801.90                    | (11.98)     | -1.5%    |
| COMMERCIAL         | 995.00                    | 995.00                    | -           | 0.0%     |
| ASO                | 20.00                     | 30.00                     | 10.00       | 33.3%    |



FY 2025 revenues were based on rate information provided by HHSC for STAR/STAR Kids/CHIP/STAR+PLUS. Medicare and Market Place rates are based on rates calculated by Community First external actuaries and approved by the Centers for Medicare & Medicaid Services (CMS) and the Texas Department of Insurance (TDI), respectively.

### **Medical Expense:**

The total Medical Expense for FY 2025 is budgeted at \$1.00B. This represents an increase of 29.88% over the FY 2024 Outlook. The projected Medical Loss Ratio (MLR) for FY 2025 is 88.03%. Factored into the medical expenses was an increase in utilization, additional medical expenses now being at risk, and the addition of STAR+PLUS.

The FY 2025 medical expenses were developed by line of business based on underlying utilization and costs, then separated by medical service category, i.e., Inpatient, Outpatient, Physician, Pharmacy, and Ancillary.

The table below represents the change in medical expenses per member per month (PMPM) between the FY 2025 Budget and September 2024 year-to-date (YTD) actuals.

| Product            | FY 2024 Medical Expense - PMPM | FY 2025 Medical Expense - PMPM | Inc / (Dec) | % Change |
|--------------------|--------------------------------|--------------------------------|-------------|----------|
| STAR               | 326.90                         | 337.62                         | 10.72       | 3.2%     |
| STAR KIDS          | 2,066.50                       | 2,086.35                       | 19.85       | 1.0%     |
| STAR+PLUS          | 1,926.40                       | 2,196.32                       | 269.92      | 12.3%    |
| CHIP               | 115.69                         | 136.44                         | 20.75       | 15.2%    |
| CHIP PERINATE      | 401.84                         | 404.59                         | 2.75        | 0.7%     |
| MEDICARE ADVANTAGE | 1,063.85                       | 957.03                         | (106.81)    | -11.2%   |
| MEDICARE DSNP      | 4,134.02                       | 1,772.43                       | (2,361.59)  | -133.2%  |
| MARKET PLACE       | 874.44                         | 688.16                         | (186.28)    | -27.1%   |
| COMMERCIAL         | -                              | -                              | -           | 0.0%     |
| ASO                | -                              | -                              | -           | 0.0%     |

### **Administrative Expense:**

The total Administrative Expense for FY 2025 is budgeted at \$132.2M, an increase of 31.66% over the FY 2024 Outlook, and represents a fully loaded administrative expense ratio of 11.62% when compared to total revenue.

The FY 2025 administrative expense budget incorporates 631 FTEs. This includes an



increase of 17 FTEs over FY 2024. The following table identifies these incremental positions and their expected hire date.

| Dept Code | Departments                           | Job Title                                  | FTE Count | Hire Month |
|-----------|---------------------------------------|--|-----------|------------|
| 2000      | Executive                             | General Counsel                            | 1         | 1/1/2025   |
| 2410      | Finance                               | Executive Director, Actuary                | 1         | 1/1/2025   |
| 2535      | Computer Operations                   | Cyber Security Governance Analyst          | 1         | 1/1/2025   |
| 2710      | Corporate Communications & Experience | Project Manager                            | 1         | 1/1/2025   |
| 2710      | Corporate Communications & Experience | Sales Manager                              | 1         | 1/1/2025   |
| 2730      | Plan Reimbursement & Data Management  | Auditor - Data Management                  | 1         | 1/1/2025   |
| 2740      | Member Services                       | Senior Member Services Representative      | 1         | 1/1/2025   |
| 2795      | PHM Population Health Management      | CHW (Health Educator II)                   | 1         | 1/1/2025   |
| 2795      | PHM Population Health Management      | CHW (Health Educator II)                   | 1         | 1/1/2025   |
| 2810      | Quality Management                    | Accreditation Manager                      | 1         | 1/1/2025   |
| 2810      | Quality Management                    | Operational Excellence Director            | 1         | 1/1/2025   |
| 2820      | Compliance & Regulatory/ L&R          | Analyst, Risk Management                   | 1         | 1/1/2025   |
| 2825      | Government Programs                   | Vice President, Government Programs        | 1         | 1/1/2025   |
| 2825      | Government Programs                   | Analyst, Medicare Program                  | 1         | 4/1/2025   |
| 2785      | PHM-SC- Medicare DSNP                 | Clinical Documentation Nurse               | 1         | 4/1/2025   |
| 2785      | PHM-SC- Medicare DSNP                 | Business Analyst Med Dual Spec Needs Plans | 1         | 4/1/2025   |

The FY 2025 budgeted salaries reflect an average merit increase of 3.0% that is dependent on the employee's annual performance evaluation date.

Significant changes in the FY 2025 Administrative Expense budget compared to the FY 2024 Outlook include:

- 1) Salaries and Benefits increased approximately \$11.6M due to:
  - a. Additional FTEs
  - b. Market Rate Adjustments
  - c. STAR+PLUS
- 2) Marketing (market outreach, advertising, agency, sponsorships, etc.) increased by approximately \$2.6M due to enhanced marketing strategies for STAR+PLUS, Medicare Advantage, D-SNP, and Market Place.
- 3) Computer licensing and maintenance increased by approximately \$2.0M due to the continued enhancement of the application systems and PC/Laptop refresh.
- 4) Postage and Supplies increased by approximately \$718K due to enhanced marketing and outreach initiatives.
- 5) Consulting services increased approximately \$1.9M due to departmental support in Executive, Information Systems, Government Programs, and Business Development for enhancements and implementation of services.
- 6) Electronic Processing Expense increased approximately \$1.8M due to enhancements to the claims process.

- 7) Insurance & Taxes increased approximately \$6.6M with the addition of STAR+PLUS.

HHSC utilizes defined formulas in their rate development process to determine the percentage of premium allocated for administrative expense spending. The Community First FY 2025 administrative expense budget of \$123M for STAR/STAR Kids/CHIP/STAR+PLUS is compliant with these regulatory formulas.

### **Investment Income:**

Investment Income for FY 2025 is budgeted at \$12.7M and is based on projected assets and yields consistent with the Community First investment policy.

### **Premium Deficiency Reserve:**

The FY 2025 Premium Deficiency Reserve (PDR) was calculated based on financial performance. A total PDR of \$2.5M will be applied to Medicare Advantage. It will be amortized from January 2025 through December 2025.

### **Capital:**

The Community First FY 2025 Capital Budget is \$308K, consisting of both Information Services and Facilities projects. Community First adheres to the University Health capitalization policy threshold of \$5,000 per unit cost.

| Item           | Asset Type             | Amount               |
|----------------|------------------------|----------------------|
| Server Refresh | Computer Software      | \$ 293,667.00        |
| HVAC AC        | Leasehold Improvements | \$ 14,000.00         |
|                | <b>Total</b>           | <b>\$ 307,667.00</b> |

# EXHIBITS

- Exhibit 1A Preliminary 2025 Consolidated University Health Income Statement
- Exhibit 1B Preliminary 2025 University Health less Community First Income Statement
- Exhibit 1C Preliminary 2025 Community First Income Statement
- Exhibit 2 Preliminary 2025 Activity and Notes
- Exhibit 3 Preliminary 2025 Budget, Changes to Total Operating Revenue
- Exhibit 4 Preliminary 2025 Budget, Legislative Changes
- Exhibit 5 Preliminary 2025 Budget, Changes to Total Operating Expense
- Exhibit 6 Preliminary 2025 Budget, FTE Changes
- Exhibit 7 Preliminary 2025 Budget, Analysis of Tax Rate
- Exhibit 8 Preliminary 2025 Budget, Detail of Capital Request, UHS less CFHP
- Exhibit 9 Summary of Real Estate Transactions in 2024





Statement of Revenues and Expenses

| Consolidated<br>(Dollars are in Thousands) | 2024 Budget               | 2024<br>Projected         | 2025<br>Preliminary<br>Budget | Variance<br>from<br>Projected | % Variance             |
|--|---------------------------|---------------------------|-------------------------------|-------------------------------|------------------------|
| <b>Revenues</b>                            |                           |                           |                               |                               |                        |
| Net Patient Service Revenue                | \$1,299,757               | \$1,443,751               | \$1,539,006                   | \$95,255                      | 6.6%                   |
| Property Taxes M & O                       | \$569,408                 | \$569,629                 | \$548,596                     | (\$21,033)                    | (3.7%)                 |
| Supplemental Revenue                       | \$243,784                 | \$290,116                 | \$256,064                     | (\$34,052)                    | (11.7%)                |
| SNF Revenue                                | \$43,733                  | \$38,658                  | \$40,085                      | \$1,427                       | 3.7%                   |
| CFHP Premium Revenue                       | \$951,918                 | \$898,257                 | \$1,137,484                   | \$239,228                     | 26.6%                  |
| Other Revenue                              | <u>\$105,770</u>          | <u>\$125,831</u>          | <u>\$127,731</u>              | <u>\$1,901</u>                | <u>1.5%</u>            |
| <b>Total Operating Revenues</b>            | <b>\$3,214,369</b>        | <b>\$3,366,241</b>        | <b>\$3,648,967</b>            | <b>\$282,726</b>              | <b>8.4%</b>            |
| <b>Expenses</b>                            |                           |                           |                               |                               |                        |
| Salaries                                   | \$908,312                 | \$903,682                 | \$976,030                     | (\$72,348)                    | (8.0%)                 |
| Benefits                                   | \$180,684                 | \$186,023                 | \$208,395                     | (\$22,372)                    | (12.0%)                |
| Medical Services                           | \$317,679                 | \$298,676                 | \$301,130                     | (\$2,454)                     | (0.8%)                 |
| Purchased Services                         | \$409,241                 | \$384,597                 | \$416,113                     | (\$31,516)                    | (8.2%)                 |
| Supplies                                   | \$458,106                 | \$539,243                 | \$599,323                     | (\$60,079)                    | (11.1%)                |
| Medical Claims Expense                     | <u>\$835,847</u>          | <u>\$770,979</u>          | <u>\$1,001,562</u>            | <u>(\$230,583)</u>            | <u>(29.9%)</u>         |
| <b>Total Operating Expenses</b>            | <b><u>\$3,109,869</u></b> | <b><u>\$3,083,199</u></b> | <b><u>\$3,502,552</u></b>     | <b><u>(\$419,353)</u></b>     | <b><u>(13.6%)</u></b>  |
| <b>Gain (Loss) from Operations</b>         | <b>\$104,500</b>          | <b>\$283,042</b>          | <b>\$146,415</b>              | <b>(\$136,627)</b>            | <b>(48.3%)</b>         |
| <b>Non-operating Revenue/(Expense):</b>    |                           |                           |                               |                               |                        |
| Depreciation and Amortization              | (\$129,072)               | (\$158,830)               | (\$170,464)                   | (\$11,634)                    | (7.3%)                 |
| Other Non-operating                        | \$64,330                  | \$128,178                 | \$57,341                      | (\$70,837)                    | (55.3%)                |
| Premium Deficiency Reserve                 | <u>\$2,000</u>            | <u>\$1,475</u>            | <u>\$2,500</u>                | <u>\$1,025</u>                | <u>69.5%</u>           |
| <b>Total Non-operating Revenue/Expense</b> | <b><u>(\$62,743)</u></b>  | <b><u>(\$29,177)</u></b>  | <b><u>(\$110,623)</u></b>     | <b><u>(\$81,446)</u></b>      | <b><u>(279.1%)</u></b> |
| <b>Bottom Line Excluding Debt Service</b>  | <b>\$41,758</b>           | <b>\$253,865</b>          | <b>\$35,792</b>               | <b>(\$218,073)</b>            | <b>(85.9%)</b>         |
| <b>Debt Service</b>                        |                           |                           |                               |                               |                        |
| Debt Service Expense                       | \$96,329                  | \$96,402                  | \$103,133                     | \$6,731                       | 7.0%                   |
| <b>Ongoing Capital Requirements</b>        | <b>\$47,299</b>           | <b>\$47,415</b>           | <b>\$46,321</b>               | <b>\$1,094</b>                | <b>2.3%</b>            |



Statement of Revenues and Expenses

| University Health<br>less Community First<br>(Dollars are in Thousands) | 2024<br>Budget            | 2024<br>Projected         | 2025<br>Preliminary<br>Budget | Variance<br>from<br>Projected | %<br>Variance          |
|---|---------------------------|---------------------------|-------------------------------|-------------------------------|------------------------|
| <b>Revenues</b>   |                           |                           |                               |                               |                        |
| Net Patient Service Revenue   | \$1,299,757               | \$1,443,751               | \$1,539,006                   | \$95,255                      | 6.6%                   |
| Property Taxes M & O  | \$569,408                 | \$569,629                 | \$548,596                     | (\$21,033)                    | (3.7%)                 |
| Supplemental Revenue  | \$243,784                 | \$290,116                 | \$256,064                     | (\$34,052)                    | (11.7%)                |
| SNF Revenue   | \$43,733                  | \$38,658                  | \$40,085                      | \$1,427                       | 3.7%                   |
| Other Revenue   | <u>\$105,770</u>          | <u>\$125,831</u>          | <u>\$127,731</u>              | <u>\$1,901</u>                | <u>1.5%</u>            |
| <b>Total Operating Revenues</b>   | <b>\$2,262,451</b>        | <b>\$2,467,985</b>        | <b>\$2,511,483</b>            | <b>\$43,498</b>               | <b>1.8%</b>            |
| <b>Expenses</b>   |                           |                           |                               |                               |                        |
| Salaries  | \$868,375                 | \$863,890                 | \$920,745                     | \$56,855                      | 6.6%                   |
| Benefits  | \$173,584                 | \$177,444                 | \$199,733                     | \$22,290                      | 12.6%                  |
| Medical Services  | \$317,679                 | \$298,676                 | \$301,130                     | \$2,454                       | 0.8%                   |
| Purchased Services  | \$355,111                 | \$335,208                 | \$353,973                     | \$18,765                      | 5.6%                   |
| Supplies  | \$455,180                 | \$538,376                 | \$597,631                     | \$59,254                      | 11.0%                  |
| <b>Total Operating Expenses</b>   | <b><u>\$2,169,930</u></b> | <b><u>\$2,213,594</u></b> | <b><u>\$2,373,212</u></b>     | <b><u>\$159,618</u></b>       | <b><u>7.2%</u></b>     |
| <b>Gain (Loss) from Operations</b>                                      | <b>\$92,522</b>           | <b>\$254,391</b>          | <b>\$138,271</b>              | <b>(\$116,120)</b>            | <b>(45.6%)</b>         |
| <b>Non-operating Revenue/(Expense):</b>                                 |                           |                           |                               |                               |                        |
| Depreciation and Amortization   | (\$126,410)               | (\$156,254)               | (\$166,287)                   | (\$10,033)                    | 6.4%                   |
| Other Non-operating   | <u>\$60,530</u>           | <u>\$114,648</u>          | <u>\$50,656</u>               | <u>(\$63,992)</u>             | <u>(55.8%)</u>         |
| <b>Total Non-operating Revenue/(Expense)</b>                            | <b><u>(\$65,880)</u></b>  | <b><u>(\$41,606)</u></b>  | <b><u>(\$115,631)</u></b>     | <b><u>(\$74,025)</u></b>      | <b><u>(177.9%)</u></b> |
| <b>Bottom Line Excluding Debt Service</b>                               | <b>\$26,642</b>           | <b>\$212,785</b>          | <b>\$22,640</b>               | <b>(\$190,145)</b>            | <b>(89.4%)</b>         |
| <b>Debt Service</b>   |                           |                           |                               |                               |                        |
| Debt Service Expense  | (\$96,329)                | (\$96,402)                | (\$99,848)                    | (\$3,445)                     | (3.6%)                 |
| <b>Ongoing Capital Requirements</b>                                     | <b>\$46,738</b>           | <b>\$46,738</b>           | <b>\$46,013</b>               | <b>(\$725)</b>                | <b>(1.6%)</b>          |



