

HARRIS HEALTH SYSTEM

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MINUTES OF THE SPECIAL CALLED BOARD OF TRUSTEES MEETING

Thursday, December 13, 2018

Board Room – Administration Building

Members Present:

Ms. Anne Clutterbuck, Chair
Dr. Kimberly Monday, Vice Chair
Ms. Linda Morales, Secretary
Dr. Arthur Bracey
Mr. Lawrence Finder
Dr. Ewan Johnson
Ms. Elena Marks
Mr. Art Morales
Ms. Carolyn Truesdell

Members Absent:

Others Present:

Mr. George Masi, President & Chief Executive Officer
Dr. Ericka Brown, Senior Executive Vice President & Chief Operating Officer
Mr. Michael Norby, Executive Vice President & Chief Financial Officer
Dr. Parikshet Babber, Executive Vice President & Chief Medical Officer
Mr. Tim Tindle, Executive Vice President & Chief Information Officer
Dr. Glorimar Medina-Rivera, Executive Vice President & Administrator, Ambulatory Care Services
Dr. Nathan Deal, Executive Vice President & Administrator, Ben Taub Hospital
Dr. Alan Vierling, Executive Vice President & Administrator, Lyndon B. Johnson Hospital
Dr. Jose Garcia, General Director, Affiliated Medical Services
Dr. David Robinson, Chair, Medical Executive Board (9:28 a.m. arrival)
Dr. Kenneth Mattox, Chief of Staff, Ben Taub Hospital
Dr. Tien Ko, Chief of Staff, Lyndon B. Johnson Hospital
Dr. Mohammad Zare, Chief of Staff, Ambulatory Care Services
Mr. Michael Hill, Senior Vice President, Chief Business Development and Strategy Officer,
Ms. Karen Tseng, Senior Vice President, Population Health Transformation
Ms. Victoria Nikitin, Senior Vice President, Finance
Ms.Carolynn Jones, Senior Vice President, Corporate Compliance
Ms. Nicole Streeter, Vice President, Chief Governance Officer
Ms. Allison Perez, Director, Financial Planning & Analysis
Ms. Sara Thomas, Managing Attorney, Harris County Attorney's Office
Mr. DeWight Dopslauf, Purchasing Agent, Harris County Purchasing
Ms. Peggy Boice, Harris County Judge Ed Emmett's Office
Ms. Carole Lamont, Commissioner Steve Radack's Office
Administrative Staff
Guests
(Sign-in Sheets attached to permanent record)

I. Call to Order and Record of Attendance

Ms. Anne Clutterbuck, Chair, called the meeting to order at 9:04 a.m., and noted that a quorum was present. The attendance was recorded.

II. Review and Discussion Regarding the Proposed Harris Health System FY2020 Operating and Capital Budget

Ms. Victoria Nikitin, Senior Vice President, Finance, and Ms. Allison Perez, Director, Financial Planning & Analysis, led the discussion regarding the Harris Health System Fiscal Year 2020 (FY2020) Operating and Capital Budget. Ms. Nikitin delivered an overview of the budget assumptions for FY2020. She reported that the proposed annual operating budget for FY2020 reflects a margin of \$21.5M, which underlines the ongoing effort to manage operations and to be able to reinvest in the infrastructure of the system. She indicated that Harris Health has chosen to strategically invest resources into priority initiatives such the expansion of outside medical services, population health, and additional inpatient clinical capacity at Ben Taub and Lyndon B. Johnson Hospitals. Ms. Nikitin stated that the Ben Taub operating room project is being funded by a 2016 bond issue and is in the final stages of construction. She reported that the new rooms will increase FY2020 operative hours by 18%, which could result in an additional 1,000 cases and 2,000 specialty clinic visits in the first year of operation. She stated that the completion of the semi-private room conversion will result in an additional twenty (20) medical-surgical beds to be added to the inpatient platform at Ben Taub in FY2020, as total available beds stabilize and the new operating rooms open. She also mentioned that the accumulation of eight (8) ICU beds at LBJ Hospital will add capacity and volume.

Dr. Nathan Deal, Executive Vice President & Administrator, Ben Taub Hospital, reported that the Ben Taub expansion project will include the construction of seven (7) new rooms increasing the total number of operating rooms from 11 to 18. He indicated that the project provides the necessary expansion of operative suites and supporting services on the second floor to support Level 1 trauma services at Ben Taub Hospital. Construction is expected to be completed in 2019, with the projected opening in September 2019. Mr. George Masi, President & Chief Executive Officer, reported that the cumulative change to operating beds across the platform as a result of the six-year journey to convert four-bed wards to semi-private rooms is a net decrease of 155 beds. He stated that administration will return to the Board in January for a review of strategic initiatives focused on Harris Health service lines, outputs, and volumes that can be handled. Dr. Kimberly Monday, Vice Chair, inquired about the coordination of care and triage process. Dr. Deal stated that individual services triage based on the specific needs of the patient. He indicated that over the years Harris Health surgeons have partnered with the Operating Room committee to identify staging criterias such as emergent and semi-emergent operations.

