



**BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**

Tuesday, October 26, 2021
6:00 p.m.
Cypress Room, University Hospital
4502 Medical Drive
San Antonio, Texas 78229

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Margaret Kelley, M.D., Secretary
Anita L. Fernandez
Jimmy Hasslocher
L.P. Buddy Morris

BOARD MEMBERS PRESENT:

Roberto L. Jimenez, M.D., Immediate Past Chair

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health
Elizabeth Allen, Director, External Communications/Corporate Communications, University Health
Bryan J. Alsip, MD, Executive Vice President/Chief Medical Officer, University Health
Edward Banos, Executive Vice President/Chief Operating Officer, University Health
Ted Day, Executive Vice President, Strategic Planning/Business Development, University Health
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health
Rob Hromas, MD, Dean, Long School of Medicine, UT Health, San Antonio
Daverick Isaac, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Leni Kirkman, Executive Vice President/Chief Marketing, Communication, and Corporate Affairs Officer,
University Health
Bill Phillips, Senior Vice President/Chief Information Officer, University Health
Serina Rivela, Vice President/Chief Legal Officer, University Health
Don Ryden, Vice President/Projects, Design and Construction, University Health
Theresa Scepanski, President/Chief Executive Officer, Community First Health Plans, Inc.
Travis Smith, Vice President/Deputy Chief Financial Officer, University Health
Rajeev Suri, MD, Professor, Department of Radiology, UT Health, San Antonio, and President, Medical-
Dental Staff, University Health
Sally Taylor, MD, Senior Vice President/Chief, Behavioral Services, University Health
Juanita Salinas, Bexar County Resident
And other attendees.

CALL TO ORDER:

Mr. Adams called the meeting to order at 6:06 pm.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Mr. Adams introduced Ms. Paula King Harper, The Ecumenical Center for Religion and Health, for the invocation, and he led the Pledge of Allegiance.

PUBLIC COMMENT: None.

At this time, Mr. Adams asked Mr. Bill Phillips to say a few words regarding University Health's most recent recognition as a Most Wired organization by the College of Healthcare Information Management Executives (CHIME). The Most Wired certification comes following a rigorous process to measure the organization's adoption, integration and impact of technology. The assessment evaluated the integration of technology at University Hospital as well as University Health's broad network of ambulatory/outpatient locations. University Health is among eight organizations to be certified at Level 10 for acute hospital care and nine organizations to be at Level 10 for ambulatory care. Only seven organizations in the country achieved Level 10 certification for both. Mr. Phillips stated that one of his goals when he first become University Health's Chief Information Officer was to be on the map as a Most Wired health system. As such, this year, University Health is the only organization in the state of Texas to achieve Level 10. Mr. Adams commended Mr. Phillips for doing such a good job, as well as the University Health team, for working so well together, and Mr. Phillips received a round of applause.

APPROVAL OF MINUTES OF PREVIOUS MEETING(S): SEPTEMBER 28, 2021(REGULAR MEETING)

SUMMARY: The minutes of the Board of Managers' meeting on Tuesday, September 28, 2021 were submitted for approval.
RECOMMENDATION: Staff recommends approval of the minutes as submitted.
ACTION: A **MOTION** to **APPROVE** staff's recommendation was made by Ms. Fernandez, **SECONDED** by Mr. Hasslocher, and **PASSED UNANIMOUSLY**.
EVALUATION: None.
FOLLOW-UP: None.

SPECIAL RECOGNITION - QUARTERLY EMPLOYEE RECOGNITION AWARDS - GEORGE B. HERNÁNDEZ, JR./BOARD MEMBERS)

The Board of Managers recognized the following staff members as Employees of the Third Quarter, 2021:

Professional: (Nursing)	Kristle Hernandez Staff Nurse II, Pediatric Intermediate Care
Professional: (Non-Nursing)	Howard Williams Sr. Master Social Worker, Detention Health Care - Adult
Management:	Sierra Marcee, Patient Care Coordinator, Pediatric Hematology/Oncology

Technical:	Alejandro Cruz Anesthesiology Technician II, Anesthesiology
Clerical	Julie Juarez, Insurance Biller Patient Business Service
Service:	Jesse Garcia Police Officer II, Protective Services, UH
Volunteer:	Mark Oholendt, Volunteer
Provider:	William Kottman, MD University Medicine Associates, Southeast Clinic
Team:	The Medicare Senior Services Team Joan Autry, Rickell Bello, Michelle Cossette, Janie De Hoyos Timothy Gonzalez, John-Eric Hernandez, Rafael Maldonado, Genevieve Riojas, Tinesha Anne Rios, Rebecca Solis, Alicia Wells

All of this year's quarterly recipients will be special honored guests at the virtual Annual Employee Recognition Awards Ceremony. Employees of the Quarter receive a plaque, embossed pen and an opportunity to select one of numerous awards valued at \$100 on the Employee Recognition website.