Statement of Revenues and Expenses

| Community First<br>(Dollars are in Thousands) | 2024 Budget             | 2024<br>Projected       | 2025<br>Preliminary<br>Budget | Variance<br>from<br>Projected | % Variance            |
|---|-------------------------|-------------------------|-------------------------------|-------------------------------|-----------------------|
| <b>Revenues</b>                               |                         |                         |                               |                               |                       |
| CFHP Premium Revenue                          | \$951,918               | \$898,257               | \$1,137,484                   | \$239,228                     | 26.6%                 |
| <b>Total Operating Revenues</b>               | <b>\$951,918</b>        | <b>\$898,257</b>        | <b>\$1,137,484</b>            | <b>\$239,228</b>              | <b>26.6%</b>          |
| <b>Expenses</b>                               |                         |                         |                               |                               |                       |
| Salaries                                      | \$39,937                | \$39,791                | \$55,284                      | \$15,493                      | 38.9%                 |
| Benefits                                      | \$7,100                 | \$8,580                 | \$8,662                       | \$83                          | 1.0%                  |
| Purchased Services                            | \$54,129                | \$49,389                | \$62,140                      | \$12,751                      | 25.8%                 |
| Supplies                                      | \$2,926                 | \$867                   | \$1,692                       | \$825                         | 95.2%                 |
| Medical Claims Expense                        | <u>\$835,847</u>        | <u>\$770,979</u>        | <u>\$1,001,562</u>            | <u>\$230,583</u>              | <u>29.9%</u>          |
| <b>Total Operating Expenses</b>               | <b><u>\$939,939</u></b> | <b><u>\$869,606</u></b> | <b><u>\$1,129,340</u></b>     | <b><u>\$259,735</u></b>       | <b><u>29.9%</u></b>   |
| <b>Gain (Loss) from Operations</b>            | <b>\$11,979</b>         | <b>\$28,651</b>         | <b>\$8,144</b>                | <b>(\$20,507)</b>             | <b>(71.6%)</b>        |
| <b>Non-operating Revenue/(Expense):</b>       |                         |                         |                               |                               |                       |
| Depreciation and Amortization                 | (\$2,663)               | (\$2,576)               | (\$4,177)                     | (\$1,601)                     | 62.1%                 |
| Other Non-operating                           | \$3,800                 | \$13,531                | \$6,685                       | (\$6,846)                     | (50.6%)               |
| Premium Deficiency Reserve                    | <u>\$2,000</u>          | <u>\$1,475</u>          | <u>\$2,500</u>                | <u>\$1,025</u>                | <u>69.5%</u>          |
| <b>Total Non-operating Revenue/Expense</b>    | <b><u>\$3,137</u></b>   | <b><u>\$12,429</u></b>  | <b><u>\$5,008</u></b>         | <b><u>(\$7,421)</u></b>       | <b><u>(59.7%)</u></b> |
| <b>Bottom Line</b>                            | <b>\$15,116</b>         | <b>\$41,080</b>         | <b>\$13,152</b>               | <b>\$27,928</b>               | <b>68.0%</b>          |
| <b>Ongoing Capital Requirements</b>           | <b>\$561</b>            | <b>\$677</b>            | <b>\$308</b>                  | <b>(\$370)</b>                | <b>(54.6%)</b>        |

Exhibit 2

| INPATIENT ACTIVITY                 | 2024<br>Budget | 2024<br>Projected* | 2025<br>Budget | Var. Bud<br>2025 to<br>Projected | Var %        |
|------------------------------------|----------------|--------------------|----------------|----------------------------------|--------------|
| <b>In-Patient Activity</b>         |                |                    |                |                                  |              |
| Heart Vascular <sup>1</sup>        | 2,640          | 2,596              | 2,715          | 119                              | 4.6%         |
| Women Services <sup>2</sup>        | 4,769          | 5,878              | 6,062          | 184                              | 3.1%         |
| Neonates                           | 2,322          | 2,779              | 2,787          | 8                                | 0.3%         |
| Neurology <sup>1</sup>             | 2,431          | 2,478              | 2,549          | 71                               | 2.9%         |
| Orthopedics                        | 2,097          | 2,388              | 2,474          | 86                               | 3.6%         |
| Trauma                             | 1,306          | 1,297              | 1,346          | 49                               | 3.8%         |
| Transplant <sup>3</sup>            | 326            | 360                | 367            | 7                                | 2.0%         |
| All Other <sup>1</sup>             | 15,369         | 17,970             | 18,954         | 984                              | 5.5%         |
| <b>Sub-Total: Adult Discharges</b> | <b>31,260</b>  | <b>35,746</b>      | <b>37,255</b>  | <b>1509</b>                      | <b>4.2%</b>  |
| Heart Vascular <sup>4</sup>        | 171            | 126                | 186            | 60                               | 47.6%        |
| Neurology                          | 284            | 379                | 369            | (10)                             | -2.6%        |
| Orthopedics                        | 152            | 169                | 186            | 17                               | 10.1%        |
| Trauma                             | 275            | 275                | 297            | 22                               | 8.0%         |
| Transplant                         | 15             | 36                 | 37             | 1                                | 2.8%         |
| All Other <sup>5</sup>             | 1,621          | 1,740              | 2,126          | 386                              | 22.2%        |
| <b>Sub-Total: Pedi Discharges</b>  | <b>2,518</b>   | <b>2,725</b>       | <b>3,201</b>   | <b>476</b>                       | <b>17.5%</b> |
| <b>Total Discharges</b>            | <b>33,778</b>  | <b>38,471</b>      | <b>40,456</b>  | <b>1985</b>                      | <b>5.2%</b>  |
| Heart Vascular                     | 16,672         | 16,504             | 16,989         | 485                              | 2.9%         |
| Women Services                     | 14,482         | 16,338             | 17,067         | 729                              | 4.5%         |
| Neonates                           | 20,236         | 24,943             | 25,013         | 70                               | 0.3%         |
| Neurology                          | 15,261         | 16,635             | 16,738         | 103                              | 0.6%         |
| Orthopedics                        | 17,244         | 17,124             | 17,625         | 501                              | 2.9%         |
| Trauma                             | 9,841          | 10,380             | 10,465         | 85                               | 0.8%         |
| Transplant                         | 4,036          | 4,209              | 4,293          | 84                               | 2.0%         |
| All Other                          | 117,274        | 134,703            | 140,123        | 5420                             | 4.0%         |
| <b>Sub-Total: Adult Days</b>       | <b>215,046</b> | <b>240,836</b>     | <b>248,314</b> | <b>7478</b>                      | <b>3.1%</b>  |
| <b>Sub-Total: Adult ADC</b>        | <b>589.2</b>   | <b>659.8</b>       | <b>678.5</b>   | <b>18.6</b>                      | <b>2.8%</b>  |
| Heart Vascular                     | 2,126          | 1,599              | 2,542          | 943                              | 59.0%        |
| Neurology                          | 1,946          | 2,280              | 2,522          | 242                              | 10.6%        |
| Orthopedics                        | 779            | 784                | 905            | 121                              | 15.4%        |
| Trauma                             | 2,060          | 1,633              | 2,058          | 425                              | 26.0%        |
| Transplant                         | 504            | 671                | 698            | 27                               | 4.0%         |
| All Other                          | 11,029         | 10,970             | 13,507         | 2,537                            | 23.1%        |
| <b>Sub-Total: Pedi Days</b>        | <b>18,444</b>  | <b>17,937</b>      | <b>22,232</b>  | <b>4,295</b>                     | <b>23.9%</b> |
| <b>Sub-Total: Pedi ADC</b>         | <b>50.5</b>    | <b>49.1</b>        | <b>60.7</b>    | <b>11.6</b>                      | <b>23.6%</b> |
| <b>Total: Days</b>                 | <b>233,491</b> | <b>258,773</b>     | <b>270,546</b> | <b>11,773</b>                    | <b>4.5%</b>  |
| <b>Total: ADC</b>                  | <b>639.7</b>   | <b>709.0</b>       | <b>741.2</b>   | <b>32.3</b>                      | <b>4.5%</b>  |
| Births <sup>6</sup>                | 4,261          | 5,259              | 5,348          | 89                               | 1.7%         |

| OUTPATIENT ACTIVITY  | 2024<br>Budget   | 2024<br>Projected | 2025<br>Budget   | Var. Bud<br>2025 to<br>Projected | Var %        |
|--|------------------|-------------------|------------------|----------------------------------|--------------|
| Total Emergency Center (IP - Adult)  | 17,224           | 18,045            | 18,697           | 652                              | 3.6%         |
| Total Emergency Center (OP - Adult)  | 57,601           | 58,686            | 60,203           | 1,517                            | 2.6%         |
| <b>Sub Total: Adult Emergency Center <sup>7</sup></b>                                | <b>74,825</b>    | <b>76,731</b>     | <b>78,900</b>    | <b>2,169</b>                     | <b>2.8%</b>  |
| Total Emergency Center (IP - OB/GYN)   | 4,258            | 5,312             | 5,348            | 37                               | 0.7%         |
| Total Emergency Center (OP - OB GYN)   | 11,926           | 13,950            | 14,522           | 572                              | 4.1%         |
| <b>Sub Total: OB GYN Emergency Center</b>  | <b>16,184</b>    | <b>19,262</b>     | <b>19,870</b>    | <b>609</b>                       | <b>3.2%</b>  |
| Total Emergency Center (IP - Pedi)   | 1,357            | 1,677             | 1,751            | 74                               | 4.4%         |
| Total Emergency Center (OP - Pedi)   | 17,246           | 16,728            | 17,797           | 1,069                            | 6.4%         |
| <b>Sub Total: Pedi Emergency Center <sup>8</sup></b>                                 | <b>18,603</b>    | <b>18,405</b>     | <b>19,548</b>    | <b>1,143</b>                     | <b>6.2%</b>  |
| Total Emergency Center (IP - Trauma)   | 3,496            | 3,539             | 3,582            | 44                               | 1.2%         |
| Total Emergency Center (OP - Trauma)   | 5,105            | 5,681             | 5,918            | 238                              | 4.2%         |
| <b>Sub Total: Trauma Emergency Center</b>  | <b>8,601</b>     | <b>9,219</b>      | <b>9,500</b>     | <b>281</b>                       | <b>3.0%</b>  |
| <b>Total Emergency Center</b>  | <b>118,213</b>   | <b>123,617</b>    | <b>127,818</b>   | <b>4,202</b>                     | <b>3.4%</b>  |
| Surgery - University Hospital (IP - Adult)   | 11,057           | 12,608            | 13,330           | 722                              | 5.7%         |
| Surgery - University Hospital (OP - Adult)   | 9,520            | 10,268            | 10,993           | 725                              | 7.1%         |
| <b>Sub Total: UH Adult Surgery</b>   | <b>20,577</b>    | <b>22,876</b>     | <b>24,323</b>    | <b>1,447</b>                     | <b>6.3%</b>  |
| Surgery - University Hospital (IP - Pedi)  | 1,248            | 1,336             | 1,564            | 228                              | 17.1%        |
| Surgery - University Hospital (OP - Pedi)  | 1,795            | 1,906             | 2,252            | 346                              | 18.2%        |
| <b>Sub Total: University Hospital Pedi Surgery</b>                                   | <b>3,043</b>     | <b>3,242</b>      | <b>3,816</b>     | <b>574</b>                       | <b>17.7%</b> |
| <b>Total: University Hospital Surgery</b>  | <b>23,620</b>    | <b>26,118</b>     | <b>28,139</b>    | <b>2,021</b>                     | <b>7.7%</b>  |
| <b>Sub Total Obs: University Hospital</b>  | <b>6,337</b>     | <b>7,305</b>      | <b>7,318</b>     | <b>13</b>                        | <b>0.2%</b>  |
| <b>Total Other Vol:<br/>(Emergency Center, Surg, &amp; Obs)</b>                      | <b>148,170</b>   | <b>157,040</b>    | <b>163,275</b>   | <b>6,236</b>                     | <b>4.0%</b>  |
| <b>Ambulatory Surgery Center Volume and other Outpatient Visits (includes PHC's)</b> |                  |                   |                  |                                  |              |
| RBG ASC (Surg)   | 950              | 944               | 981              | 38                               | 4.0%         |
| RBG ASC (Endo)   | 5,155            | 4,089             | 4,263            | 174                              | 4.3%         |
| MARC ASC (Surg)  | 4,267            | 4,695             | 4,992            | 297                              | 6.3%         |
| MARC ASC (Endo) <sup>10</sup>  | 4,035            | 2,105             | 2,444            | 340                              | 16.1%        |
| MAC ASC (Surg) <sup>11</sup>   | -                | -                 | 5,880            | 5,880                            | 100.0%       |
| Clinics (University Hospital - Adult)  | 76,502           | 76,497            | 80,085           | 3,588                            | 4.7%         |
| Clinics (ExpressMed) <sup>12</sup>   | 122,823          | 130,532           | 150,546          | 20,015                           | 15.3%        |
| Dialysis (Adult)   | 61,911           | 61,608            | 67,632           | 6,024                            | 9.8%         |
| Clinics Ambulatory Ops (Adult) <sup>13</sup>   | 518,996          | 444,525           | 574,775          | 130,250                          | 29.3%        |
| Clinics (Women's Services)   | 82,369           | 91,269            | 93,274           | 2,005                            | 2.2%         |
| <b>Sub-Total: OP Clinics -Adult</b>  | <b>877,008</b>   | <b>816,263</b>    | <b>984,872</b>   | <b>168,610</b>                   | <b>20.7%</b> |
| Clinics (University Hospital - Pedi) <sup>14</sup>                                   | 11,807           | 15,003            | 12,751           | (2,252)                          | -15.0%       |
| Dialysis (Pedi)  | 3,622            | 2,822             | 3,455            | 634                              | 22.5%        |
| Clinics Ambulatory Ops (Pedi) <sup>14</sup>  | 87,417           | 91,725            | 120,293          | 28,568                           | 31.1%        |
| <b>Sub-Total: OP Clinics - Pedi</b>  | <b>102,846</b>   | <b>109,550</b>    | <b>136,499</b>   | <b>26,950</b>                    | <b>24.6%</b> |
| <b>Total Other Vol:<br/>(OP ASCs, OP Clinics, PHCs)</b>                              | <b>979,854</b>   | <b>925,812</b>    | <b>1,121,371</b> | <b>195,559</b>                   | <b>21.1%</b> |
| <b>Total Outpatient Volume</b>   | <b>1,128,024</b> | <b>1,082,852</b>  | <b>1,284,646</b> | <b>201,795</b>                   | <b>18.6%</b> |

## Preliminary 2025 Budget, Activity Notes

| Service Line | Activity Note |
|--------------|---------------|
|--------------|---------------|

### Inpatient Services

- |                               |  |
|-------------------------------|--|
| 1. Adult Medicine             | Additional inpatient bed capacity resulting from the completion of Sky Tower refresh will add additional medicine volumes to meet the community demand.                    |
| 2. Womens Services            | Staffing to optimize full capacity of the Women's & Children's Hospital floors including the move of AYA unit back to Sky Tower to better serve Women's medicine patients. |
| 3. Transplant Services        | Continued growth of the Liver and Lung programs are expected in 2025.  |
| 4. Pediatric Heart & Vascular | Pediatric Heart Surgical program continuing to mature along with efforts to employ additional local Pediatric Cardiology practice.   |
| 5. Pediatric ENT & Medicine   | Employment of additional active pediatric surgeons will drive volume to match available capacity within the Women's & Children's Hospital.                                 |
| 6. Births                     | Somewhat muted growth expected in 2025 after far exceeding expectations in first year of Women's & Children's Hospital.  |

### University Hospital Emergency Center Volume

- |                               |   |
|-------------------------------|---|
| 7. Adult Emergency Center     | Additional adult inpatient capacity will improve throughput and decrease wait time for routine emergency department visits.               |
| 8. Pediatric Emergency Center | Growing ambulatory provider network expected to increase emergency department visits as part of continuum of care with University Health. |