Ms. Nikitin stated that the decision was made that Quentin Mease is best suited to be programmed and designated as an outpatient facility. As a result, Physical Medicine & Rehabilitation (PM&R) and Skilled Nursing inpatient services will be coordinated through community partners and outside medical services contracts, and 49 inpatient beds decommissioned. She stated that the immediate impact to the FY2020 budget is approximately a \$9M decrease in operating cost from the closure of inpatient units and a \$7M increase in outsourced medical services to provide such inpatient care. She reported that Harris Health will continue to outsource colonoscopy and sleep studies, some inpatient psychiatric overflow volume and hospice referrals to assist with throughput and enhance inpatient capacity at Ben Taub and LBJ Hospitals, for a total budget of \$21M.

Ms. Nikitin reported an incremental growth of approximately 2,000 visits for surgical specialties at Ben Taub and over 3,500 visits for multiple specialties at existing health centers. Extensive discussion ensued regarding specialty care expansion. Dr. Glorimar Medina-Rivera, Executive Vice President & Administrator, Ambulatory Care Services, stated that the expansion of specialty care includes enhancing intramural and extramural coordination of care, expanding the role of the primary care physician (PCP), and increasing specialty access. She further explained that the expansion does not include telemedicine or E-consults. She indicated that locations are being evaluated and that the availability of Federally Qualified Health Centers (FQHCs) and other providers to optimize primary care access in Harris County is being considered.

Ms. Nikitin stated that the strategic investment in expanding the program to the next level is budgeted at an additional \$5M in FY2020. She reported that for the 2018 Marketplace enrollment period, approximately 10,000 members have been enrolled and sponsored. She indicated that the enrollment period ends on December 15, 2018 in which the current estimates will be revised. Ms. Elena Marks stated that she is pleased with the return on investment data presented and would like to know if there are ways to capture health returns, specifically quality results, of patients who have become insured versus those who are not insured. Ms. Nikitin indicated that she is awaiting a full-year to review the data. She presented the following uncertainties which have been factored into the FY2020 budget: 1) probability of adding the responsibility of the Jail Health program, 2) probable elimination of the expense alleviation program resulting in \$60M increase in annual physician cost, and 3) replacement of the Affiliated Medical Services (AMS) Agreement with a separate contract for physician services between Harris Health and each of the two medical schools.

Ms. Nikitin stated that over the past three years volumes have remained constant with the exception of the decline in volume related to Hurricane Harvey in FY2018, and is expected to remain stable for the upcoming FY2020. She reported that specialty care visits are expected to experience gradual growth in certain specialties and emergency room visits will experience minimal change due to the limitations in emergency room capacity and bed availability. Discussion ensued regarding the expected patient volumes for FY2020.

Ms. Nikitin stated that approximately 49% of Harris Health's revenue source for FY2020 is ad valorem taxes, 34% net patient revenue, and 14% include Medicaid supplemental programs. She reported that the total revenue budget for FY2020 is \$1.5B, an increase of approximately \$89M, or 6%. The increase is attributable to the expected growth of net patient revenues of \$57M, medical supplemental payments of \$11M, and modest inflation in ad valorem tax revenues of \$22M. Ms. Nikitin stated that the aggregate Medicaid Supplemental programs revenue is budgeted at \$210M in FY2020, an \$11M increase or 5.6% from FY2019. She reported that the Graduate Medical Education program is a new initiative, currently pending Centers for Medicare & Medicaid Services approval, budgeted for \$12M in FY2020. She also reported that other revenues are projected to remain stable at approximately \$53M of the total Harris Health budget. The annual tobacco settlement revenue is projected to continue at approximately \$14M.

Ms. Nikitin stated that total Harris Health operating expenses are projected to increase by 5% in FY2020. She reported an increase of 3.4% or \$50M in annual inflation and the remaining increase is primarily due to additions in outside medical services, population health, and extension of inpatient clinical capacity at Ben Taub and LBJ Hospitals. She indicated that the Medicaid Services Intergovernmental Transfer and physician services expenses are budgeted to increase to \$264M in FY2020, which is an increase of over \$15M from the FY2019

projection of \$248.9M. She noted that the proposed budget assumes that the program will continue through September 2019, at which time all expenses become the direct responsibility of Harris Health. The result will be an added expense of \$5M per month, for a total impact of \$25M in FY2020. Ms. Nikitin concluded by stating that the overall total operating expense budget for Harris Health is projected to be \$1.5B and the resulting operating margin of \$21.5M will allow Harris Health to continue to fulfill its mission of providing high quality healthcare to Harris County residents. A copy of the budget assumptions is available in the permanent record.

III. Adjournment

Moved by Ms. Carolyn Truesdell, seconded by Ms. Linda Morales, and unanimously accepted to adjourn the meeting.

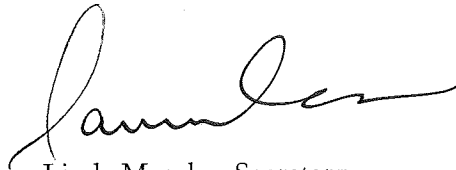
There being no further business, the meeting adjourned at 10:21 a.m.

I certify that the foregoing are the Minutes of the meeting of the Board of Trustees of the Harris County Hospital District d/b/a Harris Health System held at the Administration Building in Houston, Texas on December 13, 2018.

Respectfully submitted,



Anne Clutterbuck, Chair
Board of Trustees



Linda Morales, Secretary
Board of Trustees

Recorded by Cherry Pierson