REPORT FROM UT HEALTH SAN ANTONIO — ROB HROMAS, MD, FOR WILLIAM HENRICH, MD, PRESIDENT

SUMMARY: Dr. Rob Hromas briefed the Board of Managers regarding national leadership positions held by faculty members at the Long School of Medicine, setting health policy across the United States:

Carlos Jaen, MD, Professor and Chair, Department of Family and Community Medicine, UT Health SA – Member, U.S. Preventive Services Task Force; and former Board Chair, National Library of Medicine

Ruben Mesa, MD, Executive Director, Mays Center, UT Health SA MD Anderson – Member, National Academy of Medicine Committee on Minority Cancer Care

Carlayne Jackson, MD, Professor of Neurology and Otolaryngology, and Vice Chair, Department of Neurology, UT Health SA, President-Elect, Association of American Neurologists

Ronald Stewart, MD, Professor of Surgery & Anesthesia; Chair, Department of Surgery, UT Health SA - Chair, American College of Surgeons Trauma Committee

Monica Verduaco-Gutierrez, MD, Professor and Chair, Department of Physical Medicine and Rehabilitation, UT Health SA – American Association of Physical Medicine and Rehabilitation

Marcia Kinny, MD, Professor and Chair, Department of Pathology –
President-Elect, Society of Clinical Pathologists

Rob Hromas, MD, Dean, Long School of Medicine/Vice President for
Medical Affairs – Association of American Medical Colleges,
Liaison Committee on Medical Education

RECOMMENDATION: This report was provided for informational purposes only.
ACTION: No Action was required by the Board of Managers
EVALUATION: Dr. Hromas' biggest worry at this time is constant poaching of UT
Medicine physicians by local hospitals. His biggest joy is the list above;
he is proud of his colleagues
FOLLOW-UP: None.

NEW BUSINESS:

CONSENT AGENDA – JIM ADAMS, CHAIR

**CONSIDERATION AND APPROPRIATE ACTION REGARDING MEDICAL-DENTAL STAFF
MEMBERSHIP AND PRIVILEGES — RAJEEV SURI, M.D., PRESIDENT,
MEDICAL/DENTAL STAFF**

SUMMARY: Pursuant to Article III, Section 3.3-1 of the Medical-Dental Staff Bylaws, initial appointments and reappointments to the staff shall be made by the Board of Managers. The Board of Managers shall act on initial appointments, reappointments, or revocation of appointments only after there has been a recommendation from the Executive Committee. The Credentials Committee met on July 26, 2021, and reviewed the credential files of the individuals listed on the Credentials Report and the Professional Performance Evaluation Report provided to the Board. The Executive Committee of the Medical-Dental Staff met on August 3, 2021, and approved the credential committee reports. The Executive Committee, in turn, recommends approval of clinical privileges for the list of providers presented to the Board of Managers today.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING MEDICAL-DENTAL STAFF
RECOMMENDATIONS FOR PROFESSIONAL PRACTICE EVALUATIONS AND
DELINEATION OF PRIVILEGES — RAJEEV SURI, M.D., PRESIDENT, MEDICAL/DENTAL
STAFF**

SUMMARY: As part of continuous quality improvement, and in alignment with The Joint Commission standards, University Health's Professional Staff Services Office monitors the clinical privileges of all privileged providers through the Professional Practice Evaluation process. Professional Practice Evaluation is a process whereby Medical-Dental staff member(s) are evaluated in regards to his/her competency and professional performance. New privileges, results of Peer Review, and assessment of Supervision are all examples of Professional Practice Evaluation. Also in alignment with The Joint Commission standards,

the Professional Staff Services Office maintains Delineation of Privileges for the Medical-Dental Staff. The Delineation of Privileges is a process in which the organized Medical-Dental staff evaluates and recommends an individual practitioner be allowed to provide specific patient care services with well-defined training criteria. The Credentials Committee met on September 28, 2021, and reviewed proposed revisions to Delineation of Privilege and the Professional Performance Evaluation Report and forms. In its meeting of October 5, 2021, the Executive Committee of the Medical-Dental Staff approved the Focused/Ongoing Professional Performance Evaluation Report which was provided for the Board's review, and in turn, recommends approval by the Board of Managers.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE 3RD QUARTER 2021 INVESTMENT REPORT — ROE GARRETT/REED HURLEY

SUMMARY:

The Investment Portfolio Summaries for University Health and Community First Health Plans, Inc., invested funds for the third quarter of 2021 were provided for the Board's review. In total, the value of all invested funds as of September 30, 2021 was \$1,501,421,157 consisting of University Health and Community First Funds. The reports include all information required by the Texas Public Funds Investment Act. In addition, the University Health and Community First portfolio reports have been provided separately. The portfolios earned \$1,268,220 in interest income in the third quarter, a 55 percent decline from \$2,826,666 in the same period a year ago, reflecting the decline in market rates over the past year. The portfolio's unrealized gain stood at \$1,615,453. As of September 30, 2021, the University Health portfolio for operations (excluding Community First and the debt related funds) was valued at \$925,958,523. The portfolio, consisting of the Operating, Contingency, Capital and Tax Funds, had a weighted average yield-to-maturity of 0.44 percent and a weighted average maturity of 406 days. The portfolio's yield is well ahead of the 6-month Constant Maturity Treasury benchmark, which yielded 0.05 percent and the 1-year CMT benchmark's 0.08 percent yield. With interest rates pegged just above zero, this portfolio's yield should continue to exceed like maturity benchmarks in the coming months. This information was presented for the Board approval.