### University Hospital Surgical Volume

- |  |   |
|--|---|
| 9. University Hospital Pediatric Surgery | Additional Pediatric surgeons committed to practice at University Hospital will increase surgical volumes of Pediatric ENT and General Surgery. |
|--|---|

### Ambulatory Surgery Centers (ASCs)

- |                          |  |
|--------------------------|--|
| 10. MARC ASC (Endoscopy) | Recruitment of Endoscopists completed in late 2024 and will result in higher volumes to the MARC ASC due to continued high patient demand.   |
| 11. MAC ASC              | Opening of University Health newest surgical center location at Morgan's Multi-Assistance Center is expected in late 2024 and will provide centralized care to the special needs patient population. |

### Outpatient Clinics

- |                                |  |
|--------------------------------|--|
| 12. Express Med Clinics        | Expanded hours offered at Luckey Ranch and growing ambulatory clinic practice will drive Express Med volume with a higher population considering University Health as their medical home.            |
| 13. Ambulatory Clinics (Adult) | New and growing specialty clinics such as Digestive Specialty, TDI Podiatry, and Oakwell Specialty deliver advanced care along with improved efficiency of existing primary care provider practices. |
| 14. Ambulatory Ops (Pediatric) | New clinic locations, like Judson ISD and Deerfield ENT move ambulatory clinic volumes outside University Hospital and provide easier access for the community.                                      |

## Preliminary 2025 Budget, Changes to Total Operating Revenue

| Dollars in Millions                           | Variance from Projected 2024 | % Variance    | Driver   |
|---|------------------------------|---------------|--|
| <b>2024 Projected Total Operating Revenue</b> | <b>\$2,468.0</b>             |               |  |
| <b>Net Patient Revenue</b>                    | <b>\$95.3</b>                | <b>6.6%</b>   |  |
| CHIRP/UHRIP Payment Enhancement               | \$19.1                       |               | Texas Medicaid payment enhancement to a more commercially equivalent rate. Offset by an \$18.1M IGT Medical Service expense.   |
| TIPPS Payment Enhancement                     | \$17.5                       |               | Conversion of TIPPS payments to component 3 which are based upon payment enhancement for specific E&M physician group volumes  |
| Commercial Rate Improvement                   | \$12.7                       |               | Renegotiated managed care agreements for major insurance plans.  |
| Inpatient Volume                              | \$11.6                       |               | Increased Capacity after re-opening all of post-refresh Sky Tower and maturation of Women's & Children's volumes.  |
| OP Pharmacy Retail & Specialty Programs       | \$10.9                       |               | Continued maturation of Specialty Pharmacy program primarily for High Cost Drug Regimens; ie, Transplant and HIV   |
| Outpatient Volume                             | \$8.5                        |               | Outpatient ancillary volume growth related to UMA provider expansion and optimized performance of Procedural areas.  |
| UMA Volume                                    | \$8.0                        |               | Improved efficiency and growth of UMA providers  |
| Medicare & Managed Medicare                   | \$7.8                        |               | 2.6% Cost of Living Adjustment (COLA)  |
| Decreased SelfPay & Carelink Collectable      | (\$0.9)                      |               | Inflationary pressure on low income households is decreasing collectability of out of pocket patient responsibilities.   |
| <b>Other Operating Revenue</b>                | <b>(\$51.8)</b>              | <b>(5.1%)</b> |  |
| Property Taxes                                | (\$21.0)                     |               | Maintain existing tax rate but implemented a 20% Homestead Exemption. The maximum statutory allowable amount for Bexar County homeowners.  |
| Disproportionate Share Funding                | (\$62.5)                     |               | Impact of Federal Regulation DSH cuts that are set to expire by the end of 2024 without legislative intervention.  |
| TIPPS Revenue                                 | (\$17.0)                     |               | Conversion of the TIPPS Medicaid Physician payments from a lump sum amount to payment enhancement that is recognized as part of Net Patient Revenue.   |
| Uncompensated Care (UC)                       | \$36.0                       |               | With the expected DSH cuts in 2025, additional Upper Payment Limit capacity supports a partially offsetting increase in Uncompensated Care payments intended to reduce the burden for providers with a high-level of uninsured patient mix.    |
| NAIP  | \$6.3                        |               | Due to a larger pool of available funding that favors University Health's quality and payer mix, NAIP revenue is expected to grow in 2025.   |
| HARP Revenue                                  | \$2.2                        |               | Payment program for Traditional Medicaid patients to offset the shortfall in Medicaid. Expected 2025 payments are slightly increased due to expected growth in Medicaid volumes.   |
| Skilled Nursing Facility                      | \$1.4                        |               | Minimal increase in SNF revenues resulting from the partnership with Touchstone.   |
| Other Revenue                                 | \$2.8                        |               | Increase in Grant Revenues resulting from additional community support programs like the Naloxone Grant that was generated from the Opioid Settlement. Also included is revenue from initiation of the new ATLIS Supplemental Revenue program. |
| <b>Changes to Total Operating Revenue</b>     | <b>\$43.5</b>                | <b>1.8%</b>   |  |
| <b>Total Operating Revenue</b>                | <b>\$2,511.5</b>             |               |  |

\*Positive numbers indicate an increase in Operating Revenue



## Preliminary 2025 Budget, Financial Impact of Legislative Changes

| Dollars in millions   | 2024 Budget | 2024 Projected | 2025 Preliminary Budget | Variance from Projected | Notes   |
|---|-------------|----------------|-------------------------|-------------------------|---|
| Uncompensated Care (UC) for Hospital and UMA                                  | \$140.0     | \$120.9        | \$156.9                 | \$36.0                  | Funding program to offset losses from uninsured patients in the Uncompensated Care Pool. Increase of \$36 million is due to additional cap space as the result of expected DSH cuts effective January 1, 2025.  |
| Disproportionate Share (DSH)  | \$33.2      | \$67.3         | \$4.8                   | (\$62.5)                | Reduction due to planned DSH cuts related to the Affordable Care Act legislation. Past short-term extensions of the program are no longer in-place beyond calendar year 2024.   |
| Network Access Improvement Program (NAIP)                                     | \$29.5      | \$28.2         | \$34.5                  | \$6.3                   | Variance due to enhancement of the program's available funding dollars of which University Health will retain an allocated portion.   |
| Comprehensive Hospital Increase Reimbursement Program (CHIRP), net of IGT     | \$39.2      | \$45.0         | \$64.1                  | \$19.1                  | Adjustment of Managed Medicaid payments to better reflect commercial payment rates for similar services. Amount is recognized as a component of Net Patient Revenue.  |
| Graduate Medical Education Revenue (GME)                                      | \$15.6      | \$17.0         | \$17.7                  | \$0.7                   | State funding to support GME to slightly decrease in 2024 as University Health increases the available bed capacity. The overall unreimbursed GME expense for 2025 is \$15 million.   |
| Nursing Home Quality Incentive Payment Program (QIPP)                         | \$2.3       | \$2.4          | \$2.3                   | (\$0.1)                 | Nursing Home quality performance program, benefits are shared with Touchstone. Variance due to timing of payment booked in 2024 that is not expected to reoccur.  |
| Hospital Augmented Reimbursement Program (HARP)                               | \$23.3      | \$39.8         | \$42.0                  | \$2.2                   | HARP is a supplemental program that provides additional funding for public hospitals by supplementing payments for non-Managed Medicaid patients. The planned 2025 increase is due to additional volumes of traditional Medicaid patients.  |
| Texas Incentives for Physicians and Professional Services (TIPPS) Component 1 | \$2.2       | \$17.0         | \$0.0                   | (\$17.0)                | TIPPS is comprised of three components of which University Health is only eligible for component 1 & 2. Component 1 is paid in lump sum to IME physician groups and is planned to unwind for University Health in 2025 as more funding is focused on Component 3 and the Component 2 targeted for GME physician groups. |
| Texas Incentives for Physicians and Professional Services (TIPPS) Component 3 | \$0.0       | \$0.0          | \$17.5                  | \$17.5                  | TIPPS Component 3 is paid as an enhancement to Managed Medicaid payments and recognized as part of Net Patient Revenue to eligible physician groups as part of the DSRIP transition plan. The increase is due to additional funding to enhance access for additional Managed Medicaid volume and quality outcomes.      |
| ATLIS Program   | \$0.0       | \$0.0          | \$0.2                   | \$0.2                   | Texas Medicaid quality outcomes program new for State Fiscal Year 2025 that primarily focuses funding toward Children's Hospitals although University Health will receive minimal funding for the first implementation year.  |

## Preliminary 2025 Budget, Changes to the Total Operating Expense

| Dollars in Millions                           | Variance from<br>Projected 2024 | %<br>Variance | Driver  |
|---|---------------------------------|---------------|---|
| <b>2024 Projected Total Operating Expense</b> | <b>\$2,213.6</b>                |               |   |
| <b>Salaries</b>                               | <b>\$56.9</b>                   | <b>6.6%</b>   |   |
| Retention Incentive and Market Adjustment     | \$28.1                          |               | Reflects \$17 million for the clinical staff retention incentive and \$11 million in market adjustments to minimize turnover and ensure competitiveness for high-demand positions.                              |
| Volume Impact                                 | \$20.2                          |               | Variable staffing related to the additional capacity driving a 4.5% inpatient discharge increase and growth in ambulatory clinic volume expectations.   |
| Fill 2024 Vacant Positions                    | \$4.1                           |               | Budgeting to fill to 2025 Budgeted positions that became vacant in 2025   |
| Improved Efficiency                           | \$3.0                           |               | Investment in Care Coordination and inpatient Pharmacy roles to improve the efficiency of admission and discharge throughput that will decrease the overall expense per hospital discharge in 2025.             |
| Grant Services                                | \$1.5                           |               | Growth in positions to support new and expanding grant opportunities.   |
| <b>Benefits</b>                               | <b>\$22.3</b>                   | <b>12.6%</b>  |   |
| OPEB Liability                                | \$8.5                           |               | Increased health benefit cost for retirees and dependents due to high-cost pharmaceuticals and strategic reduction in premium cost for retirees with Medicare benefits.   |
| Pension Liability                             | \$6.0                           |               | Increased expense due to a funding policy change and the ending of a 5-year amortization from asset experience in 2020.   |
| Health Benefit                                | \$5.2                           |               | Higher cost of pharmaceutical expense per beneficiary and additional increase due to growth in employed positions.  |
| FICA & Employment Taxes                       | \$2.6                           |               | Federal Tax increase due to higher base wage increase as the result of labor market disruption.   |
| <b>Medical Services</b>                       | <b>\$2.5</b>                    | <b>0.8%</b>   |   |
| UT Master Services Increase                   | \$6.8                           |               | Investment of targeted increases of salary amounts for UT employed providers through the Master Services Agreement will ensure market competitiveness and ensure coverage deliverables for University Hospital. |
| Carelink Payments to Community Providers      | \$2.3                           |               | Expected increase of Carelink payments to community providers as Medicaid disenrollments and macro-economy drive an expected increase of Bexar County patients eligible for Carelink.                           |

## Preliminary 2025 Budget, Changes to the Total Operating Expense

| Dollars in Millions                         | Variance from Projected 2024 | % Variance  | Driver  |
|---|------------------------------|-------------|---|
| UMA Provider Lease from UT Health           | \$2.0                        |             | UMA lease of UT Providers, such as Anesthesiology, under a management agreement. The increase of expense is offset by an increase in Net Patient Revenue.   |
| Medicaid Intergovernmental Transfer Expense | (\$8.6)                      |             | IGT expense to CHIRP/UHRIP program converted to a component of Net Patient Revenue where the benefit of program resides.  |
| <b>Purchased Services</b>                   | <b>\$18.8</b>                | <b>5.6%</b> |   |
| Information Technology                      | \$5.9                        |             | Epic and supporting programs increase their maintenance and support expenses based on volume of equipment, user counts, and patient activity. The increase for 2025 is reflective of the expected growth for each of these. Additional support of physical and cyber-security software to protect from a growing effort to penetrate University Health's resources and ensure the safety of our staff and guests. |
| Aged Building Repair & Maintenance          | \$4.0                        |             | Investment to modernize aged clinical buildings is expected to continue into 2025 with further efforts to improve the patient experience and ensure elevators and operational efficiency of infrastructure.   |
| Insurance Premium                           | \$3.0                        |             | Increased amount for premium for Commercial Property insurance due to additional square footage and enhanced business disruption coverage.  |
| Transplant Growth                           | \$2.9                        |             | Increase in Organ acquisition and transportation cost related to expected volume increases and the expanded geographical area in which organs are shared.   |
| Grant Expansion and Public Health Programs  | \$1.8                        |             | Continued growth of grant programs contracting with outside agencies to improve outreach and the health of the Bexar County population.   |
| Utilities and Maintenance                   | \$1.2                        |             | Increase in utility and maintenance cost associated with the full opening of the Women's & Children's podium and regional clinics in support of expanded care.  |

## Preliminary 2025 Budget, Changes to the Total Operating Expense

| Dollars in Millions                             | Variance from<br>Projected 2024 | %<br>Variance | Driver  |
|---|---------------------------------|---------------|---|
| <b>Supplies</b>                                 | <b>\$59.3</b>                   | <b>11.0%</b>  |   |
| Pharmaceutical: Retail Pharmacy                 | \$29.8                          |               | Continued increase of the retail and specialty pharmacy programs that enhance patient experience and improve medication compliance along with a corresponding increase of net patient revenue. Additional 4% increase of pharmaceutical inflation is expected in 2024 due to manufacturer backlog and shortages across key suppliers. |
| Medical Supplies: Inpatient & Ambulatory Growth | \$12.5                          |               | Expected 4.5% inpatient growth in 2025 will drive variable medical supply increase due to the additional capacity resulting from the completion of the Sky Tower refresh.   |
| OR & Procedural Supply Cost                     | \$5.3                           |               | Expected procedural volume increase in 2025 as volumes are enhanced where capacity is available across surgical and procedural locations although often with high cost per case supplies. Concentrated efforts to optimize reimbursement of these high cost procedural areas will offset the increase in supply cost.                 |
| Pharmaceutical: Naloxone Grant Program          | \$5.0                           |               | New Grant resulting from the major Opioid settlement to distribute the Opioid overdose reversal medication across Bexar County.   |
| Non-medical Supplies                            | \$4.2                           |               | Expected 3% inflation projection, a 5% increase in raw food cost into 2025 driven by additional patient and guest meals, along with additional expense for non-capital items related to use of Business Center 3.   |
| Aged Infrastructure Investment                  | \$2.5                           |               | Expansion of elevator and other repair projects into 2025 along with a significant investment in the Medical Center Pavilion window replacement.  |
| Changes to Total Operating Expense              | <b>\$159.6</b>                  | <b>7.2%</b>   |   |
| <b>2025 Preliminary Budget</b>                  |                                 |               |   |
| <b>Total Operating Expense</b>                  | <b>\$2,373.2</b>                |               |   |

### Preliminary 2025 Budget, FTE Change

| Service Line  | Variance from Projected 2024 |
|---|------------------------------|
| <b>2024 Projected FTE</b>                           | <b>10,580</b>                |
| Inpatient Growth <sup>1</sup>                       | 196                          |
| UMA/Ambulatory Clinic Growth <sup>2</sup>           | 96                           |
| Retail Pharmacy Service <sup>3</sup>                | 56                           |
| Case Management & Inpatient Efficiency <sup>4</sup> | 52                           |
| PeriOperative Growth <sup>5</sup>                   | 48                           |
| Detention Locations <sup>6</sup>                    | 41                           |
| Other Vacancy Replacement <sup>7</sup>              | 48                           |
| <b>Preliminary 2025 Budget, Total Paid FTE</b>      | <b>11,117</b>                |
| <b>FTE Variance</b>                                 | <b>537</b>                   |
| <b>FTE % Growth</b>                                 | <b>5.1%</b>                  |

#### Driver of FTE Increase

<sup>1</sup> After the Sky Tower refresh and reopening of 7Sky, additional inpatient bed capacity is expected to be filled and supported with additional bedside clinical and support staff.

Ambulatory Clinic volumes are expected to grow 20% by expansion clinical service locations and improvement of provider efficiency. The growth of patient volume requires additional support staff to ensure efficient throughput in ambulatory clinics.

The Specialty & Retail Pharmacy service continues to expand service in each of the six pharmacy outposts. The growth of service ensures an improved adherence to post-acute discharge instructions, lower readmissions, and a positive patient experience for University Health patients.

A priority initiative in 2025, investment of additional resources in the admission process and timely post-acute discharge to the appropriate setting requires additional staff resources for Case Management and inpatient pharmacy staff to facilitate throughput.

<sup>5</sup> PeriOperative Services continues to grow volume including those at the new MAC Ambulatory Surgical Center which should open in late 2024.

<sup>6</sup> Broader support of care at Detention Center locations requires additional clinical and technical staff to maintain the high quality outcomes for these patients.

<sup>7</sup> Budgeting to fill positions that were previously approved and validated but were vacant during 2024.

## Preliminary 2025 Budget: Analysis of Tax Rate

| Dollars in<br>Thousands | 2023 Tax<br>Rate | 2024 Tax<br>Rate | Tax Rate<br>Change<br>from<br>Existing<br>Rate | % Change<br>from<br>Existing<br>Tax Rate | 2024<br>Estimated<br>Taxes <sup>1</sup> | 2025<br>Estimated<br>Taxes <sup>2</sup> | Proposed<br>Net<br>Change<br>From<br>Prior Year | %<br>Change |
|-------------------------|------------------|------------------|--|--|---|---|---|-------------|
| Operating Rate          | 0.236335         | 0.233700         | (0.002635)                                     | (1.11%)                                  | \$569,445                               | \$548,596                               | (\$20,849)                                      | -3.66%      |
| Debt Rate               | 0.039900         | 0.042535         | 0.002635                                       | 6.60%                                    | \$96,307                                | \$99,848                                | \$3,541   | 3.68%       |
| Total Tax Rate          | 0.276235         | 0.276235         | 0.000000                                       | 0.00%                                    | \$665,752                               | \$648,444                               | (\$17,308)                                      | -2.60%      |

<sup>1</sup> 2024 Estimated Tax revenue calculated on 2023 property values as of 10/01/23 and 2023 Tax Rate

<sup>2</sup> 2025 Estimated Tax revenue calculated on 2024 property values certified on 07/20/2024 and 2024 Tax Rate with an assumed collection rate of 97.99%

**Preliminary 2025 Budget, Capital Requests  
University Health less Community First**

| Dept. Name                              | Request Name                                       | 2025 Amount | Priority                               | Reason               | Class   | Category                |
|---|--|-------------|--|----------------------|---|-------------------------|
| UH CT SCAN                              | 7500 Spectral CT: 6th Floor Sky Tower              | 3,768,299   | Proactive: Necessary To Avoid Problems | New Technology       | Replacement   | Clinical Equipment      |
| UH CT SCAN                              | 7500 Spectral CT: Emergency Room                   | 2,803,299   | Important: Necessary for Improvement   | New Technology       | Replacement   | Clinical Equipment      |
| TECHNICAL SERVICES                      | Multiple Network EOL Hardware                      | 2,789,322   | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Information Systems     |
| RBG CT SCAN                             | Toshiba Prime Aquilion 160                         | 2,733,299   | Essential: Cannot Function Without     | New Technology       | Replacement   | Clinical Equipment      |
| TECHNICAL SERVICES                      | Network Segmentation (ISE Implementation) Switches | 2,506,464   | Essential: Cannot Function Without     | Security Mandated    | Mandated (Regulatory Safety & Required Maintenance) | Information Systems     |
| BIOMEDICAL ENGINEERING                  | Aged Clinical Equipment Replacement                | 2,500,000   | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment      |
| BIOMEDICAL ENGINEERING                  | Patient Bed Partial Fleet Replacement              | 2,590,000   | Essential: Cannot Function Without     | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment      |
| FACILITIES MANAGEMENT                   | Aged Infrastructure Replacement                    | 1,500,000   | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Construction/Renovation |
| FACILITIES MANAGEMENT                   | TDI Controls Swap                                  | 1,200,000   | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation |
| TECHNICAL SERVICES                      | IT License True-Up 2025                            | 1,000,000   | Essential: Cannot Function Without     | Security Mandated    | Strategic (New Service/Expansion)                   | Information Systems     |
| FACILITIES MANAGEMENT                   | Pavilion Roof Replacement                          | 1,000,000   | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation |
| FACILITIES MANAGEMENT                   | Bulk Med Gas System Replacement                    | 750,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation |
| UH ST OPERATING ROOM                    | Flash Navigation 7D                                | 585,879     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment      |
| UH CATH LAB                             | Carto System with RF Generator                     | 580,000     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment      |
| CLINICAL SYSTEMS                        | Upgrade EEG Systems (Neuro Workbench/Persyst)      | 530,000     | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems     |
| PAV RADIOLOGY XRAY                      | Carestream Evolution                               | 528,260     | Essential: Cannot Function Without     | New Technology       | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment      |
| SE RADIOLOGY XRAY                       | Carestream Evolution                               | 528,260     | Essential: Cannot Function Without     | New Technology       | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment      |
| UH RADIOLOGY XRAY                       | X-Ray Room 2 Replacement                           | 525,000     | Proactive: Necessary To Avoid Problems | New Technology       | Replacement   | Clinical Equipment      |
| TDI DIALYSIS                            | Dialysis Water Room Components                     | 500,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment      |
| SE DIALYSIS                             | Dialysis Water Room Components                     | 500,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment      |
| FACILITIES MANAGEMENT                   | Rio Med Air and Vac systems                        | 500,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation |
| FACILITIES MANAGEMENT CHILL WATER PLANT | Boiler Control Panels                              | 460,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation |



**Preliminary 2025 Budget, Capital Requests  
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| Dept. Name                  | Request Name                                      | 2025 Amount | Priority                               | Reason               | Class   | Category                 |
|-----------------------------|---|-------------|--|----------------------|---|--------------------------|
| UH ST OPERATING ROOM        | Aesculap Aeos Digital Microscope                  | 454,312     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ECMO ADV TECHNOLOGY VR   | Two ECMO pumps                                    | 440,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment       |
| UH RADIOLOGY XRAY           | C-Arms for the OR                                 | 423,350     | Proactive: Necessary To Avoid Problems | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 ENDOSCOPY           | OEC 3D Imaging System C-Arm                       | 402,728     | Important: Necessary for Improvement   | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH MAMMOGRAPHY              | Hologic 3D Mammo Unit                             | 400,000     | Essential: Cannot Function Without     | New Technology       | Replacement   | Clinical Equipment       |
| FACILITIES MANAGEMENT       | Rio House Water Pump                              | 400,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation  |
| BIOMEDICAL ENGINEERING      | Skytron Stellar ST9 Exam Lights                   | 375,000     | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH RT SL IP PHARMACY        | Omniceil Automated Dispensing Cabinets            | 360,000     | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ULTRASOUND               | Philips Epiq Elite                                | 357,719     | Essential: Cannot Function Without     | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| ENVIRONMENTAL SERVICES      | Two Robots (Sweeping)                             | 350,000     | Important: Necessary for Improvement   | Staff Request        | Replacement   | Administrative Equipment |
| RBG MAMMOGRAPHY             | Breast Imaging Ultrasound Units                   | 346,041     | Important: Necessary for Improvement   | New Technology       | Replacement   | Clinical Equipment       |
| UH INTERVENTIONAL RADIOLOGY | Anesthesia Equipment                              | 341,770     | Essential: Cannot Function Without     | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| APPLICATION SYSTEMS         | Centrak Temp Monitoring Replacement               | 323,837     | Essential: Cannot Function Without     | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems      |
| UH ST OPERATING ROOM        | TrackCore Cabinets and Freezers                   | 304,772     | Important: Necessary for Improvement   | Regulatory Mandated  | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH FLOW CYTOMETRY           | BD Lyric  | 264,839     | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM        | BK Activ Real-time Imaging System (BK Ultrasound) | 259,975     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG ASC OR                  | Medtronic Stealth Navigation System               | 257,953     | Essential: Cannot Function Without     | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH MAMMOGRAPHY              | Secureview Reading Workstations                   | 250,620     | Essential: Cannot Function Without     | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH CYTOPATHOLOGY            | Thinprep 5000 Processor                           | 249,000     | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment       |
| FLEET SERVICES              | 4 - Ford F250 Transit Vans                        | 239,474     | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Administrative Equipment |
| UH ST 8 NEURO ICU           | Cerelink ICP Monitors                             | 233,676     | Important: Necessary for Improvement   | Physician Request    | Replacement   | Clinical Equipment       |

**Preliminary 2025 Budget, Capital Requests  
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| Dept. Name                    | Request Name                                   | 2025 Amount | Priority                               | Reason               | Class   | Category                 |
|-------------------------------|--|-------------|--|----------------------|---|--------------------------|
| UH ST OPERATING ROOM          | Sonopet Console with Hand Tray and Accessories | 221,697     | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RADIOLOGY XRAY             | C-Arm for Women's and Children's Hospital      | 211,675     | Essential: Cannot Function Without     | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM          | Mizuho 360 Rotatable Trays                     | 201,812     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| EPIC EMR PROJECT - OPERATIONS | Willow Inpatient Inventory                     | 200,000     | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Information Systems      |
| UH MRI                        | Expression Patient Monitoring System (MR400)   | 200,000     | Essential: Cannot Function Without     | New Technology       | Replacement   | Clinical Equipment       |
| FACILITIES MANAGEMENT         | Horizon Vacuum Pump                            | 200,000     | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Construction/Renovation  |
| UH ST OPERATING ROOM          | Medistim Flow Probes and Imaging               | 186,892     | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MARC ASC                      | OEC Elite C-arm                                | 183,166     | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment       |
| UH ST OPERATING ROOM          | STORZ Camera Equipment                         | 150,486     | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ANATOMICAL PATHOLOGY       | High Throughput Stainer                        | 148,234     | Essential: Cannot Function Without     | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM          | Mizuho Kelly Keyhole Trays                     | 145,976     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM          | Alcon CENTURION Phacoemulsifier System         | 144,900     | Essential: Cannot Function Without     | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH ACUTE REHAB THERAPY        | Olympus FEEs system                            | 143,485     | Important: Necessary for Improvement   | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| FLEET SERVICES                | 2 - Ford Explorer Police Interceptors          | 141,312     | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Administrative Equipment |
| MARC ASC                      | Centurian                                      | 139,000     | Proactive: Necessary To Avoid Problems | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 ENDOSCOPY             | Olympus X1 Processor for Endoscopic Scopes     | 135,532     | Important: Necessary for Improvement   | New Technology       | Replacement   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS      | EEG and Sleep Lab Patient Monitoring Cameras   | 135,000     | Proactive: Necessary To Avoid Problems | Staff Request        | Replacement   | Clinical Equipment       |
| UH WC 6 7 NEONATAL ICU        | Retcam   | 131,525     | Essential: Cannot Function Without     | Physician Request    | Replacement   | Clinical Equipment       |
| UH DIAGNOSTIC CARDIOLOGY      | Point of Care Ultrasound                       | 130,000     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH DONOR SERVICE              | Trima Platelet Collection System               | 129,500     | Important: Necessary for Improvement   | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM          | Mizuho Jackson Trios                           | 127,797     | Proactive: Necessary To Avoid Problems | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |

**Preliminary 2025 Budget, Capital Requests  
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| Dept. Name                        | Request Name                                   | 2025 Amount | Priority                               | Reason               | Class   | Category                 |
|-----------------------------------|--|-------------|--|----------------------|---|--------------------------|
| UH INTERVENTIONAL RADIOLOGY       | Abbott ViewMate Intravascular Ultrasound       | 124,000     | Proactive: Necessary To Avoid Problems | Physician Request    | Replacement   | Clinical Equipment       |
| UH RT 2 WOUND OSTOMY              | Scout Imaging Device                           | 118,500     | Essential: Cannot Function Without     | Safety Mandated      | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM              | Piezo Console System                           | 116,786     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| STERILE PROCESSING                | Decon Sinks                                    | 115,816     | Important: Necessary for Improvement   | Required Maintenance | Replacement   | Clinical Equipment       |
| UH ST G TRAUMA RESUSCITATION UNIT | Sonosite LX Ultrasound System with Transducers | 114,000     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MARC ASC                          | Olympus Colonoscopes                           | 112,731     | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG ASC OR                        | Stryker Battery Powered Drill                  | 99,766      | Essential: Cannot Function Without     | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 3 HLA LAB                   | Milli-Q water system for the 5 OP Clinic Labs  | 97,138      | Essential: Cannot Function Without     | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UMA - UH HOSPITALISTS             | Phillips Lumify s4-1 Ultrasound POCUS          | 96,206      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| CLINICAL SYSTEMS                  | Upgrade Sleep Lab Systems (Polysmith)          | 95,000      | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems      |
| UH ST OPERATING ROOM              | Malis Bipolar Generator                        | 92,032      | Essential: Cannot Function Without     | Safety Mandated      | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| BIOMEDICAL ENGINEERING            | Barco Monitors                                 | 90,000      | Important: Necessary for Improvement   | Regulatory Mandated  | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| RBG OP PHARMACY                   | Eyecon VPC for Remote Order Verification       | 84,000      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 3 HLA LAB                   | Lab Refrigerators/Freezers                     | 82,470      | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Clinical Equipment       |
| UH TRAUMA FOLLOW-UP CLINIC        | Orthoscan Mini C-Arm X-ray                     | 80,000      | Important: Necessary for Improvement   | Required Maintenance | Replacement   | Clinical Equipment       |
| UH CATH LAB                       | Sparq Ultrasound System                        | 80,000      | Important: Necessary for Improvement   | Physician Request    | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH RT 3 HLA LAB                   | LabScan  | 78,890      | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Clinical Equipment       |
| RBG ASC OR                        | OrthoScan Mini C-Arm TAU 15/15                 | 75,500      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| FLEET SERVICES                    | 2 - 2025 Ford Escapes                          | 75,234      | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Administrative Equipment |
| UH RT SL IP PHARMACY              | Controlled Substance Waste Spectroscopy        | 75,000      | Proactive: Necessary To Avoid Problems | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG ASC OR                        | Pediatric Endoscope                            | 72,613      | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |

**Preliminary 2025 Budget, Capital Requests  
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| Dept. Name                | Request Name                                   | 2025 Amount | Priority                               | Reason               | Class   | Category           |
|---------------------------|--|-------------|--|----------------------|---|--------------------|
| UH ST OPERATING ROOM      | Nuvasive ALIF retractor                        | 70,325      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH POINT OF CARE          | Genexpert Xpress 4 Channel Respiratory Testing | 68,000      | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH DIAGNOSTIC CARDIOLOGY  | Pediatric 3D TEE Transducer                    | 67,000      | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UMA - CARDIOLOGY CLINIC   | MAC VU360 EKG Machine                          | 62,563      | Proactive: Necessary To Avoid Problems | Safety Mandated      | Replacement   | Clinical Equipment |
| UH ST OPERATING ROOM      | CUSA Handpiece                                 | 60,009      | Essential: Cannot Function Without     | Physician Request    | Replacement   | Clinical Equipment |
| AMB SLEEP LAB             | Resmed BiPAP for Sleep Lab                     | 60,000      | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment |
| UMA - RBG EXPRESS MED     | IntelliVue Monitoring                          | 59,559      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| TDI PODIATRY CLINIC       | Power Base Podiatric Exam Chairs               | 54,456      | Essential: Cannot Function Without     | Safety Mandated      | Strategic (New Service/Expansion)                   | Clinical Equipment |
| MARC ASC                  | Getinge Sterilizer                             | 53,912      | Essential: Cannot Function Without     | Physician Request    | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| DIABETES RESEARCH CENTER  | ThermoFisher Freezer-80 for biological samples | 51,920      | Important: Necessary for Improvement   | Required Maintenance | Replacement   | Clinical Equipment |
| MARC ASC                  | Storz Flexible Ureteroscopes                   | 51,723      | Proactive: Necessary To Avoid Problems | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH WC G PEDI ED           | Portable Nitrous Oxide System                  | 50,000      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST OPERATING ROOM      | 8mm Endoscope plus, 30 degree, Da Vinci XI     | 50,000      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST OPERATING ROOM      | Core Consoles & TPX Drill                      | 48,915      | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment |
| UH RT 3 HLA LAB           | QIAcuity                                       | 46,699      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ECMO ADV TECHNOLOGY VR | Cardioquip MCH-1000(m) with Cart               | 46,000      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ACUTE REHAB THERAPY    | Olympus Scopes and Storage Cabinet             | 45,488      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST OPERATING ROOM      | Arthroscopy Instrument System                  | 44,745      | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH CYTOPATHOLOGY          | Biological Safety Cabinet                      | 44,525      | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment |
| RBG ASC OR                | Storz 4K Camera X2                             | 44,418      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| MARC ASC                  | Storz 4K Cameras X2                            | 44,418      | Important: Necessary for Improvement   | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment |

**Preliminary 2025 Budget, Capital Requests  
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| Dept. Name                      | Request Name                                     | 2025 Amount | Priority                               | Reason              | Class   | Category                 |
|---------------------------------|--|-------------|--|---------------------|---|--------------------------|
| UH WC G PEDI ED                 | Storz C-MAC Intubation Module                    | 43,688      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH WC 10 PCCU                   | C-MAC System                                     | 43,688      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UMA - RBG SKIN CLINIC           | POWER4011P Ultra Procedure Chair with Stirrups   | 43,369      | Important: Necessary for Improvement   | Physician Request   | Replacement   | Clinical Equipment       |
| UH WC 10 PEDIATRIC ICU          | Baxter Prismaflex (CRRT/dialysis)                | 43,028      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM            | Vascular Omni Retractor Blades Set               | 41,581      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG CARDIOVASCULAR CLINIC       | MAC VU360 EKG Machine                            | 41,376      | Proactive: Necessary To Avoid Problems | Safety Mandated     | Replacement   | Clinical Equipment       |
| CONGESTIVE HEART FAILURE CLINIC | MAC VU360 EKG Machine                            | 41,376      | Proactive: Necessary To Avoid Problems | Safety Mandated     | Replacement   | Clinical Equipment       |
| MAC ASC                         | Eclipse for ABR                                  | 41,160      | Proactive: Necessary To Avoid Problems | New Service         | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MAIL ROOM                       | 4C series Horizontal Wall Mailboxes              | 40,959      | Essential: Cannot Function Without     | New Technology      | Replacement   | Administrative Equipment |
| HUEBNER SPECIALTY               | Alpha Air Slim Microscope with HDMI Capability   | 40,336      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG OP PHARMACY                 | Medication Refrigerator                          | 39,000      | Essential: Cannot Function Without     | Regulatory Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS        | Radiofrequency Generator                         | 38,500      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM            | Bariatric Bookwalter Post and Blade Tray         | 38,225      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MARC DIAGNOSTIC CARDIOLOGY      | Xeleris Workstation                              | 38,000      | Proactive: Necessary To Avoid Problems | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RADIOLOGY XRAY               | Surgical Table for C-arm: Women's and Children's | 37,300      | Essential: Cannot Function Without     | New Service         | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM            | Infant ENT Endoscope Scopes and Light Cords      | 37,031      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| COPY CENTER                     | SF2 Booklet maker w/ Face Trimmer                | 36,648      | Essential: Cannot Function Without     | New Technology      | Replacement   | Administrative Equipment |
| UH ST OPERATING ROOM            | JET DEDO Airway Trays                            | 35,870      | Important: Necessary for Improvement   | Physician Request   | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UMA - N CLINIC                  | Hi/Low Beds (Brewer)                             | 35,779      | Important: Necessary for Improvement   | Staff Request       | Replacement   | Clinical Equipment       |
| UH ACUTE REHAB THERAPY          | XciteV2 Clinical Station                         | 35,750      | Important: Necessary for Improvement   | New Technology      | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG CARDIOVASCULAR CLINIC       | Power Examination Table                          | 35,490      | Essential: Cannot Function Without     | Safety Mandated     | Replacement   | Clinical Equipment       |

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| Dept. Name                                 | Request Name                           | 2025 Amount | Priority                               | Reason               | Class   | Category                 |
|--|--|-------------|--|----------------------|---|--------------------------|
| UMA - CARDIOLOGY CLINIC                    | Power Examination Table                | 35,490      | Important: Necessary for Improvement   | Safety Mandated      | Replacement   | Clinical Equipment       |
| UH WC 6 7 NEONATAL ICU                     | Tecotherm                              | 35,001      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS                   | NeuroInspire Surgical Planning Station | 35,000      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | Pediatric ENT Airway Esophagoscopy Set | 32,376      | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MATERIALS MANAGEMENT AND INVENTORY CONTROL | Floor Scrubber                         | 30,000      | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Administrative Equipment |
| RADIOLOGY SUPPORT                          | Portable 12 Lead EKG Machine           | 30,000      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | ENT Sinus Endoscopy Scopes             | 29,806      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UMA - RBG PEDI EXPRESS MED                 | IntelliVue Monitoring                  | 29,780      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | Spider 2 Tenet Limb Positioner         | 29,371      | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS                   | Fujifilm Sonosite ST Ultrasound        | 29,280      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS                   | Fujifilm Sonosite ST Ultrasound        | 29,280      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| QUALITY IMPROVEMENT                        | Fujifilm Sonosite ST Ultrasound        | 29,280      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MAC ASC                                    | Fujifilm Sonosite ST Ultrasound        | 29,280      | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement   | Clinical Equipment       |
| GIFT SHOP                                  | Schaerer Espresso Machine              | 29,120      | Important: Necessary for Improvement   | Required Maintenance | Replacement   | Administrative Equipment |
| UH RT 3 HYPERBARIC                         | PeriFlux 6000 Pressure System          | 29,000      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS                   | EEG Lab Converters                     | 29,000      | Essential: Cannot Function Without     | Staff Request        | Replacement   | Clinical Equipment       |
| UH RT 2 NEURODIAGNOSTICS                   | EMG Systems                            | 28,678      | Important: Necessary for Improvement   | New Service          | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | Infant ENT Endoscope Instruments       | 27,759      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG PEDI SPECIALTY CLINIC                  | Neuromuscular Ultrasound               | 27,533      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH OP PHARMACY                             | Medication Refrigerator                | 26,000      | Essential: Cannot Function Without     | Regulatory Mandated  | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH VASCULAR IMAGING                        | Vascular Imaging Procedure Table       | 25,200      | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment       |



**Preliminary 2025 Budget, Capital Requests  
University Health less Community First**

| Dept. Name                              | Request Name                                      | 2025 Amount | Priority                               | Reason               | Class   | Category           |
|---|---|-------------|--|----------------------|---|--------------------|
| RBG OBSTETRIC CLINIC                    | 2 Bladder Scanners                                | 25,130      | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH RT SL IP PHARMACY                    | Sterile Compounding IV Hood                       | 25,000      | Important: Necessary for Improvement   | Regulatory Mandated  | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| UH INTERVENTIONAL RADIOLOGY             | 48" x 30" Mobile Lead Shield Barrier              | 24,000      | Proactive: Necessary To Avoid Problems | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| UH POINT OF CARE                        | ABL90 with Battery                                | 23,546      | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion)                   | Clinical Equipment |
| RBG OBSTETRIC CLINIC                    | 2 Pelvic Ultrasound Probes                        | 23,132      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST 10 ORTHO SURG ACU                 | Bladder Scanner                                   | 22,984      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST OPERATING ROOM                    | PICO Colposcope                                   | 22,388      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH ST 6 TRAUMA ACU/PCU                  | EKG VU360   | 21,188      | Proactive: Necessary To Avoid Problems | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH WC 6 7 NEONATAL ICU                  | EKG VU360   | 21,188      | Proactive: Necessary To Avoid Problems | Staff Request        | Replacement   | Clinical Equipment |
| UH ST G ADULT ED                        | EKG VU360   | 21,188      | Essential: Cannot Function Without     | Staff Request        | Replacement   | Clinical Equipment |
| UH RT TRANSITIONAL MED-SURG UNIT (TMSU) | EKG VU360   | 21,188      | Essential: Cannot Function Without     | Staff Request        | Replacement   | Clinical Equipment |
| UMA - PV EXPRESS MED                    | EKG VU360   | 21,188      | Essential: Cannot Function Without     | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| UH CORE LAB                             | Pluggo Tube Decapper                              | 19,997      | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UMA - DOMINION CROSSING                 | Zoomscope Colposcope with Trulight, Video, Camera | 18,387      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| RBG PEDI SPECIALTY CLINIC               | Olleyes VisuALL-S field (Virtual Visual Field)    | 17,950      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| UH PULMONARY FUNCTION                   | 6 Min Walk Cart (CF and RBG Pedi PFT)             | 17,648      | Important: Necessary for Improvement   | New Technology       | Strategic (New Service/Expansion)                   | Clinical Equipment |
| RBG DIAGNOSTIC CARDIOLOGY               | Vascular Imaging Transducer                       | 17,000      | Important: Necessary for Improvement   | Staff Request        | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| MARC ASC                                | Storz Rigid Ureteroscopes                         | 16,510      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| MARC ASC                                | Pain Management C-Arm Imaging Table               | 16,246      | Proactive: Necessary To Avoid Problems | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment |
| MARC ASC                                | Universal Allen Stirrups                          | 15,936      | Essential: Cannot Function Without     | Physician Request    | Replacement   | Clinical Equipment |
| STERILE PROCESSING                      | Work Stations                                     | 15,806      | Important: Necessary for Improvement   | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |



**Preliminary 2025 Budget, Capital Requests  
University Health less Community First**

| Dept. Name                                 | Request Name                                  | 2025 Amount | Priority                               | Reason               | Class   | Category                 |
|--|---|-------------|--|----------------------|---|--------------------------|
| UH ST OPERATING ROOM                       | Allen Medical C-Flex                          | 15,756      | Proactive: Necessary To Avoid Problems | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MARC ASC                                   | Stryker Lap Scopes 0 degree X 2               | 15,366      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| ENVIRONMENTAL SERVICES                     | Refrigerator                                  | 15,000      | Proactive: Necessary To Avoid Problems | Staff Request        | Replacement   | Administrative Equipment |
| UH ST OPERATING ROOM                       | G2 Detachable Clamp System                    | 15,000      | Important: Necessary for Improvement   | Safety Mandated      | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UMA - BEHAVIORAL HEALTH AND PAIN CLINIC    | RF Generator w/Stand                          | 14,258      | Proactive: Necessary To Avoid Problems | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| DIABETES RESEARCH CENTER                   | Analox: Glucose Analyzer                      | 11,975      | Essential: Cannot Function Without     | Required Maintenance | Replacement   | Clinical Equipment       |
| UH PULMONARY FUNCTION                      | Cycle Ergometer                               | 11,638      | Essential: Cannot Function Without     | Safety Mandated      | Replacement   | Clinical Equipment       |
| UH RT TRANSITIONAL MED-SURG UNIT (TMSU)    | Bladder Scanner                               | 11,505      | Essential: Cannot Function Without     | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| TDI PODIATRY CLINIC                        | Electric Cast Saw with Dust Extraction System | 11,318      | Essential: Cannot Function Without     | Safety Mandated      | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| LIVER TRANSPLANT                           | ISTAT Blood Gas Analyzer                      | 10,327      | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| RBG PEDI SPECIALTY CLINIC                  | Visuscout 100                                 | 9,943       | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | Ankle Distractor Set                          | 9,750       | Essential: Cannot Function Without     | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| COPY CENTER                                | MBM - Three Spindle Floor Model Drill         | 9,599       | Essential: Cannot Function Without     | New Technology       | Replacement   | Administrative Equipment |
| UMA – WESTGATE PEDIATRICS                  | Vaccine Refrigerator                          | 9,542       | Important: Necessary for Improvement   | Regulatory Mandated  | Replacement   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | TrackCore and Premier Integration Software    | 8,000       | Proactive: Necessary To Avoid Problems | New Technology       | Strategic (New Service/Expansion)                   | Information Systems      |
| UH DIAGNOSTIC CARDIOLOGY                   | Pedi TEE Transducer Storage Cabinet           | 7,200       | Important: Necessary for Improvement   | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |
| UH PEDI TRANSPLANT CLINIC                  | Handheld EMG                                  | 6,040       | Important: Necessary for Improvement   | Physician Request    | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| MATERIALS MANAGEMENT AND INVENTORY CONTROL | Pallet Wrapper                                | 6,000       | Proactive: Necessary To Avoid Problems | Regulatory Mandated  | Mandated (Regulatory Safety & Required Maintenance) | Administrative Equipment |
| UMA - RBG PRIMARY CARE CLINIC              | Vein Finder                                   | 5,950       | Important: Necessary for Improvement   | Staff Request        | Strategic (New Service/Expansion)                   | Clinical Equipment       |
| UH ST OPERATING ROOM                       | Pedi Heart Sternum Saw                        | 5,850       | Essential: Cannot Function Without     | Safety Mandated      | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment       |

|                          |                   |
|--------------------------|-------------------|
| <b>Total 2024 Amount</b> | <b>46,013,499</b> |
|--------------------------|-------------------|

# Property Acquisitions/Dispositions

| Description   | Address                | Status    | Building / Space Sqft        |
|---|------------------------|-----------|------------------------------|
| New Facility Acquisitions   |                        |           |                              |
| Business Center III   | 6200 Northwest Parkway | Purchased | 142,500 sq.ft./ 21.665 acres |
| The Business Center III is currently occupied by a tenant that will be leaving by year-end. Plans are being formalized to convert this space into a Pharmacy Distribution Center and expanded office space for other University Health staff. |                        |           |                              |

|                 |  |  |  |
|-----------------|--|--|--|
| New Real Estate |  |  |  |
| N/A             |  |  |  |

|                       |  |  |  |
|-----------------------|--|--|--|
| Facility Dispositions |  |  |  |
| N/A                   |  |  |  |



**University  
Health**

Thinking beyond



# Consolidated Operating, Debt Service, & Capital Budget for FY 2025

December 10, 2024

Edward Banos  
President/Chief Executive Officer

# Guiding Principles – Triple Aim Plus



- Improving Quality, Safety and Outcomes
- Improving the Patient Experience
- Improving Efficiencies
- Improving Access

# Overview of Capital Projects



# University Health – Hospital Plan



- **University Hospital**
  - Level I trauma center for adults and children
  - Transplant Institute
  - Highest level of medical/surgical care
- **Hospital @ Home**
  - Began July 2021
  - 2,686 patients as of November 19, 2024
  - 14,017 bed days
- **University Health- Women's & Children's Hospital**
  - Opened December 2023
  - 298 beds
- **University Health- Retama Hospital**
  - Opening with 146 beds (2026-27)
  - Designed for 286 beds
  - Includes an 100,000 sf MOB
- **University Health- Palo Alto Hospital**
  - Opening with 166 beds (2026-27)
  - Designed for 286 beds
  - Includes an 100,000 sf MOB

# Historic Expansion: Community Hospitals, Medical Office Buildings, and Public Health Clinics





# Palo Alto Hospital



First Suspended Slab Placement



# Palo Alto Hospital





# Retama Hospital





# Retama Hospital



Base Material for North Parking Lot

# University Health Wheatley



Opening early 2026



# University Health Wheatley





# University Health VIDA



Opening early 2026



# University Health VIDA



# 2024 Expansion Highlights

- University Health Breast Center
  - First in San Antonio with advanced AI software & Brevara biopsy system
- New 3-D Mobile Mammography Unit
- New Blood Donor Bus
  - Funded by Toyota Texas
- New Primary & Specialty Care Locations
  - Pediatric ENT, Cardiology, surgery, primary care
  - Physical therapy
  - Podiatry
  - Towne Twin Village
  - Allergy
  - Gastroenterology (GI)