CONSIDERATION AND APPROPRIATE ACTION REGARDING PURCHASING ACTIVITIES (SEE ATTACHMENT A) — ANTONIO CARRILLO/TRAVIS SMITH

SUMMARY:

A total of 27 contracts with a value of \$80,520,054 are being presented to the Board of Managers during the October 2021 meeting. The following contracts require approval by the BCHD Board of Managers: 15 consent contracts with a total value of \$10,172,269; and 12 presented contracts with a total value of \$70,347,785. During the month of October 2021, there were three contracts classified as Small, Minority, Woman, or Veteran Owned Business Enterprises (SMWVBE). October 2021 SMWVBE Status Report reflects items being submitted for Board approval.

CONSENT

RECOMMENDATION:

Staff recommends approval of the items listed on the consent agenda.

CONSENT

ACTION: A **MOTION** to **APPROVE** staff's recommendation was made by Mr. Hasslocher, **SECONDED** by Mr. Morris, and **PASSED UNANIMOUSLY**.

CONSENT

EVALUATION: None.

CONSENT

FOLLOW-UP: None.

ACTION ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING A CONSULTING AGREEMENT WITH MEADOWS MENTAL HEALTH POLICY INSTITUTE FOR A DETENTION HEALTH AND CIVIL BEHAVIORAL HEALTH BED AND PROGRAMMING NEEDS ASSESSMENT — TED DAY/SALLY TAYLOR, M.D.

SUMMARY:

In 1995, Bexar County Commissioners Court asked University Health to assume operations of clinical care at the Bexar County Adult Detention Center (Jail). Services provided to detainees include medical, dental, mental health, detoxification, and pharmacy services. University Health staff assess and treat inmates with a broad range of mental health disorders. In addition, The Center for Health Care Services (Center), the Local Mental Health Authority for Bexar County provides an additional mental health assessment 24/7 at the time of booking at the Jail's Intake and Assessment Center. If the detainee qualifies for a mental health bond, the Center will provide follow-up on an outpatient basis and provides transportation, if appropriate. In April 2021, Bexar County Judge Nelson Wolff formed the Criminal Justice and Behavioral Health Task Force to improve the effectiveness of criminal justice and behavioral health interventions for persons suffering from behavioral health issues, and he invited University Health representation on the Task Force. Judge Wolff's Task Force has met regularly since it was created and University Health has worked with community stakeholders to identify solutions for persons suffering from behavioral health issues. To improve mental health services within the Jail, University Health has sought external expertise to work with the internal team and relevant community stakeholders to assess needs and to develop a range of options to better address the medical and behavioral health needs of all inmates. The goal of this approach is treatment with increased effectiveness, increased recovery, and decreased recidivism through better identification and treatment of behavioral health needs. University Health issued a Request for Proposal (RFP-221-02-007-SVC) in May 2021, for a consulting services contract to assess the current jail operation and future needs that address appropriate behavioral health services during the period of incarceration, while supporting continuity of care upon release into the community. Four vendors responded to the RFP and were then evaluated

based on a number of factors, including their breadth of experience with related issues, strength of their proposed plan to address the problem statement issued, strength of their references, consulting/design experience, and competitiveness of proposed pricing and fees. Following the four presentations, the evaluation committee narrowed the pool to the top two respondents. They were then asked to incorporate additional assessment suggested by the Task Force into their upcoming advance materials and final presentations to the review committee. The Task Force reconvened on September 29, 2021 to weigh-in on the semi-finalist presentations, and Meadows Mental Health Policy Institute was selected as the finalist vendor based on the process described by Mr. Day. This is an unbudgeted 2021 expense but will be budgeted in 2022. The proposed contract with Meadows Mental Health Policy Institute, will include expenses and deliverables occurring over one and likely two phases of work in 2022. The initial phase of work will focus on a needs and opportunities assessment for the Detention Health and Civil Mental Health portion of the project. The subsequent phase of work focuses on general cost assessment for facility and programming opportunities. The grand total for the two phases of work, inclusive of travel expenses, is proposed at \$537,842. The workforce composition data of Meadows Mental Health Policy Institute was provided for the Board's review.

RECOMMENDATION:

Staff recommends that the Board of Managers approve and authorize the President/CEO to negotiate and execute a consulting agreement with Meadows Mental Health Policy Institute in an amount not to exceed \$537,842.

ACTION:

A **MOTION** to **APPROVE** staff's recommendation was made by Mr. Hasslocher, **SECONDED** by Mr. Smith, and **PASSED UNANIMOUSLY**.

EVALUATION:

In her written report, Dr. Taylor noted that there are now ten times more people with mental illness housed in American jails and prisons than in psychiatric hospitals. In addition, the Sherriff is required to keep inmates safe regardless of mental health conditions, which makes jails one of the largest mental health institutions in Bexar County. Dr. Kelley asked why University Health is taking the lead in this project rather than The Center for Health Care Services as the local Mental Health Authority. Mr. Hernandez explained that the Center does not have the resources to fund this type of project. University Health is well-respected in the community, and as one of the Center's sponsors and safety net hospital for Bexar County, Mr. Hernandez deemed it appropriate to fund this study. It is also more cost effective to issue one RFP on behalf of the community instead of two. Ms. Fernandez agrees with staff's rationale regarding re-admissions and bed availability, and she requested a complete list of the community stakeholders involved. She is excited to learn about the Center's role with this particular issue. With the Center, she would like for staff to continue the conversation about the continuum of mental health care, bed availability for the community, as well as for the state hospital. How can the community create an echo system for mental health services for the city and Bexar County when these patients are caught in the cycle of re-admissions. How can University Health use the jail setting as an opportunity to support the Center? She asked that the staff report back to the Board on a regular bases regarding this conversation with the

Center, and also, she would like to know what stakeholders in the community would like to see happen. Mr. Hasslocher commended the staff in that this is a major step forward, with lots of complicated, moving parts, for the community. Dr. Taylor added that staff is working on a new contract to have Center liaisons at the jail. In addition, in response to a recent conversation with Board members about mental health resources and the impact of COVID-19 on staff and community, Dr. Taylor referenced Ms. Kirkman's written report titled Recent Recognitions and Upcoming Events, which includes all mental health resources sponsored by University Health for employees, UMA providers, residents/fellows, for Bexar County adults and children. In addition, the staff developed a comprehensive two page Behavioral Health Resource list with links to services for adults and kids; the resources list is available on the University Health website. All of these programs activities are funded from the \$7.1 million service expansion approved by the Board last year. In expanding mental health services, University Health is paying attention to its own staff. The staff now also has an employee counselor available during work hours. In closing, Mr. Adams reiterated that this project is merely an assessment at this time. It is obvious to him from the comments and passion expressed today that this an important area for all stakeholders.

FOLLOW-UP:

As indicated above.

CONSIDERATION AND APPROPRIATE ACTION REGARDING AN AGREEMENT WITH ELLHURST PROPERTIES, LLC, FOR THE SALE OF APPROXIMATELY 3.52 ACRES OF REAL PROPERTY AND IMPROVEMENTS LOCATED AT 6224 WEST INTERSTATE 10, SAN ANTONIO, BEXAR COUNTY, TEXAS TO ELLHURST PROPERTIES, LLC — DON RYDEN

SUMMARY:

University Health purchased the building known as the Business Center in 2005. The facility was built in the 1970's, it has two-stories, and is comprised of 20,514 square feet. This building previously housed non-clinical departments on Spencer Lane, a location with easy access to I-10 and Loop 410. The departments within this facility were relocated to the new Business Center I in the University Business Park earlier this year. The building has since remained empty, except for personal property, since those departments were relocated. While the building is still functional, there are several items making the building less desirable. The roof is aged and has not been replaced since University Health purchased the property and it is in need of significant repairs or replacements. The HVAC units are at least 20 years old, is not handicap accessibility, lacks parking and has easement issues. Since consolidation of the non-clinical departments which now reside at Business Center I and II, disposition of this facility is recommended. University Health has been approached by a real estate broker with a potential buyer. The buyer, Ellhurst Properties, LLC, is also owner of Circle of Care Pediatric Services. The offer for the real estate, personal property and billboard sign is for \$2,500,000 less \$215,000 as a credit for replacing the roof and HVAC as well as any other standard closing costs, appraisals, surveys, taxes. This offer meets the Fair Market Value of the property as determined by the appraisal firm, Echmann Groll, Inc.

RECOMMENDATION: Staff recommends Board of Managers' approval for the sale of the property located at 6224 West Interstate 10, San Antonio, Texas; and authorize the President/Chief Executive Officer to execute the Purchase and Sale Agreement with Ellhurst Properties, LLC for \$2,500,000, and other associated documents related herein to this transaction.

ACTION: A **MOTION** to **APPROVE** staff's recommendation was made by Dr. Kelley, **SECONDED** by Mr. Morris, and **PASSED UNANIMOUSLY**.

EVALUATION: None.

FOLLOW-UP: None.