# Transformative Technologies

- MRI – Artificial Intelligence Upgrades
  - Faster imaging, improved image clarity & detail
- Intuitive Ion Bronchoscopy Robot
  - Minimally invasive procedure to diagnose and stage lung cancer earlier
- DaVinci Robot-for living donor transplant program
  - Better visualization for surgeon, less pain and shorter recovery for patients



# Key 2024 Accreditations & Recognition

- **Joint Commission Accreditation:**
  - Successful triennial survey – all services/locations
  - Comprehensive Stroke Center
- **Level IV (highest) Maternity Center**
- **Trauma-Informed Care Certification**
  - First health system in San Antonio
- **Top Work Places**
  - San Antonio Express News
  - USA Today
  - Becker's Top Places to work in Healthcare
- **Emergency Nurses Association**

National Lantern Award honors for both Children's & Adult Emergency Departments



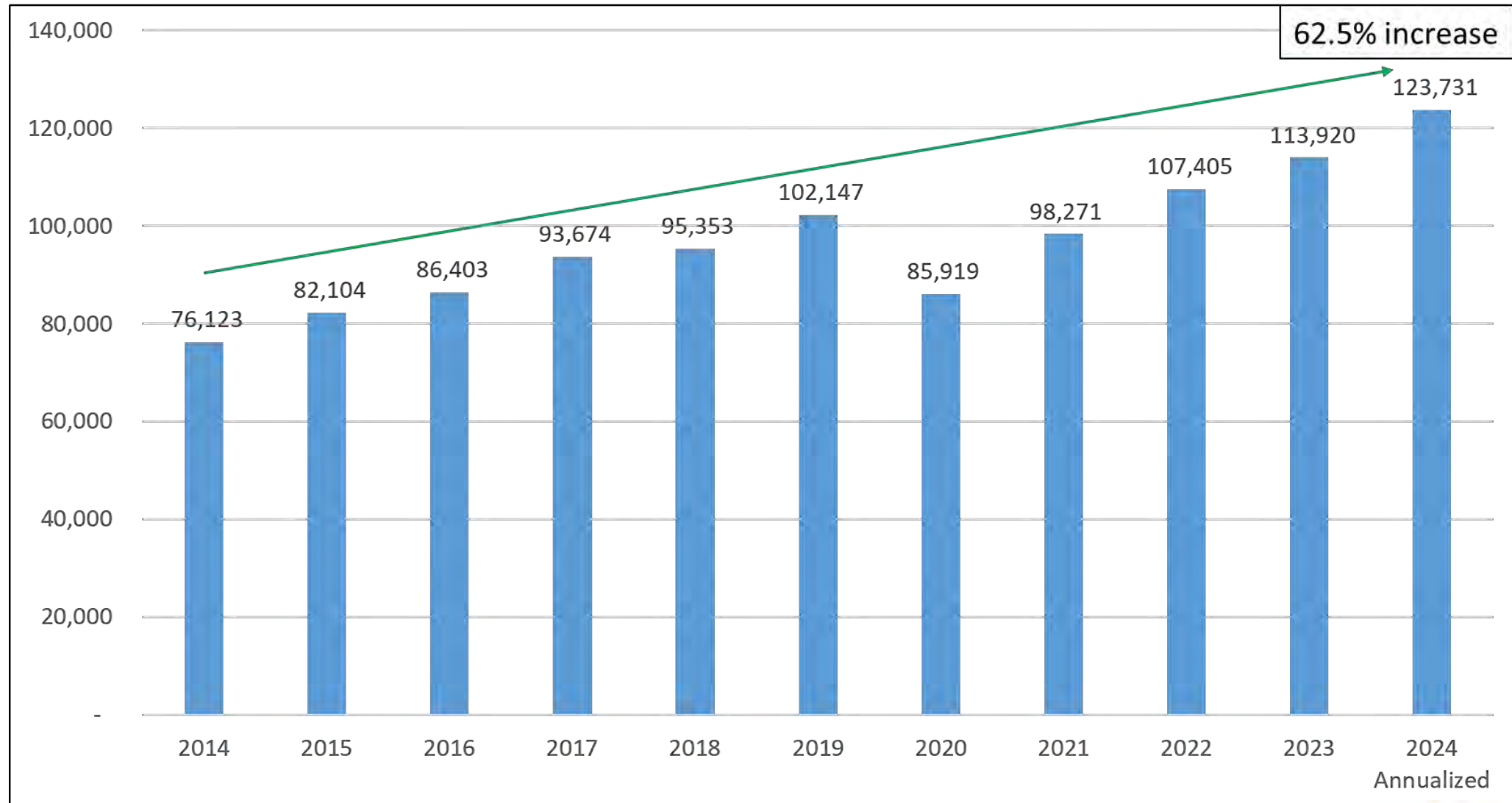
*San Antonio Express-News*

University Health is a 2024 Top  
Workplace!  
2 Years Running

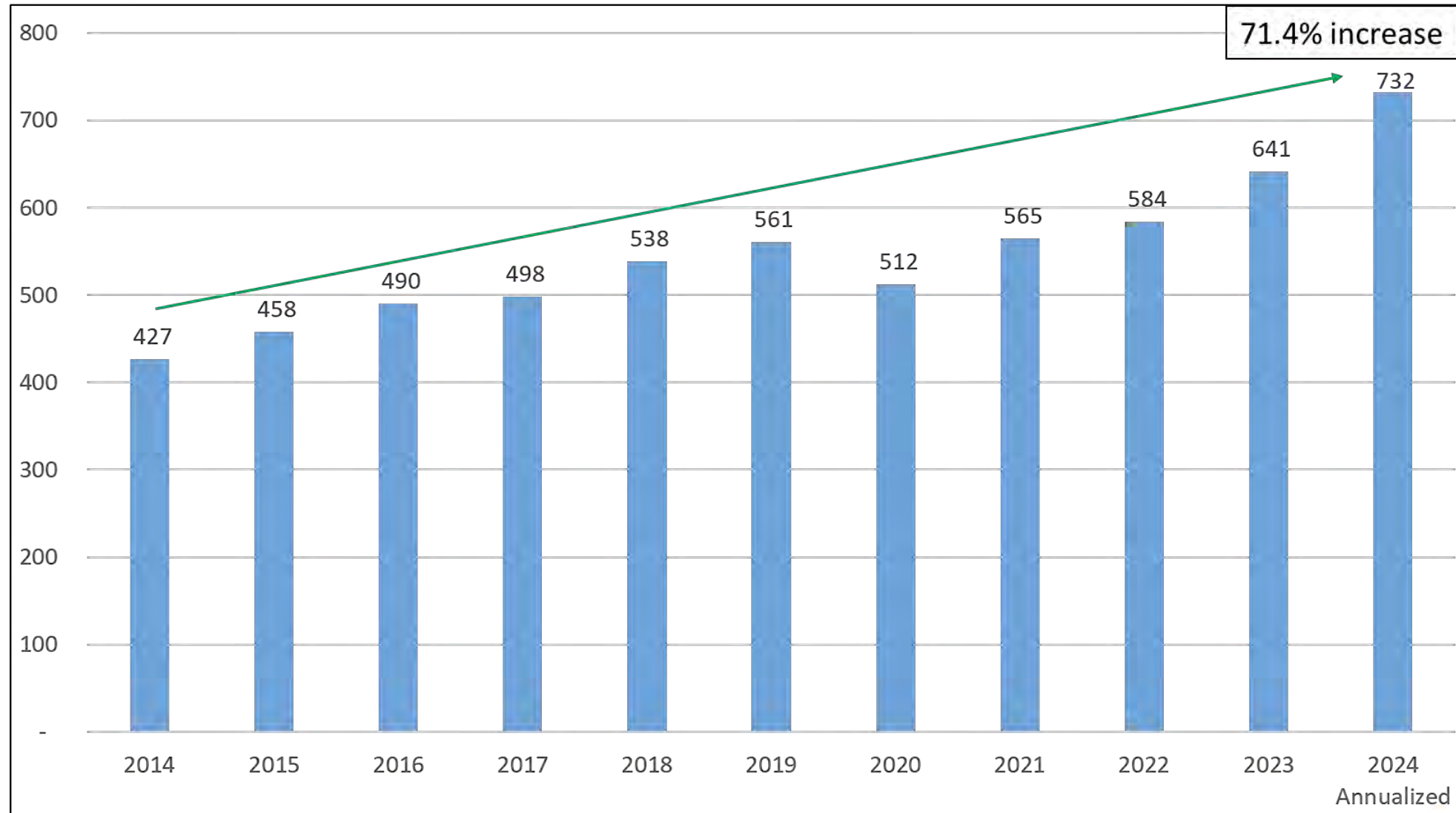


# Operational Performance

# Total Emergency Room Visits

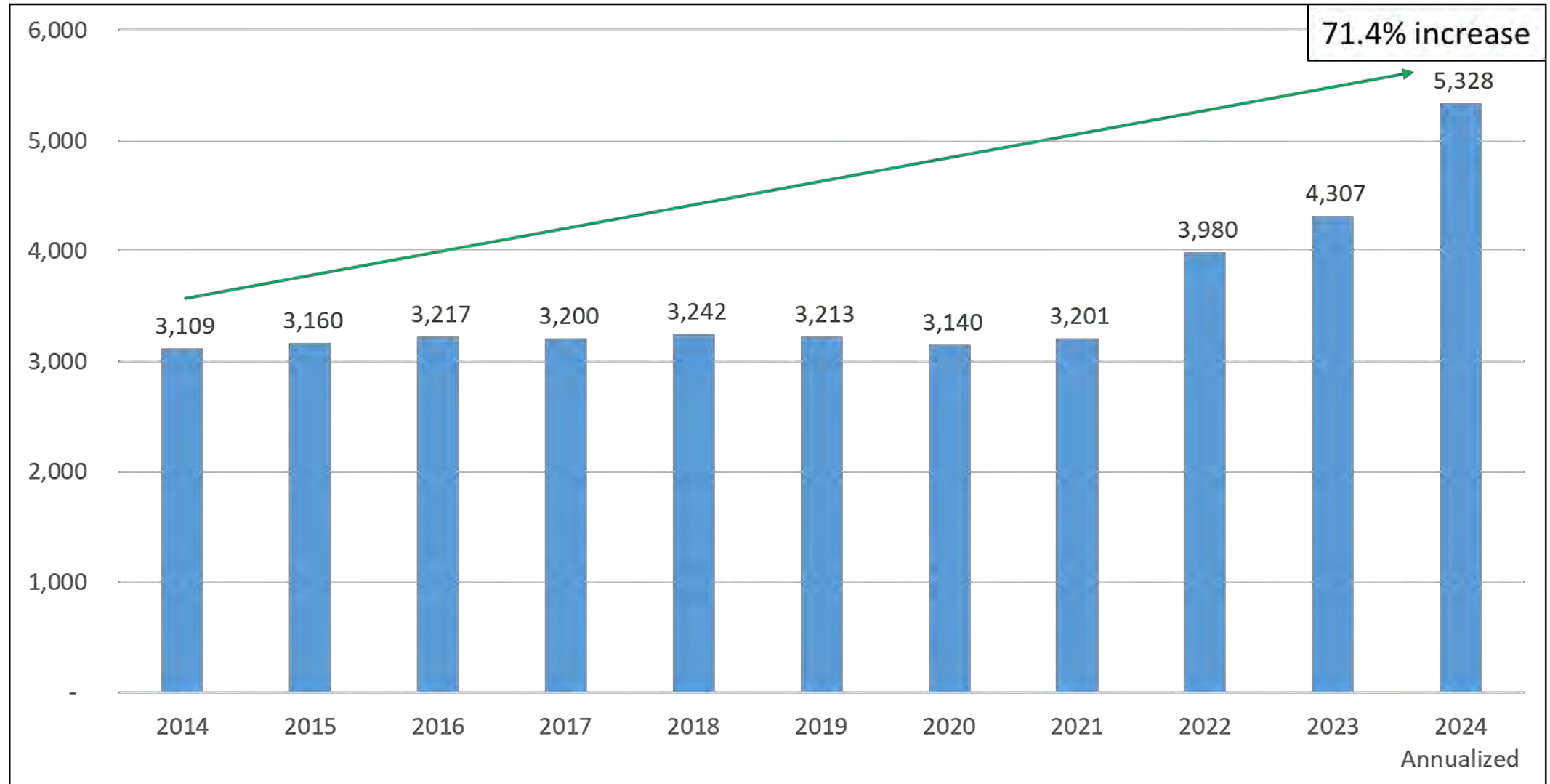


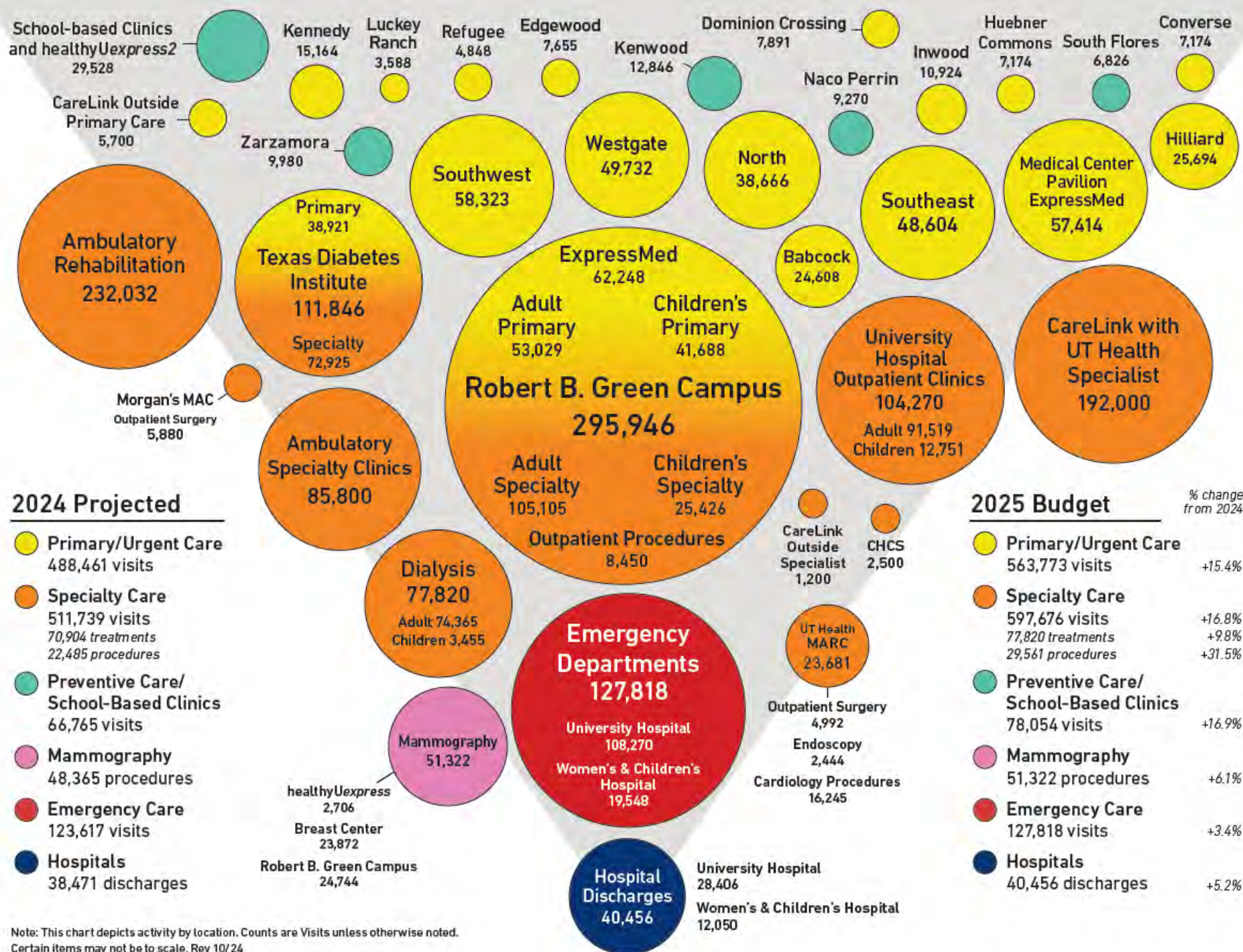
# Average Daily Census (ADC)