FINANCE:

REVIEW AND DISCUSSION REGARDING COMMUNITY FIRST HEALTH PLANS, INC., PRELIMINARY OPERATING AND CAPITAL BUDGETS FOR FISCAL YEAR 2022 — THERESA SCEPANSKI/DAVERICK ISAAC

SUMMARY: Mr. Hurley introduced Mr. Isaac and Ms. Scepanski and he described University Health's budget process. Before yielding the floor, Mr. Hernandez explained the role of Bexar County Commissioners Court in the budget process. The Court sets the ad valorem tax rate for the Health System; approves the annual operating budget of the Health System; and appoints a Board of Managers for the Health System. Mr. Isaac began his presentation by outlining Community First Strategic Priorities:

Business Development

- Maintain market share in the STAR, CHIP and STAR Kids lines of business as it relates to membership, considering the impact of COVID-19
- Go live with Health Information Exchange (HIE) and expand Medicare Advantage effective January 1, 2022
- Continued development of advanced alternative payment methods

Operational Efficiencies

- Enhance and expand advanced financial and medical economic analytics
- Continue to enhance member and provider satisfaction, and quality medical outcome measures
- Enhance coordination and integration with University Health in support of ongoing evolution towards industry leading integrated delivery and financial system

Summary Income Statement 2022 Budget

			Medicare		
Medicaid	CHIP	Star Kids	Advantage	Commercial	ASO
\$-3,537,908	\$-130,234	\$4,086,012	\$-2,940,100	\$8.31	\$2,775,447
HIE	Total				
\$1,246,540	\$1,508,066				

Revenue – Member Months

	<u>2020 Actual</u>	<u>2021 Outlook</u>	<u>2022 Budget</u>	<u>Change</u>
STAR	1,400,790	1,595,598	1,745,564	9.40%
CHIP	172,833	128,573	95,718	-25.55%
STAR Kids	91,392	91,171	93,965	3.06%
Commercial	45,071	26,928	36	-99.87%
Medicare	0	98	6,120	6144.90%
HIE	0	0	7,200	0.00%
Total "at risk" Member Months	1,710,086	1,842,368	1,948,603	5.77%
ASO (Family Care Plan)	225,406	226,626	230,499	1.71%
Total Member Months	1,935,492	2,068,994	2,179,102	5.32%

Revenue

STAR, CHIP, STAR Kids

- The FY 2022 budgeted revenue includes a rate increase of 5.0% over FY2021
- An anticipated 3.7% mid-year (March 2022) rate increase
- With an offsetting rate reduction of (7.2%) in September 2021 due to the expected favorable financial performance of CFHP in SFY 2022
- NAIP and other pass-through revenues budgeted based on actual HHSC formulas

Commercial

- Employee Retirement System was not renewed
- Administrative Services Only
- No change in the per employee administrative fee

Medical Expense - 2022 medical expense budget was developed:

- Specific by Line of Business
- Separated into inpatient, outpatient, physician, pharmacy, and ancillary categories
- Based on historical actual average unit costs and utilization
- Total Medical Expense for FY 2022 is budgeted at \$731.7M, an increase of 23.42% over the FY 2021 Outlook
- On a PMPM basis, the FY 2022 Medical Expense is 11.1% higher than the FY 2021 Outlook PMPM expenses
- This represents a Medical Loss Ratio (MLR) of 89.2%
- Factored into the medical expenses was an increase in utilization as the impact of COVID-19 begins to soften

Administrative Expense

- Total 2022 budgeted administrative expense is \$87.8 million, which represents an increase of 19.94 percent over the 2021 Outlook and an Administrative Expense Ratio of 10.70 percent

- 2022 budget administrative expense variances as compared to the 2021 Outlook include:
 - 1) Salaries increased approximately \$4.1M due to additional FTE's and merit increase;
 - 2) Employee benefits increased approximately \$1.1M due to the increase in staff and post-employment benefit allocations from University Health; and
 - 3) Marketing (market outreach, advertising, agency, sponsorships, value adds, etc.) increased approximately \$2M due to enhanced marketing strategies for Medicare Advantage/D-SNP & HIE January 1, 2022
 - 4) Computer licensing and maintenance decreased approximately \$0.5M due to a reduction of new application systems
 - 5) Provider Incentives decreased approximately \$2.7M to align with associated membership
 - 6) Postage and Printing increased approximately \$1.0M due to enhanced marketing and outreach initiatives
 - 7) Consulting increased approximately \$4.6M due to departmental support and enhancements in Executive, Information Systems, and Business Development for QXNT De-hosting and a new Clinical Care Management system implementation

Note: 2022 budgeted administrative expense for STAR, CHIP, and STAR Kids are compliant with HHSC rate development formulas which regulate a portion of premium allocated for administrative expense spending.

RECOMMENDATION:

This information was presented for review and discussion only. Ms. Scepanski informed the Board that the Operating and Capital budget had been approved by the Community First Board of Directors on Friday, October 22, 2021. Staff will present the proposed, consolidated Operating, Debt Service and Capital Budgets for Fiscal Year 2022 to the Board of Managers in November for final approval and endorsement to Bexar County Commissioners Court.

ACTION:

None.

EVALUATION:

Mr. Isaac explained to Dr. Kelley that provider rates/fee schedules are set by CMS. The 2022 budget assumes a membership growth of 5 percent and Ms. Scepanski added that approximately 20 percent of the membership is enrolled in person at the Avenida Guadalupe location. Mr. Morris described the CareLink EPO plan as brilliant and Ms. Fernandez agreed. The Board of Managers did not raise any significant issues after review of the Community First proposed budget for 2022.

FOLLOW-UP:

Return for Board of Managers' final approval in November.

CONSIDERATION AND APPROPRIATE ACTION REGARDING BEXAR COUNTY HOSPITAL DISTRICT D/B/A UNIVERSITY HEALTH'S PRELIMINARY OPERATING, DEBT SERVICE AND CAPITAL BUDGETS FOR FISCAL YEAR 2022 — GEORGE B. HERNÁNDEZ, JR./REED HURLEY

SUMMARY:

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

the budget planning process, which Mr. Hurley described in detail.

FY 2022 Budget Process 2021

Continued Impact by COVID-19

- Inpatient Capacity & Elective Procedure Postponement
- Supply Chain & Labor Market Disruptions
- Received input from operational leaders
- Metric-driven variance reviews
- Budget review meetings
- Focus on University Health initiatives
- Prioritization of Needs and Strategic Goals

2021 Projects

- ✓ Management of COVID-19 Pandemic
- ✓ Epic Optimization
- ✓ Women's & Children's Hospital – On schedule
- ✓ Advanced Diagnostics Center – Opened December 2020
- ✓ Pharmacy Growth – Specialty Pharmacy & Meds to Beds
- ✓ Building Renovation & Repairs – Ambulatory Clinics & Roofs

2022 Projects

- Physician Investment: Strategic Service Lines
- Hospital at Home Initiative
- Continue Women's & Children's Hospital Progress
- Manage COVID-19 Impacts
- Expand Pharmacy Services – Specialty Pharmacy & Meds to Beds
- Continue Ambulatory facility repairs/upgrades
- Carelink EPO Plan
- Manage Supplemental Funding Changes

2022 Physician Investment

UMA Provider Recruitment

- 14 Family Practice
- 4 Internal Medicine
- 1.5 Neurology
- 1.5 Audiology

Hospital at Home

- Expected Daily Census: 20
- Additional Capacity
- 17.6 Employed Staff
- \$1.6 M Operating Expense

2022 Project: Women's & Children's Hospital

- Significant Progress
- Planned Opening mid 2023

2022 Project: COVID-19 Market Disruptions

- Inflation Cost Pressures
- Supply Chain shortage/ delays

- Labor Market Disruptions

2022 Budgeted COVID-19 Impacts

COVID Initiative	2022 Financial Impact
Revenue	
FMAP Deflation	(20.0) M
Medicare Sequestration	(1.6) M
<u>CARES Payment Decrease</u>	<u>(30.4) M</u>
Total Revenue Impact	\$ (52.0) M
Expense	
COVID Pre-Procedure Testing & Screening	0.6 M
COVID PPE	2.3 M
<u>Pharmacy: COVID Treatment Protocol</u>	<u>3.2 M</u>
Total Expense Impact	\$ 6.1 M
Total Financial Impact 2022 Budget	\$ (58.1) M

2022 Project: Retail Pharmacy Growth

- Improved Management of CareLink/Grant patients
- University Health Prescription Savings Club
- Employee prescription fill growth: \$0 copay
- Expand service to insured patients: 548% increase

Outpatient Pharmacy Dispense Trend

The total number of combined prescriptions (insurance & private pay, employee, CareLink & Grants) dispensed in January 2018 was 40,000 as compared to 95,000 in September 2021, a 137 percent overall growth.

2021/2022 Project: Ambulatory Facility Upgrade

Facilities improvements will continue with infrastructure repair and upgrades at existing locations, buildout of the new Women’s Imaging Center, and planned opening of additional school based and regional clinic locations.

2022 Project: Supplemental Funding Programs

- Supplemental Funding programs budgeted \$67 million lower than the 2021 projection
- Impacts to Net Patient and Other Revenue Categories
- Major Program Changes
- CARES Act Expiration \$31.7 million lower
- DSRIP Decrease \$18.2 million – Program Ending
- UC Decrease \$11.1 million – Lower FMAP
- NAIP Decrease \$8.7 million - Lower FMAP

Clinical Volume by Location – Mr. Hurley depicted all University Health clinics and their respective budgeted volumes for 2022. He and reviewed final 2021 projected volumes, an summarized anticipated 2022 volume by discipline as indicated below,

<u>2022 Budget</u>	<u>% Change from 2021</u>
Primary/Urgent Care	
551,867 visits	-29%
Specialty Care	
513,367 visits	+7.3%

71,789 treatments	+18.2%
114,538 procedures	+16.5%
Preventive Care/School-Based Clinics	
80,263 visits	+61.6
Mammography	
36,659 procedures	+61.6%
UH Emergency Care	
102,562 visits	+10.2%
University Hospital	
32,400 discharges	+9.7%