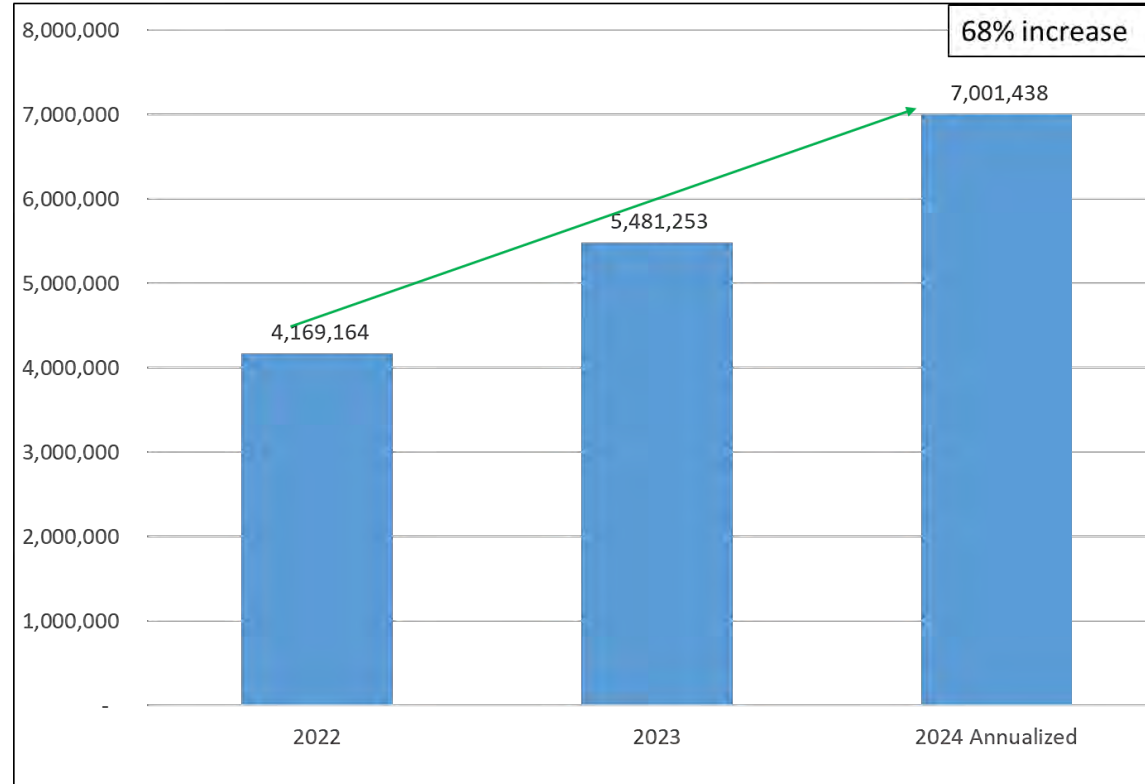


# Births



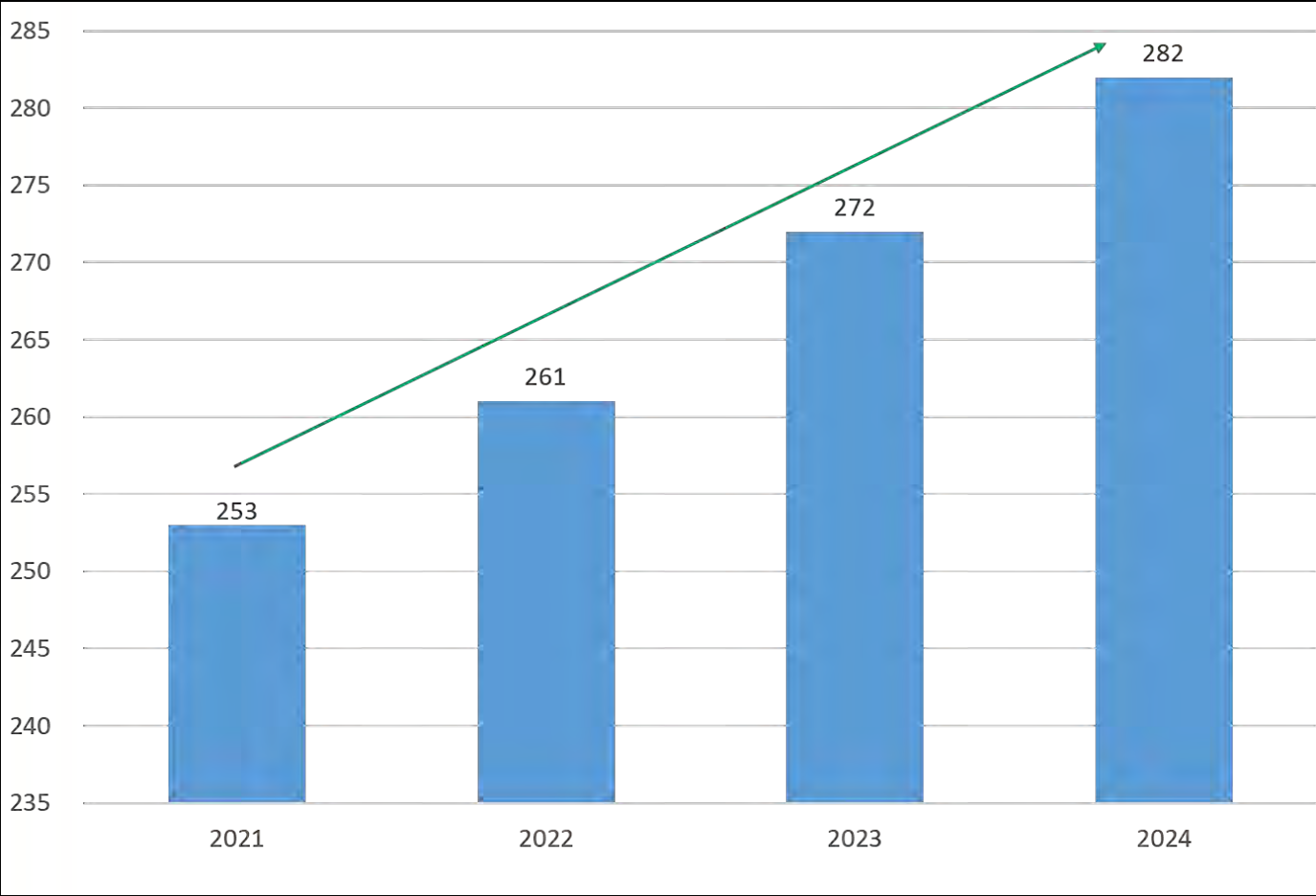


# Detention Health Activity 2022 - 2024



| ACTIVITY - ADULT DETENTION          | 2022             | 2023             | 2024 Annualized  |
|-------------------------------------|------------------|------------------|------------------|
| NURSING CONTACTS                    | 2,172,527        | 3,148,695        | 4,207,080        |
| MEDICATION PASSES                   | 1,706,899        | 1,797,491        | 2,107,375        |
| MENTAL HEALTH CONTACTS              | 108,894          | 201,057          | 291,997          |
| SUICIDE PREVENTION                  | 29,004           | 178,165          | 189,595          |
| ADULT DETENTION - MEDICAL PROVIDERS | 95,983           | 92,490           | 126,268          |
| SCREENINGS                          | 41,823           | 41,635           | 46,811           |
| DENTAL CONTACTS                     | 8,879            | 15,415           | 24,977           |
| RADIOLOGY                           | 5,155            | 6,305            | 7,336            |
| <b>TOTAL ACTIVITY</b>               | <b>4,169,164</b> | <b>5,481,253</b> | <b>7,001,438</b> |

# Detention Health Staffing Increase



| DETENTION STAFFING INCREASE    | 2022 | 2023 | 2024 | Total |
|--------------------------------|------|------|------|-------|
| PSYCHIATRY PROVIDERS           | 1    | 1    | 1    | 3     |
| PSYCHOLOGISTS                  |      |      |      | 5     |
| MEDICAL PROVIDERS              |      |      |      | 14    |
| MEDICAL ASSISTANTS             | 0    | 4    | 4    | 48    |
| NURSING STAFF                  | 1    | 5    | 1    | 145   |
| LICENSED MASTER SOCIAL WORKERS | 3    | 0    | 3    | 41    |
| ANCILLARY SUPPORT              | 3    | 1    | 0    | 25    |
| ADDICTION SPECIALIST           | 0    | 0    | 1    | 1     |
| TOTAL STAFFING INCREASES       | 8    | 11   | 10   |       |
| GRAND TOTAL                    |      |      |      | 282   |

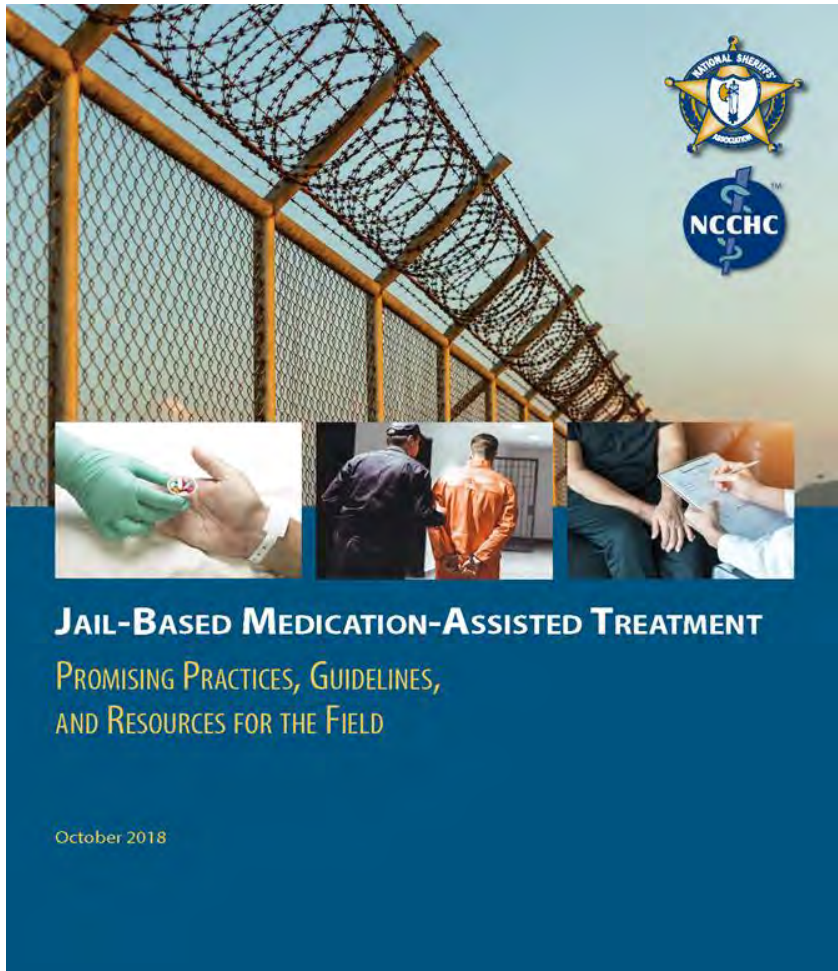
Total \$31 million expense in 2025



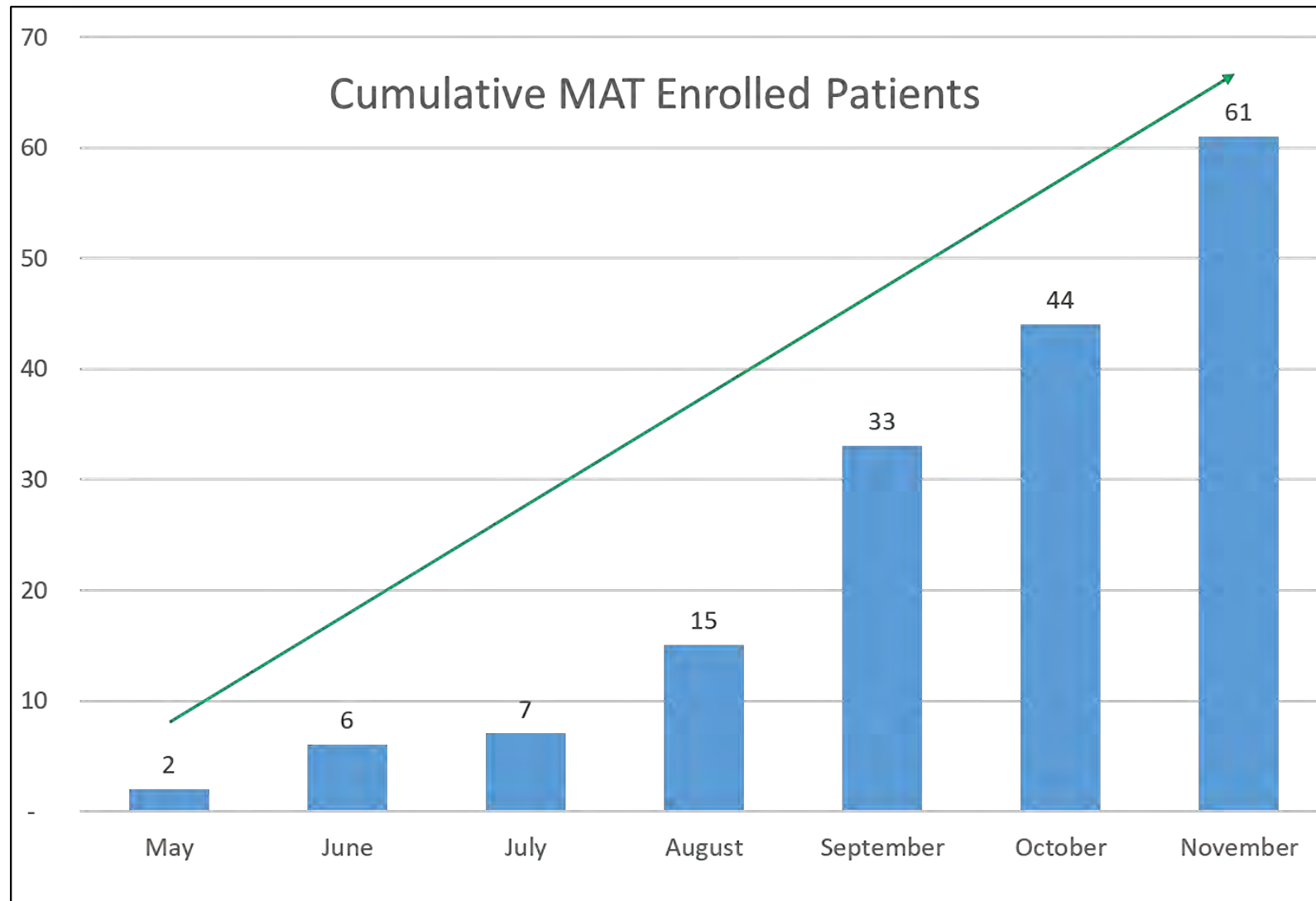
# Medication-Assisted Treatment Bexar County Adult Detention Center

## Benefits:

- Improves overall health outcomes for patients
- Improves behavior and reduced incidents within the jail facility
- Cost-effective for the community by addressing addiction during the incarceration
- Opioid disorder treatment breaks the cycle of addiction-related criminal behavior



# Medication-Assisted Treatment Program



Initiated Program in May 2024

# Quality Update

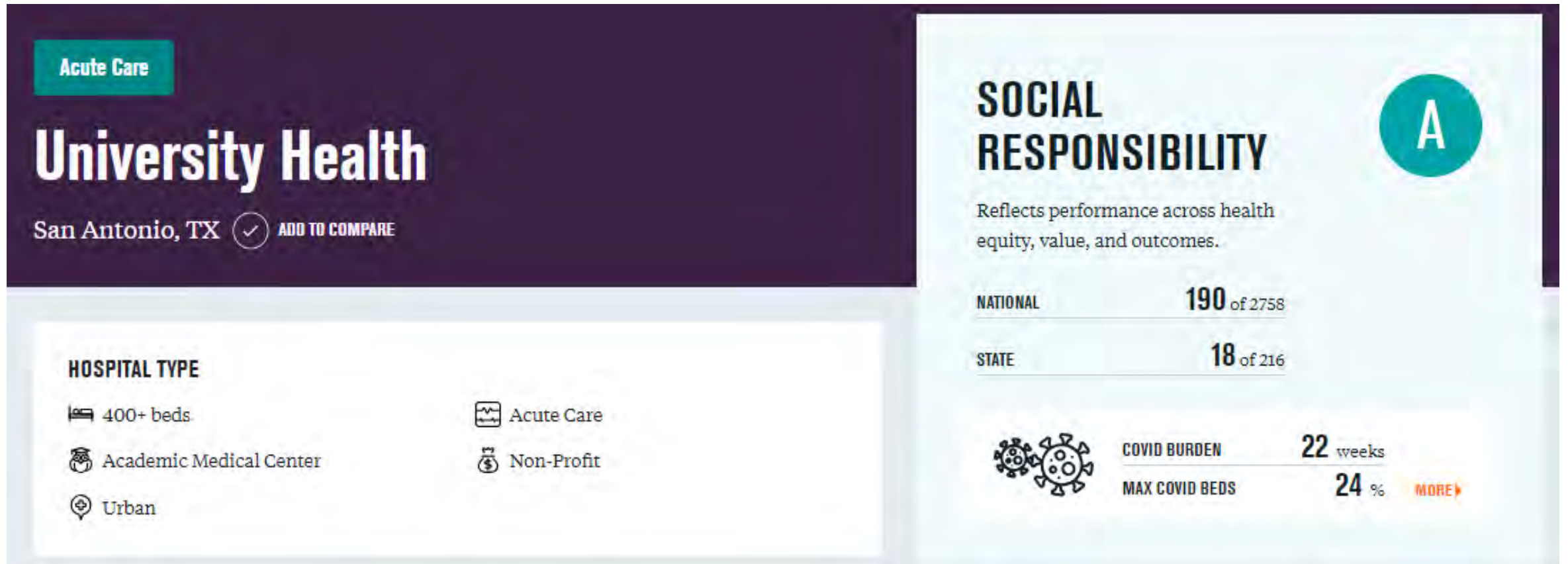


# Leapfrog Fall 2024 Report





















- University Health earned an “A” Hospital Safety Grade for the third period in a row!



# 2024 Lown Institute Ranking University Health



# Texas Top 20 – Acute Care 2024

|    |  |  |   |    |  |  |   |
|----|--|--|---|----|--|--|---|
| 1  | <br>OVERALL A   | Baylor Scott & White Medical Center - Pflugerville<br>Pflugerville, TX | ▶ | 11 | <br>OVERALL A   | Memorial Hermann - Texas Medical Center<br>Houston, TX     | ▶ |
| 2  | <br>OVERALL A   | St. Joseph Health Regional Hospital<br>Bryan, TX                       | ▶ | 12 | <br>OVERALL A   | Rolling Plains Memorial Hospital<br>Sweetwater, TX         | ▶ |
| 3  | <br>OVERALL A   | Dell Seton Medical Center at the University of Texas<br>Austin, TX     | ▶ | 13 | <br>OVERALL A   | Ascension Seton Hays<br>Kyle, TX                           | ▶ |
| 4  | <br>OVERALL A   | Baylor Scott & White Medical Center - Marble Falls<br>Marble Falls, TX | ▶ | 14 | <br>OVERALL A   | Ascension Seton Northwest<br>Austin, TX                    | ▶ |
| 5  | <br>OVERALL A   | Methodist Midlothian Medical Center<br>Midlothian, TX                  | ▶ | 15 | <br>OVERALL A   | Baylor Scott & White Medical Center - Irving<br>Irving, TX | ▶ |
| 6  | <br>OVERALL A   | Methodist Southlake Medical Center<br>Southlake, TX                    | ▶ | 16 | <br>OVERALL A   | Methodist Hospital Atascosa<br>Jourdanton, TX              | ▶ |
| 7  | <br>OVERALL A   | HCA Houston Healthcare Medical Center<br>Houston, TX                   | ▶ | 17 | <br>OVERALL A   | Ascension Seton Williamson<br>Round Rock, TX               | ▶ |
| 8  | <br>OVERALL A | Las Palmas Del Sol Healthcare<br>El Paso, TX                           | ▶ | 18 | <br>OVERALL A | University Health<br>San Antonio, TX                       | ▶ |
| 9  | <br>OVERALL A | St. David's South Austin Medical Center<br>Austin, TX                  | ▶ | 19 | <br>OVERALL A | HCA Houston Healthcare West<br>Houston, TX                 | ▶ |
| 10 | <br>OVERALL A | CHRISTUS Santa Rosa Hospital - San Marcos<br>San Marcos, TX            | ▶ | 20 | <br>OVERALL A | Ascension Seton Medical Center Austin<br>Austin, TX        | ▶ |

# Texas Top 10 Academic Medical Centers 2024

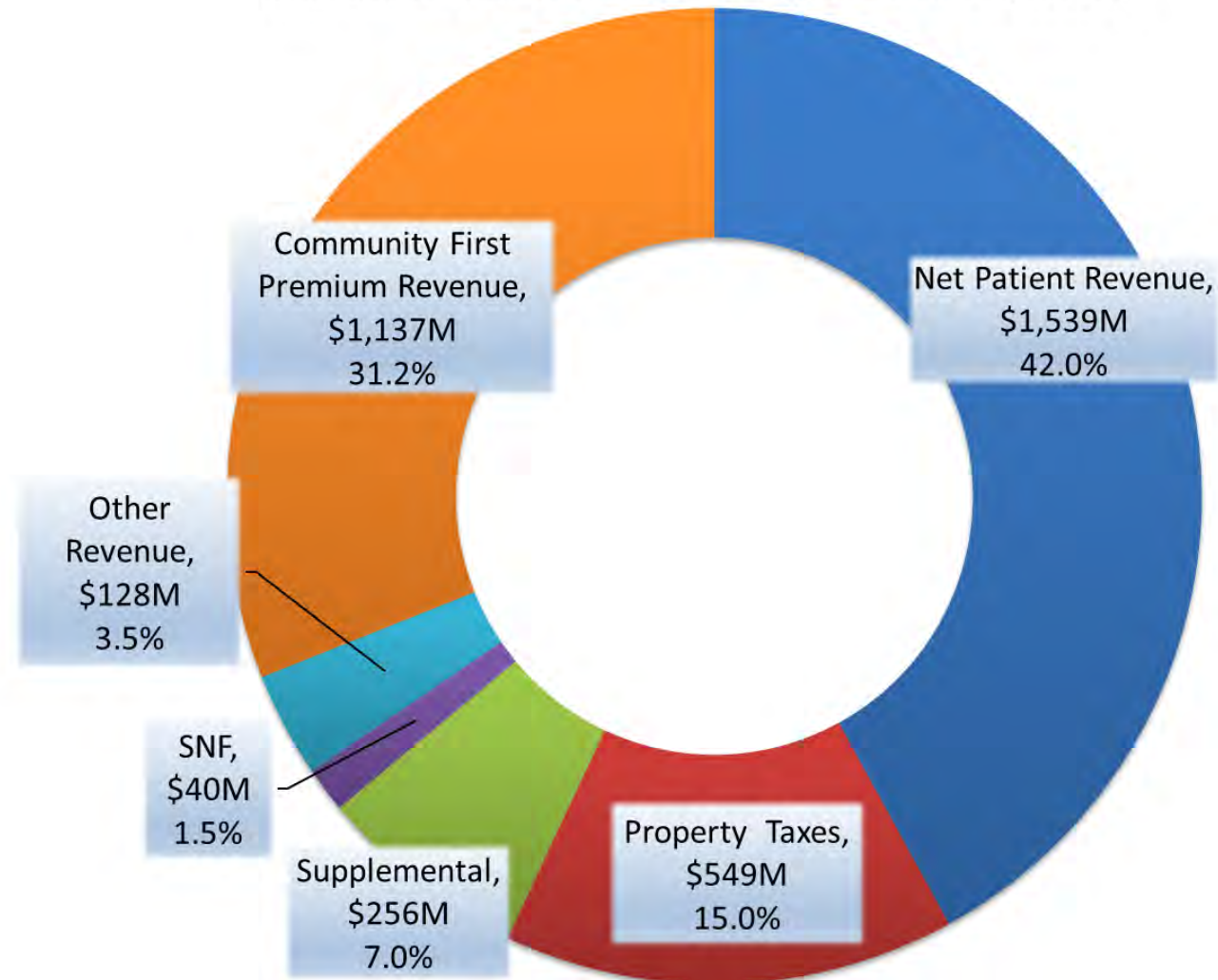
|    |              |  |   |
|----|--------------|--|---|
| 1  | A<br>OVERALL | Memorial Hermann - Texas Medical Center<br>Houston, TX                         | ▶ |
| 2  | A<br>OVERALL | University Health<br>San Antonio, TX   | ▶ |
| 3  | A<br>OVERALL | Baylor University Medical Center<br>Dallas, TX                                 | ▶ |
| 4  | B<br>OVERALL | Baylor Scott & White Medical Center - Temple<br>Temple, TX                     | ▶ |
| 5  | B<br>OVERALL | UT Southwestern - William P .Clements Jr. University<br>Hospital<br>Dallas, TX | ▶ |
| 6  | B<br>OVERALL | University Medical Center<br>Lubbock, TX                                       | ▶ |
| 7  | B<br>OVERALL | UT Health North Campus Tyler<br>Tyler, TX                                      | ▶ |
| 8  | B<br>OVERALL | Baylor St. Luke's Medical Center<br>Houston, TX                                | ▶ |
| 9  | B<br>OVERALL | The Hospitals of Providence - Transmountain Campus<br>El Paso, TX              | ▶ |
| 10 | B<br>OVERALL | John Peter Smith Hospital<br>Fort Worth, TX                                    | ▶ |

# University Health 2025 Budget



# Consolidated 2025 Revenue Budget

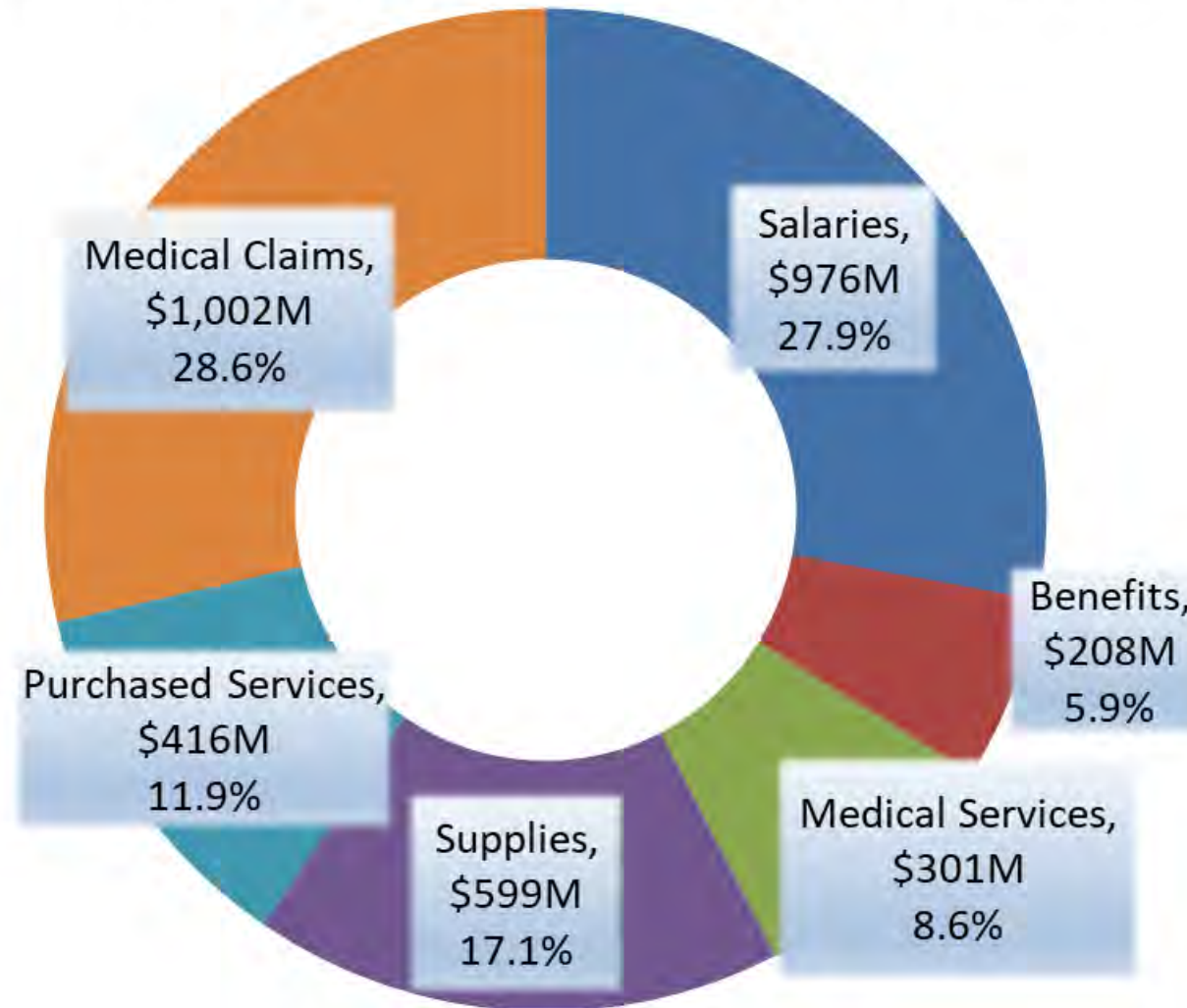
**Consolidated Total Operating Revenue: \$3.65B**





# Consolidated 2025 Expense Budget

**Consolidated Total Operating Expenses: \$3.5B**



# Consolidated 2025 Budget

| <b>Consolidated</b><br>(Dollars in Millions) | <b>2024<br/>Projected</b> | <b>2025<br/>Preliminary<br/>Budget</b> | <b>Variance<br/>from<br/>Projected</b> | <b>% Variance</b> |
|--|---------------------------|--|--|-------------------|
| <b>Total Operating Revenue</b>               | \$3,366.2                 | \$3,649.0                              | \$282.7                                | 8.4%              |
| <b>Total Operating Expense</b>               | \$3,083.2                 | \$3,502.6                              | \$419.4                                | 13.6%             |
| <b>Operating Gain</b>                        | \$283.0                   | \$146.4                                | (\$136.6)                              | (48.3%)           |
| <b>Nonoperating Revenue/(Expense):</b>       |                           |  |  |                   |
| <b>Depreciation/Amortization</b>             | (\$158.8)                 | (\$170.5)                              | (\$11.6)                               | (7.3%)            |
| <b>Other Non-operating</b>                   | \$128.2                   | \$57.3                                 | (\$70.8)                               | (55.3%)           |
| <b>Premium Deficiency Reserve</b>            | \$1.5                     | \$2.5                                  | \$1.0                                  | 69.5%             |
| <b>Total Non-Operating Revenue</b>           | (\$29.2)                  | (\$110.6)                              | (\$81.4)                               | (279.1%)          |
| <b>Bottom Line excluding Debt Service</b>    | <b>\$253.9</b>            | <b>\$35.8</b>                          | <b>(\$218.1)</b>                       | <b>(85.9%)</b>    |
| <b>Debt Service Expense</b>                  | \$96.4                    | \$99.8                                 | \$3.4                                  | 3.6%              |
| <b>Capital Requirements</b>                  | <b>\$47.4</b>             | <b>\$46.3</b>                          | <b>(\$1.1)</b>                         | <b>(2.3%)</b>     |

# Recommended Motion

The Bexar County Hospital District Board of Managers recommends  
the Bexar County Commissioners Court  
approves the proposed Fiscal Year 2025 Operating,  
Debt Service and Capital Budgets for University Health