Clinical Services Division – 2022 Revenue Budget

Total Operating /Revenue	\$1.73B	<u>% of Budget</u>
Property Taxes	\$472.2M	27.3
DSH	\$37.8M	2.2
DSRIP	\$61.6M	3.6
Uncompensated Care	\$101.6M	5.9
NAIP	\$34.9M	2.0
SNF	\$39.3M	2.3
Other Revenue	\$93.6m	5.4
Net Patient Revenue	\$887.6M	51.1%

2022 UH less CFHP Revenue Budget

2020 Audited	2021 Budget	2021 Projected	2022 Preliminary
\$1,600,798	\$1,592,729	\$1,753,803	\$1,737,520
	Variance		
	from Projected	Percent Variance	
	-\$16,283	-0.9	

<u>Changes in Net Patient Revenue</u>	Variance from Projected
2021 Projected Net Patient Revenue	\$864.2 M
Changes to Net Patient Revenue	\$ 23.4 M
Preliminary 2022 Budget Net Patient Revenue	\$887.6 M

Clinical Services Division – 2022 Expense Budget % Variance

Total Operating Expenses	\$1.65B	
Salaries	\$638.4M	38.7
Benefits	\$1.29M	7.8
Medical Services	\$241.1M	14.6
Supplies	\$330.4M	20
Purchased Services	\$310.3M	18.8

Operating Expense

2021 Projected Total Operating Expense	\$1,496.6M	
Salaries	\$66.4M	11.6
Benefits	\$6.6M	5.4
Medical Services	\$28.4M	13.4
Purchased Services	\$24.4M	8.5

Supplies	\$26.8M	8.8
Changes to Total Operating Expense	\$152.6M	10.2
2022 Preliminary Budget Total Operating Expense	\$1,649.2M	

Employee Compensation

2021 projected employee compensation is \$694.5 million. Changes to employee compensation expense is \$73.0 million, a variance of 10.5 percent. 2022 preliminary budget total employee compensation expense is \$767.5 million.

Medical Services

2021 projected medical services is \$212.6 million. Changes to medical services expense is \$28.4 million, a variance of 13.4 percent. 2022 budget medical services expense is \$241.0 million.

Purchased Services

2021 projected purchase service expense is \$285.8 million. Changes to purchased service expense is \$24.4 million, a variance of 8.5 percent. 2022 preliminary budget total supply expense is \$310.2 million.

Supply Expense

2021 projected supply expense is \$303.6 million. Changes to supply expense is \$26.8 million, a variance of 8.8 percent. 2022 preliminary budget total supply expense is \$330.4 million.

Bottom Line

2021 projected bottom line is \$171.1 million; 2022 preliminary budget is \$5.4 million, variance from projected is -\$165.7 million, or -96.8 percent.

Debt Service Budget

Bond Debt

Balance of debt issues at par as of 9/30/21 for Sky Tower and Robert B. Green is \$483,040,000. Balance of debt issues at par as of 9/30/2020 is \$503,340,000.

Balance of debt issues at par as of 9/30/21 for Women's and Children's Hospital is \$391,450,000. Balance of debt issues at par as of 9/30/2020 is \$398,790,000.

Total balance of debt at par as of 9/30/21 is \$874,490,000. Balance of debt at par as of 9/30/20 is \$902,130,000.

Debt Service

2021 projected debt service I&S tax funds is \$74.7 million; 2022 preliminary budget is \$69.1 million. Variance from projected is -\$5.6 million, or -7.5 percent.

2021 projected debt service payment is \$74.7 million. Variance from projected is -\$5.6 million, or 7.5 percent. Net debt service revenue is zero.

2022 Capital Request - Routine Capital Requirements

Aged equipment and infrastructure replacement plan: \$9 million

Radiology and endoscopy equipment replacement : \$5.1 million

Priority	Mandated/ Required	Replacement	Strategic New Svc	Grand Total
Essential: Cannot Function Without	\$2,914,207	\$12,556,533	\$782,150	\$16,253,890
Important: Necessary for Improvement	\$6,747,840	\$4,026,074	\$8,880,196	\$19,654,110
Proactive: Necessary To Avoid Problems	\$ ----	\$3,248,950	\$1,440,590	\$4,689,540
Total Clinical Svcs	\$9,662,047	\$19,832,557	\$11,102,937	\$40,597,541

Bottom Line Variance: 2021 Projection to 2022 Budget

2021 Projected Bottom Line	\$171.1 million
2021 Revenue Variance to 2021 Projection	-\$16.3 million
2022 Operating Expense Variance to 2021 Projection	-\$152.6 million
Non-Operating Expense Variance to Budget	\$ 3.2 million
2022 Preliminary Budget Bottom Line	\$5.4 million

Property Tax Revenue

- (\$0.276235 of \$100 valuation) x \$196 billion in property values
- For 2021 this produces \$541 million in total assessments
- The \$0.27 rate covers M&O (operations) and I&S (debt service)
- 2021 total rate is projected to produce \$23.6 million more than 2020
- 2021 M&O Tax Revenue = \$472 million up \$27.8 million
- 2021 I&S Tax Revenue = \$69 million down \$4.2 million

Commercial Insurance Rate Negotiations

2022 Commercial Rate Improvement \$8.0 million

Payer Mix Summary – Patient Revenue

- \$4.2 Billion - Gross Charges
- \$888 Million - Net Patient Revenue

Medicare – 40% of Net Patient Revenue

Commercial Insurance – 32% of Net Patient Revenue

Medicaid – 25% of Net Patient Revenue

CareLink – Self Pay – 3 % of Net patient Revenue

2021/2022 Project: Ambulatory Facility Upgrade –

Facilities improvements will continue with infrastructure repair and upgrades at existing locations.

Aged Facilities Infrastructure \$3.5 million

Mr. Hurley provided the following documents as part of his written report:

- Attachment I Preliminary 2022 Operating Budget - University Health
- Exhibit 1 Preliminary 2022 University Health less CFHP -
Revenues and Expenses
- Exhibit 2 Preliminary 2022 Activity and notes

Exhibit 3	Preliminary 2022 Budget, Changes to Total Operating Revenue
Exhibit 4	Preliminary 2022 Budget, Legislative Changes
Exhibit 5	Preliminary 2022 Budget, Changes to Total Operating Expense
Exhibit 6	Preliminary 2022 Budget, FTE Changes
Exhibit 7	Preliminary 2022 Budget, Analysis of Tax Rate
Exhibit 8	Preliminary 2022 Budget, Detail of Capital Request

RECOMMENDATION: This information is presented for review and discussion only, on November 16, 2021, staff will present the proposed Consolidated Operating, Debt Service and Capital Budgets for Fiscal Year 2022 to the Board of Managers for approval and endorsement to Bexar County Commissioners Court for final approval on December 7, 2021.

ACTION: None.

EVALUATION: None.

FOLLOW-UP: As indicated above.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE FINANCIAL REPORT FOR SEPTEMBER 2021 — REED HURLEY

SUMMARY: University Health’s consolidated bottom line for the month of September 2021 was \$22.8 million, \$23.0 million better than the budgeted loss of \$161 thousand. Higher net patient revenue and Community First premium revenue were the primary drivers of the performance better than budget. In September, clinical activity (as measured by inpatient discharges) was down 2.5 percent for the month compared to budget, inpatient days were over by 3.3 percent. Community First Health Plans, Inc., (Community First) experienced a bottom line gain of \$465 thousand, which was \$1.1 million better than the budgeted loss of \$594 thousand. Community First fully insured membership was up 25.3 percent to budget due to the State not disenrolling members during the COVID-19 pandemic. This resulted in higher premium revenue and higher medical claims expense. Mr. Hurley reviewed significant items from the Monthly Consolidated Statement of Revenues and Expenses in detail with the Board.

RECOMMENDATION: None.

ACTION: None.

EVALUATION: None.

FOLLOW-UP: None.

INFORMATION ONLY ITEMS:

UNIVERSITY HEALTH FOUNDATION REPORT — SARA ALGER

REPORT ON RECENT RECOGNITIONS AND UPCOMING EVENTS — LENI KIRKMAN

UPDATE ON THE WOMEN’S AND CHILDREN’S HOSPITAL AND ASSOCIATED PROJECTS — DON RYDEN

SUMMARY: Mr. Adams directed his colleagues' attention to the three informational reports above, and asked them to review on their own time.

RECOMMENDATION: These reports are for informational purposes only.

ACTION: No action is required by the Board of Managers.

EVALUATION: None.

FOLLOW-UP: None.

EXECUTIVE SESSION:

Mr. Adams announced the meeting closed to the public at 8:02 pm, pursuant to the Texas Open Meetings Act, TEX. GOV'T CODE § 551.001 *et seq.* (Vernon 2004). The following Board members were present: James R. Adams, Chair; Ira Smith, Vice Chair; Margaret A. Kelley, M.D., Secretary; Anita L. Fernández, Member; James C. Hasslocher, Member; and L.P. Buddy Morris, Member. Also present were Mr. George B. Hernández, Jr., President/Chief Executive Officer; Edward Banos, Executive Vice President/Chief Operating Officer; Reed Hurley, Executive Vice President/Chief Financial Officer; Bryan Alsip, Executive Vice President/Chief Medical Officer; and Serina Rivela, Vice President/Chief Legal Officer. A closed meeting was held to consult with the hospital district attorney on legal matters regarding pending or contemplated litigation or a settlement offer. After discussion, no action was taken in closed session and Mr. Adams announced the executive session as ended at 8:09 pm, and immediately reconvened the public meeting.

ADJOURNMENT:

There being no further business, Mr. Adams adjourned the public meeting at 8:10 pm.

James R. Adams
Chair, Board of Managers

Margaret A. Kelley, MD.
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary