HARRISHEALTH SYSTEM

BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 15, 2024
9:00 A.M.

BOARD ROOM
4800 Fournace Place, Bellaire, Texas 77401

The meeting may be viewed online at: **http://harrishealthtx.swagit.com/live**

Notice: Some Board Members may participate by videoconference.

Mission

Harris Health is a community-focused academic healthcare system dedicated to improving the health of those most in need in Harris County through quality care delivery, coordination of care, and education.

AGENDA

I.	**Call to Order and Record of Attendance**	**Ms. Carol Paret**	**2 min**
II.	**Approval of the Minutes of Previous Meeting** • Budget and Finance Committee Meeting – November 9, 2023	**Ms. Carol Paret**	**1 min**
III.	**Financial Matters**	**Ms. Carol Paret**	**40 min**
	A. Consideration of Acceptance of the Harris Health System First Quarter Fiscal Year 2024 Investment Report ***– Ms. Victoria Nikitin***		*(10 min)*
	B. Consideration of Acceptance of the Harris Health System Fourth Quarter Fiscal Year 2023 Pension Plan Report ***– Ms. Victoria Nikitin***		*(10 min)*
	C. Consideration of Acceptance of the Harris Health System December 2023 Quarterly Financial Report Subject to Audit ***– Ms. Victoria Nikitin***		*(10 min)*
	D. Consideration of Acceptance of the Harris County Hospital District Pension Plan Investment Practices and Performance Evaluation as of the Year Ended December 31, 2023 as Required by the Texas Pension Review Board ***– Mr. Cory Myers, Aon***		*(10 min)*

IV.	**Executive Session**	**Ms. Carol Paret**	**15 min**
	A. Discussion and Review Regarding the Community Health Choice Texas, Inc. and Community Health Choice, Inc., 2023 Preliminary Financial Performance for the Twelve Months Ending December 31, 2023, Pursuant to Tex. Gov't Code Ann. §551.085, Including Consideration of Recommendation of Approval of the 2024 Insurance Renewals to the Harris Health System Board of Trustees Upon Return to Open Session ***– Ms. Lisa Wright, CEO and Ms. Anna Mateja, CFO, Community Health Choice***		*(15 min)*
V.	**Reconvene**	**Ms. Carol Paret**	**1 min**
VI.	**Adjournment**	**Ms. Carol Paret**	**1 min**

HARRIS HEALTH SYSTEM

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
BUDGET & FINANCE COMMITTEE MEETING
Thursday, November 9, 2023
9:00 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Ms. Barbie Robinson, Presiding Officer, called the meeting to order at 9:03 a.m. It was noted there was a quorum present and the attendance was recorded. Ms. Robinson stated that while some Board members are in the room, others will participate by videoconference as permissible by state law and the Harris Health Videoconferencing Policy. Only participants scheduled to speak have been provided dial in information for the meeting. All others who wish to view the meeting may access the meeting online through the Harris Health website: http://harrishealthtx.swagit.com/live.	
II. Approval of the Minutes of Previous Meeting Budget and Finance Committee Meeting – August 10, 2023		**Moved by Ms. Jennifer Tijerina, seconded by Ms. Marcia Johnson, and unanimously approved the minutes of the August 10, 2023 meeting.**
III. Discussion Regarding 2024 Budget and Finance Committee Meeting Frequency	The Committee discussed the 2024 Budget and Finance Committee Meeting Frequency. Ms. Tijerina questioned why the meetings were not being held monthly. Ms. Sara Thomas, Chief Legal Officer, shared that the Budget and Finance Committee meets on a quarterly basis; however, since Budget and Finance is a core function of the Board's duties, there is discretion to move the meeting to a more frequent basis at the Board's and Administration's discretion. Ms. Thomas added that if there were any material events with respect to the finances, it would be timely brought to the next monthly Board meeting to avoid any surprises regarding any material matters.	**As Presented.**
IV. Financial Matters		
A. Consideration of Recommendation of Acceptance of the Harris Health System Fourth	Ms. Victoria Nikitin, Executive Vice President & Chief Financial Officer, led the discussion regarding the Harris Health System Fourth Quarter Fiscal Year 2023 Investment Report. She noted that the report is a quarterly report provided by Harris County team members led by Ms. Amy Perez, who manage Harris Health's	**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
Quarter Fiscal Year 2023 Investment Report	investments. Ms. Nikitin noted that Harris Health's investments are subject to very strict guidelines under the Public Fund Investment Act and are extremely secure. She noted that Harris Health's Investment Policy will be presented to the Board next month for approval. Ms. Nikitin noted the exception that the Pension Fund is not included in the Investment Policy because the Pension Fund is regulated through the Texas Pension Review Board. Ms. Nikitin reported that the market has afforded Harris Health with favorable returns on investments year to date. The Investment Report actually shows a 5.76% return for the last quarter. Committee discussions ensued regarding a systematic review of Purchasing's agenda items and exceptions relative to the Minority -and Women- Owned Business Enterprise Program (MWBE) requirements. A copy of the Harris Health System Fourth Quarter Fiscal Year 2023 Investment Report is available in the permanent record.	**Board approve item IV.A.**
B. Consideration of Recommendation of Acceptance of the Harris Health System Third Quarter Calendar Year 2023 Pension Plan Report	Ms. Victoria Nikitin led the discussion regarding the Harris Health System Third Quarter Calendar Year 2023 Pension Plan Report. She explained that the Pension Fund is a legacy trust with almost $900M in value to Harris Health retirees; however, it has been closed to participants since 2007. She stated that the pension plan strategy is different from the investment strategy and is not subject to the Public Fund Investment Act, but the Pension Fund is actually regulated by the Texas Pension Review Board. Ms. Nikitin mentioned that the Pension and 401(k) Review Committees meet all day on a quarterly basis, and the Committees are made up of Harris Health staff members at large, investment consultants, and legal counsel, with recommendations brought to the Board for approval. Ms. Nikitin reported that the market value of the Plan's assets decreased by $24.7M this quarter and increased by $47.5M since the beginning of the calendar year. The investment return was -3.0% for the quarter ended September 30, 2023, which was impacted by inflation. A copy of the Harris Health System Third Quarter Calendar Year 2023 Pension Plan Report is available in the permanent record.	**Moved by Ms. Jennifer Tijerina, seconded by Dr. Andrea Caracostis, and unanimously accepted that the Committee recommends that the Board approve item IV.B.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
C. Consideration of Acceptance of the Harris Health System September 2023 Quarterly Financial Report Subject to Audit	Ms. Victoria Nikitin delivered a presentation of the Harris Health System September 2023 Quarterly Financial Report Subject to Audit. She noted that the Hospital Augmented Reimbursement Program (HARP) funding for the second half of FY 2023 is currently pending with the Centers for Medicare & Medicaid Services (CMS). She reported as of September 30, 2023, that Texas Health and Human Services (HHSC) has an inquiry out to CMS related to allowing an exception for nominal charge hospitals to be paid more than their charges for HARP, and that Harris Heath has had weekly communications with HHSC. Harris Health's status as a nominal charge hospital is due to the System's strategy of maintaining patient charges at a level commensurate with costs. The Program is estimated to bring $269M in Medicaid Supplemental Revenue to Harris Health for both FY 2023 and FY 2024, should CMS support the pending technical request from the State. If CMS does not agree, Harris Health would likely have a decrease of approximately $60M of the HARP funds already paid in FY 2023. Additional discussion ensued related to the fee schedule structure and review process. A copy of the Harris Health September 2023 Quarterly Financial Report is available in the permanent record.	**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item IV.C.**
D. Consideration of Recommendation of Approval for Subsidy Payments to Community Health Choice, Inc. for the Health Insurance Marketplace Non-Federal Premium Payments for Eligible Harris Health Patients for Calendar Year 2024	Dr. Pollie Martinez, Associate Administrator, Patient Access, led the discussion regarding the Subsidy Payments to Community Health Choice, Inc. for the Health Insurance Marketplace Non-Federal Premium Payments for eligible Harris Health Patients for Calendar Year 2024. She stated that Harris Health System has worked with Community Health Choice, Inc., since 2017 to assist in the enrollment of eligible Harris Health indigent patients into the appropriate Marketplace plans. The agreement between Harris Health and Community Health Choice for the Marketplace enrollment of Harris Health patients will automatically renew on December 31, 2023, subject to approval of the annual funding of premium subsidies for Calendar Year 2024. Dr. Martinez shared that there are 17,049 of those Financial Assistance Program patients also enrolled in a Silver 94 (for eligible applicants under 150% Federal Poverty Level – (FPL) Marketplace insurance plan sponsored by Community Health Choice. Additionally, 1,781 patients in the 150 – 200% FPL window are enrolled in a Silver 87 plan. Dr. Martinez provided a summary of the positive impact of the Marketplace strategy for Harris Health and its Financial Assistance patients. She noted that	**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item IV.C.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Harris Health has requested a projected subsidy cost of $22M and that the projected subsidy is estimated for the covered population of over 24,000, returning to the level of calendar 2022. An executive summary report is available in the permanent record.	
IV. Executive Session	At 9:44 a.m., Ms. Barbie Robinson stated that the Budget and Finance Committee of the Board of Trustees would go into Executive Session for item 'A' as permitted by law under Tex. Gov't Code Ann. §551.085.	
A. Discussion and Review Regarding the 2024 Operating and Capital Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc., Pursuant to Tex. Gov't Code Ann. §551.085, Including Consideration of Recommendation of Approval to the Harris Health System Board of Trustees Upon Return to Open Session		**No Action Taken.**
V. Reconvene	At 9:56 a.m., Ms. Barbie Robinson reconvened the meeting in open session; she noted that a quorum was present and that no action was taken in Executive Session.	
VI. Adjournment	Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously approved to adjourn the meeting. There being no further business, the meeting adjourned at 9:56 a.m.	

I certify that the foregoing are the Minutes of the Meeting of the Budget and Finance Committee of the Board of Trustees of the Harris Health System held on November 9, 2023.

Respectfully submitted,

Ms. Barbie Robinson, MPP, JD, CHC, Presiding Officer
In lieu of Ms. Marcia Johnson, JD, Committee Chair

Recorded by Cherry A. Pierson, MBA

HARRISHEALTH SYSTEM

Thursday, November 9, 2023

Harris Health System Board of Trustees Board Meeting – Budget and Finance Committee Attendance

Note: For Zoom meeting attendance, if you joined as a group and would like to be counted as present, please submit an email to: BoardofTrustees@harrishealth.org before close of business the day of the meeting.

BUDGET & FINANCE COMMITTEE MEMBERS PRESENT	BUDGET & FINANCE COMMITTEE MEMBERS ABSENT	ADDITIONAL BOARD MEMBERS PRESENT
Ms. Barbie Robinson *(Presiding Chair)*	Mr. Jim Robinson	Dr. Andrea Caracostis
Ms. Marcia Johnson		Ms. Jennifer Tijerina
Ms. Carol Paret		

HARRIS HEALTH EXECUTIVE LEADERSHIP, STAFF & SPECIAL INVITED GUESTS	
Amy Smith	Dr. Martha Mimms
Anna Mateja *(CFO, Community Health Choice)*	Dr. Matasha Russell
Anthony Williams	Matthew Schlueter
Antoinette "Toni" Cotton	Dr. Maureen Padilla
Carolynn Jones	Michael Hill
Cherry Pierson	Michael Nnadi
Daniel Smith	Nicholas J. Bell
Derek Curtis	Olga Rodriguez
Ebon Swofford (*Harris County Attorney's Office)*	Omar Reid
Elizabeth Winn (*Harris County Attorney's Office)*	Patricia Darnauer
Dr. Esmaeil Porsa (*Harris Health President & CEO)*	Patrick Casey
Dr. Glorimar Medina	Pollie Martinez
Jack Adger *(Harris County Purchasing)*	Randy Manarang
Dr. Jackie Brock	Sam Karim
Dr. Jennifer Small	Dr. Sandeep Markan
Jennifer Zarate	Sara Thomas (*Harris County Attorney's Office)*
Jerry Summers	Shawn DeCosta
John Matcek	Dr. Siraj Anwar
King Hillier	Tai Nguyen
Lisa Wright *(CEO, Community Health Choice)*	Dr. Tien Ko
Louis Smith	Victoria Nikitin

BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 15, 2024

Consideration of Acceptance of the Harris Health System First Quarter Fiscal 2024 Investment Report

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Attached for your review and acceptance is the First Quarter Fiscal Year 2024 Investment Report for the period October to December 2023.

Administration recommends that the Board accept the First Quarter Investment Report for the period ended December 31, 2023.

DocuSigned by:
Victoria Nikitin
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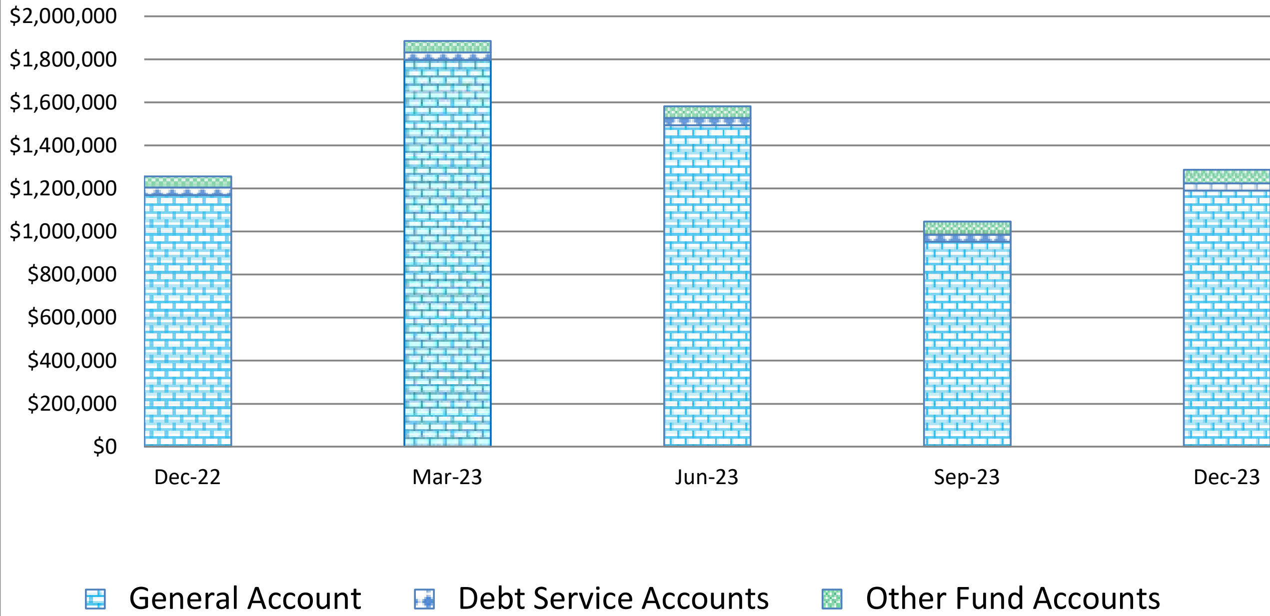
Victoria Nikitin
EVP - CFO

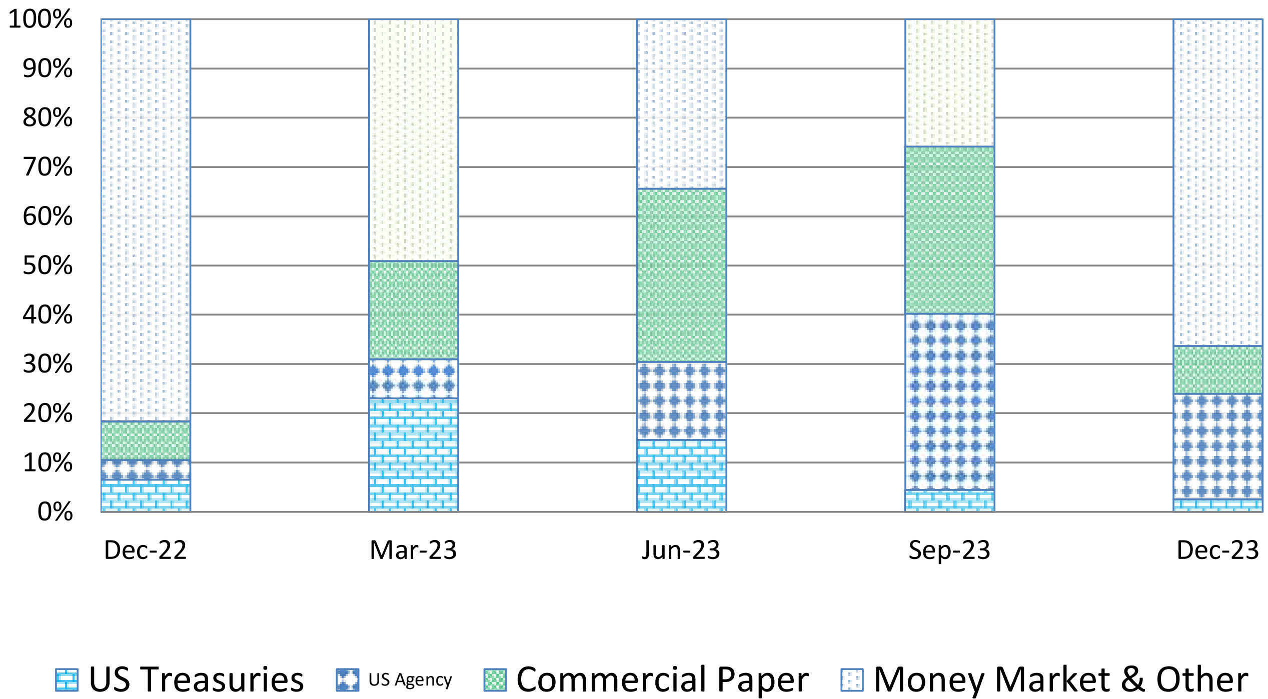
HARRIS COUNTY HOSPITAL DISTRICT
dba HARRIS HEALTH SYSTEM

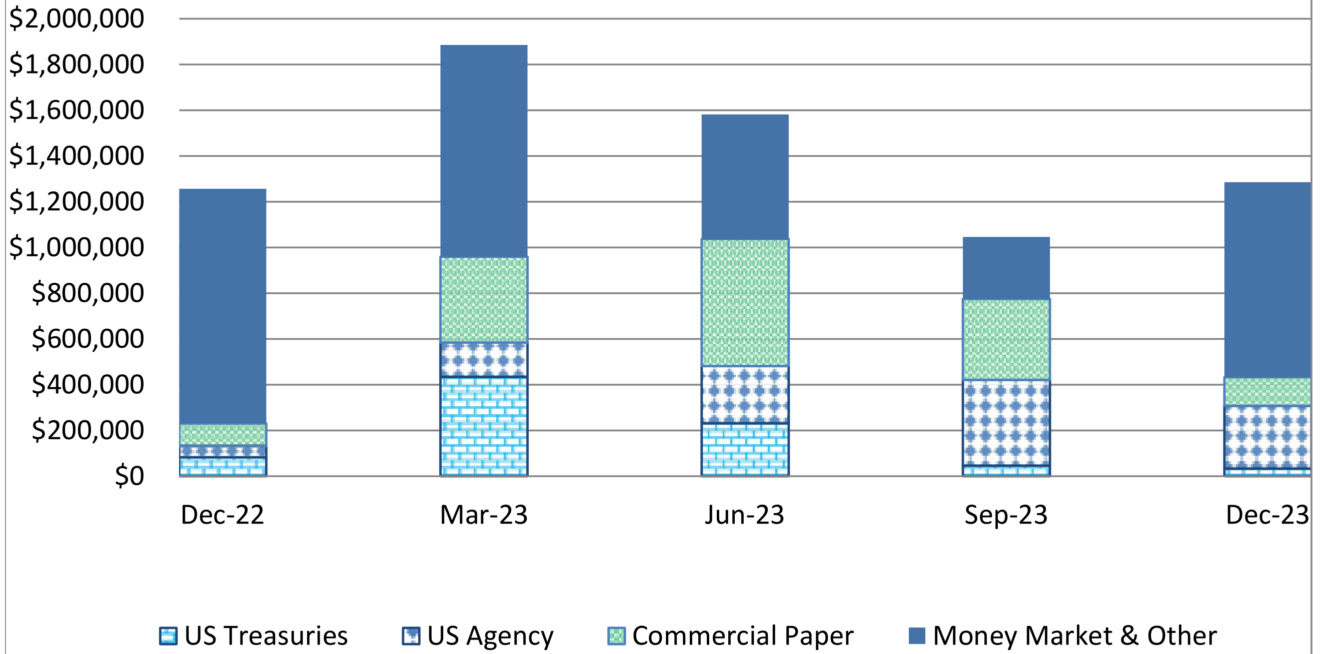
INVESTMENT REPORT
As of December 31, 2023

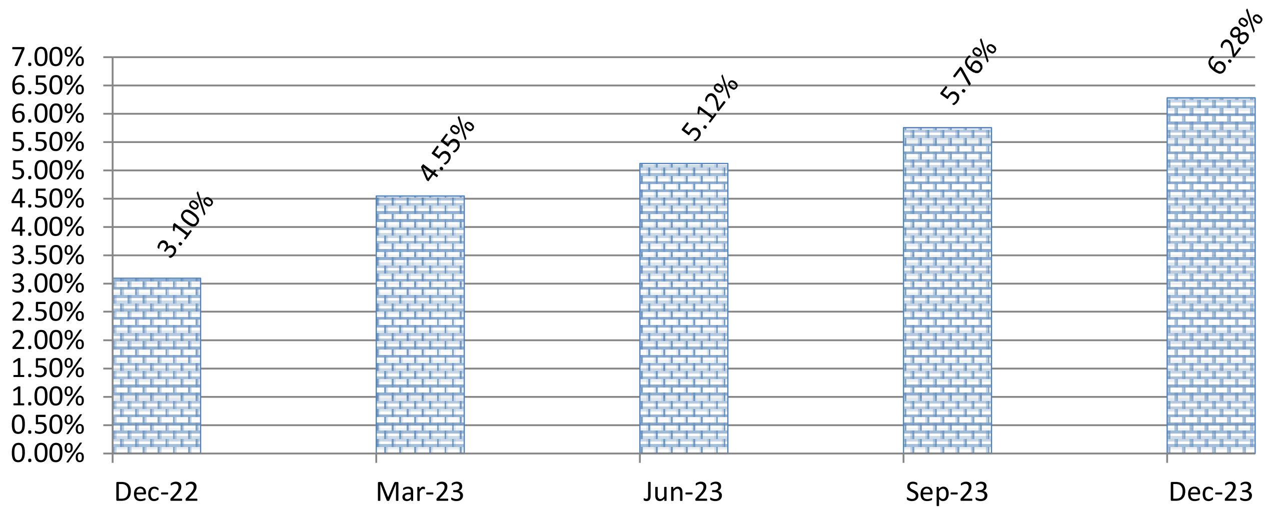
- Executive Summary Charts and Quarterly Trend Schedule for Harris Health System

- Quarter End Investment Report from Harris County Office of Financial Management


Harris Health - Quarterly Investment Balances ($000's)
$2,000,000
$1,800,000
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Dec-22
Mar-23
Jun-23
Sep-23
Dec-23
General Account
Debt Service Accounts
Other Fund Accounts


Harris Health - Quarterly Portfolio Composition
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Dec-22
Mar-23
Jun-23
Sep-23
Dec-23
US Treasuries
US Agency
Commercial Paper
Money Market & Other


Harris Health - Quarterly Earnings ($000's)
$2,000,000
$1,800,000
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Dec-22
Mar-23
Jun-23
Sep-23
Dec-23
US Treasuries
US Agency
Commercial Paper
Money Market & Other


Harris Health - Quarterly Average Earnings %
7.00%
6.50%
6.00%
5.50%
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
3.10%
4.55%
5.12%
5.76%
6.28%
Dec-22
Mar-23
Jun-23
Sep-23
Dec-23

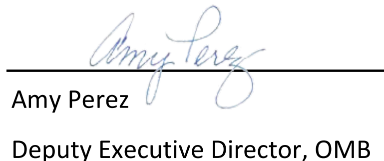
HARRIS HEALTH SYSTEM

QUARTERLY INVESTMENT REPORT
FIRST QUARTER 2023-2024

PREPARED BY:
OFFICE OF MANAGEMENT AND BUDGET
FINANCIAL MANAGEMENT

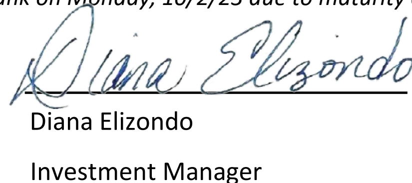
The report is presented in accordance with the Texas Government Code - Public Funds Investment Act, Section 2256.023. Financial Management certifies that to the best of our knowledge that Harris Health System is in compliance with the provisions of Government Code 2256 and with the stated policies and strategies of Harris Health System.

**For investment # 27376, CUSIP 91282CDA6, with a Par of $75M and a 9/29/23 FMV of $75,000,000.00 matured as scheduled on Saturday, 9/30/23. Funds were deposited at Cadence Bank on Monday, 10/2/23 due to maturity date falling on a weekend*



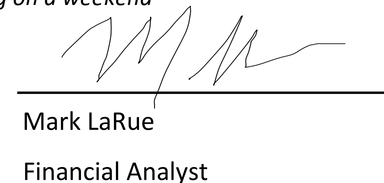
Amy Perez

Deputy Executive Director, OMB



Diana Elizondo

Investment Manager



Mark LaRue

Financial Analyst

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Section II: Total Rate of Return vs. Benchmark

Section III: Current Portfolio Holdings & Quarterly Income

Summary of Portfolio Balances & Characteristics

September 30, 2023 through December 31, 2023

HARRISHEALTH SYSTEM

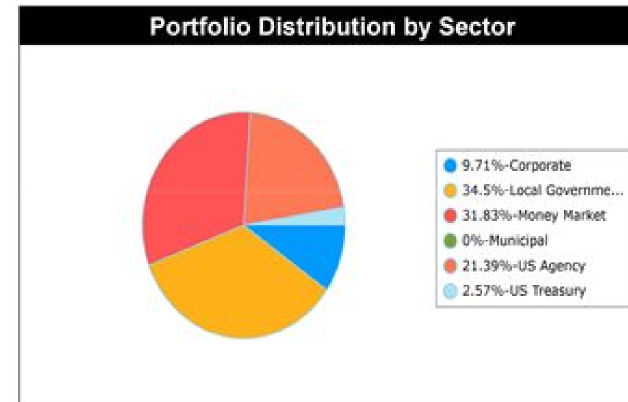
Book & Market Value Comparison

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	YTM @ Market	Duration	Days To Maturity
Beginning	1,046,784,178.91	1,047,408,443.86	-624,264.95	5.45	5.58	0.25	86
10/31/2023	1,388,374,086.80	1,388,834,749.17	-460,662.37	5.47	5.46	0.10	38
11/30/2023	1,270,885,637.89	1,271,141,720.31	-256,082.42	5.49	5.52	0.07	28
12/31/2023	1,285,835,904.51	1,285,876,035.58	-40,131.07	5.44	5.48	0.09	16
Average	**1,315,031,876.40**	**1,315,284,168.35**	**-252,291.95**	**5.46**	**5.49**	**0.09**	**27**

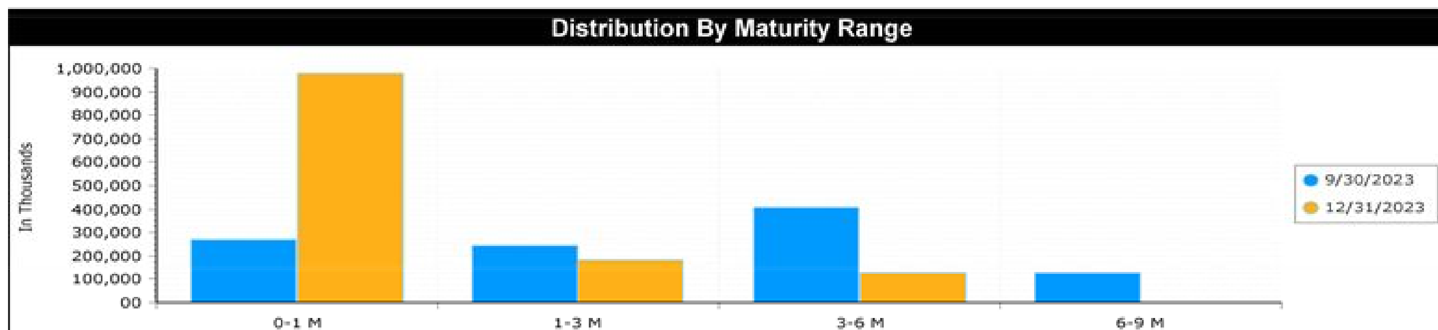
Quarterly Investment Income By Sector

	Ending BV + Accrued Interest	Investment Income-BV
Certificate of Deposit	$0.00	$0.00
Corporate	$124,907,770.83	$3,673,648.71
Local Government Investment Pool	$443,591,891.24	$4,879,362.03
Money Market	$409,315,352.30	$5,464,541.63
Municipal	$0.00	$79,990.53
US Agency	$276,679,430.56	$3,829,874.99
US Treasury	$33,181,708.80	$547,415.51
Total	**$1,287,676,153.73**	**$18,474,833.40**

Portfolio Distribution by Sector



Distribution By Maturity Range

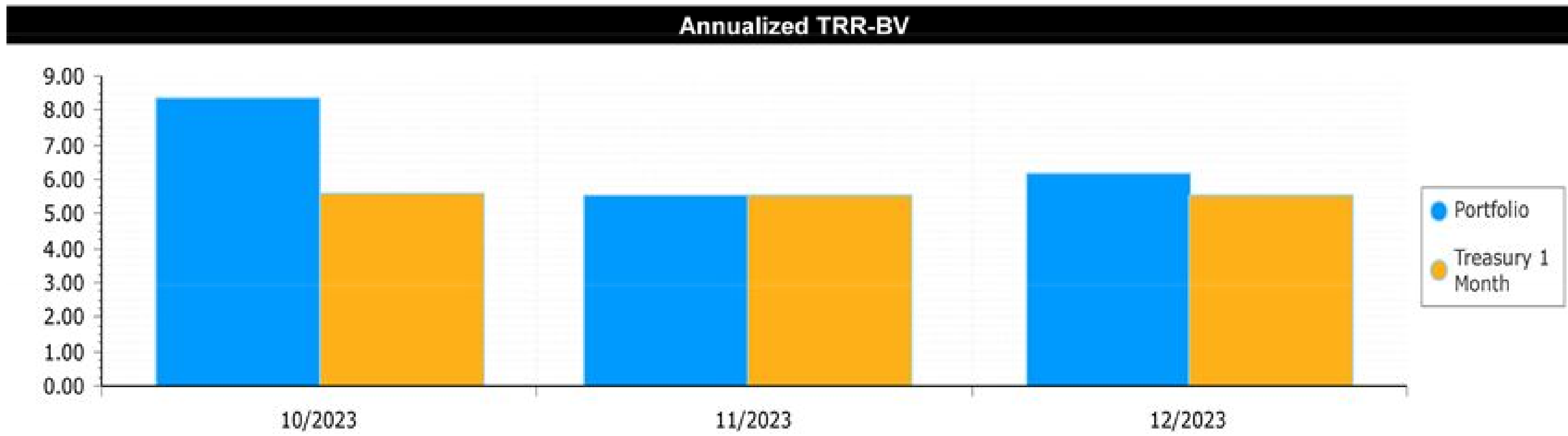


Total Rate of Return vs. Benchmark 1 Month Treasury

September 30, 2023 through December 31, 2023

HARRISHEALTH SYSTEM

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Average Capital Base-BV	TRR-BV	Annualized TRR-BV	Treasury 1 Month
Beginning	1,421,550,322.99				1,351,867,064.21		4.97	5.53
10/31/2023	1,052,841,455.58	6,634,528.40	0.00	6,634,528.40	984,641,505.40	0.67	8.39	5.57
11/30/2023	1,392,616,166.72	5,996,829.87	0.00	5,996,829.87	1,329,786,562.54	0.45	5.55	5.53
12/31/2023	1,275,672,288.18	5,843,475.13	0.00	5,843,475.13	1,162,940,456.15	0.50	6.20	5.54
Total/Average	**1,240,376,636.83**	**18,474,833.40**	**0.00**	**18,474,833.40**	**1,159,122,841.36**	**1.62**	**6.71**	**5.55**



Current Portfolio Holdings & Quarterly Earnings

Begin Date: 9/30/2023, End Date: 12/31/2023

Description	CUSIP/Ticker	Credit Rating 1	Credit Rating 2	Ending Face Amount/Shares	Beginning MV	Ending MV	Ending BV	Investment Income-BV	Ending YTM @ Cost	Maturity Date
H9902 Hospital - General Fund										
H9902 Hospital - Unrestricted Donations DDA MM	D1359	None	None	165,078.94	164,198.69	165,078.94	165,078.94	311.24	5.400	N/A
H9902 Hospital - Cadence General Funds DDA MM	D3837	NR	NR	100,456,082.19	100,441,369.86	100,456,082.19	100,456,082.19	1,353,599.18	5.400	N/A
LoneStar | H9902 LGIP	LONESTARH9902	S&P-AAAm	NR	193,802,341.02	46,755,802.41	193,802,341.02	193,802,341.02	2,046,538.61	5.586	N/A
H9902 Hospital - Cadence General Funds MMF MM	M3837	NR	NR	290,721,814.64	9,128,013.53	290,721,814.64	290,721,814.64	3,887,844.10	5.250	N/A
H9902 Hospital - HRA Sweep MMF MM	M3845	NR	NR	467,749.87	549,124.81	467,749.87	467,749.87	6,615.82	5.250	N/A
H9902 Hospital - Cigna Health Benefits MMF MM	M3944	NR	NR	14,672,202.26	8,351,591.38	14,672,202.26	14,672,202.26	178,712.71	5.250	N/A
H9902 Hospital - FSA Plan MMF MM	M3951	NR	NR	1,241,066.20	1,461,371.57	1,241,066.20	1,241,066.20	17,875.47	5.250	N/A
H9902 Hospital - Donations Sweep MM	M5899	None	None	1,537,487.68	1,306,270.05	1,537,487.68	1,537,487.68	18,372.52	5.250	N/A
TexasCLASS | H9902 LGIP	TXCLASSH9902	S&P-AAAm	NR	187,155,089.92	40,205,755.07	187,155,089.92	187,155,089.92	1,949,334.85	5.569	N/A
NESTLE FINANCE INTL DISC CP 0 10/31/2023	64106HXX4	S&P-A1+	Moodys-P1	0.00	14,233,247.60	0.00	0.00	64,524.78		10/31/2023
NEW YORK CITY TRANSITION FNCE REV 5 11/1/2023	64971X4J4	S&P-AAA	Moodys-Aa1	0.00	18,448,554.80	0.00	0.00	79,990.53		11/1/2023
GLAXOSMITHKLINE DISC CP 0 11/6/2023	37737QY65	S&P-A1	Moodys-P1	0.00	23,565,502.50	0.00	0.00	130,073.50		11/6/2023
BARCLAYS BK US DISC CP 0 11/7/2023	06744HEV8	S&P-A1+	Moodys-P1	0.00	18,393,866.61	0.00	0.00	106,133.47		11/7/2023
LOREAL SA 0 11/20/2023	50213MYL7	S&P-A1+	Moodys-P1	0.00	19,845,780.00	0.00	0.00	149,883.33		11/20/2023
BARCLAYS BK US DISC CP 0 12/7/2023	06744G6Q0	S&P-A1+	Moodys-P1	0.00	72,925,339.30	0.00	0.00	764,547.52		12/7/2023
LVMH SE 0 12/7/2023	50244MZ70	S&P-A1+	Moodys-P1	0.00	29,692,590.00	0.00	0.00	307,700.00		12/7/2023
METLIFE FDG DISC CP 0 12/7/2023	59157UZ78	S&P-A1+	Moodys-P1	0.00	9,896,250.00	0.00	0.00	101,244.44		12/7/2023
T-Bill 0 12/7/2023	912797FT9	S&P-AA+	Moodys-Aaa	0.00	13,863,645.88	0.00	0.00	136,585.56		12/7/2023
CIBC BK DISC CP 0 12/13/2023	13608BZD9	S&P-A1+	Moodys-P1	0.00	24,722,175.00	0.00	0.00	281,097.22		12/13/2023
HALKIN FINANCE DISC CP 0 1/4/2024	40588LA41	S&P-A1+	Moodys-P1	25,000,000.00	24,629,425.00	24,977,750.00	24,984,472.22	357,138.89	5.773	1/4/2024
BARCLAYS BK US DISC CP 0 1/5/2024	06744G6R8	S&P-A1+	Moodys-P1	50,000,000.00	49,257,007.00	49,961,700.00	49,961,701.39	704,694.45	5.688	1/5/2024
BARCLAYS BK US DISC CP 0 1/5/2024	06744HDZ0	S&P-A1+	Moodys-P1	50,000,000.00	49,254,986.00	49,961,600.00	49,961,597.22	706,611.11	5.710	1/5/2024
FHLB 5.365 2/12/2024-23	3130AWGG9	S&P-AA+	Moodys-Aaa	150,000,000.00	149,791,119.00	149,970,150.00	150,000,000.00	2,034,229.17	5.365	2/12/2024
FHLB 5.41 3/7/2024-23	3130AWFP0	S&P-AA+	Moodys-Aaa	0.00	99,859,058.00	0.00	0.00	105,194.44		3/7/2024
FHLB 5.35 4/3/2024-23	3130AWFY1	S&P-AA+	Moodys-Aaa	125,000,000.00	124,795,713.75	125,000,000.00	125,000,000.00	1,690,451.38	5.350	4/3/2024
Sub Total/Average H9902 Hospital - General Fund				**1,190,218,912.72**	**951,537,757.81**	**1,190,090,112.72**	**1,190,126,683.55**	**17,179,304.29**	**5.440**	
H9906 Hospital - SPFC										
H9906 Hospital - SPFC Money Market MM	M3936	NR	NR	53,870.52	53,069.42	53,870.52	53,870.52	706.23	5.250	N/A
TexasCLASS | H9906 LGIP	TXCLASSH9906	S&P-AAAm	NR	935,431.44	922,387.75	935,431.44	935,431.44	13,043.69	5.569	N/A
Sub Total/Average H9906 Hospital - SPFC				**989,301.96**	**975,457.17**	**989,301.96**	**989,301.96**	**13,749.92**	**5.551**	
H9917 Hospital - Ser 2010 DS										
H9917 Hospital - Series 2010 DS Sweep MMF MM	M3993	NR	NR	0.00	0.00	0.00	0.00	43.61		N/A
TexasCLASS | H9917 LGIP	TXCLASSH9917	S&P-AAAm	NR	105,302.63	102,541.87	105,302.63	105,302.63	1,466.24	5.569	N/A
T-Note 0.875 1/31/2024	91282CDV0	S&P-AA+	Moodys-Aaa	6,400,000.00	6,304,750.02	6,377,324.80	6,378,011.63	79,255.82	5.070	1/31/2024
Sub Total/Average H9917 Hospital - Ser 2010 DS				**6,505,302.63**	**6,407,291.89**	**6,482,627.43**	**6,483,314.26**	**80,765.67**	**5.078**	
H9918 Hospital - Ser 2010 DSR										
H9918 Hospital - Series 2010 DSR Sweep MMF MM	M4017	NR	NR	0.00	0.00	0.00	0.00	46.40		N/A
TexasCLASS | H9918 LGIP	TXCLASSH9918	S&P-AAAm	NR	219,128.38	214,697.78	219,128.38	219,128.38	3,053.28	5.569	N/A
T-Note 0.875 1/31/2024	91282CDV0	S&P-AA+	Moodys-Aaa	5,900,000.00	5,812,191.42	5,879,096.30	5,879,729.47	73,063.95	5.070	1/31/2024

Description	CUSIP/Ticker	Credit Rating 1	Credit Rating 2	Ending Face Amount/Shares	Beginning MV	Ending MV	Ending BV	Investment Income-BV	Ending YTM @ Cost	Maturity Date
Sub Total/Average H9918 Hospital - Ser 2010 DSR				**6,119,128.38**	**6,026,889.20**	**6,098,224.68**	**6,098,857.85**	**76,163.63**	**5.088**	
H9920 Hospital - Rev & Ref Ser 2016 DS										
H9920 Hospital - Series 2016 DS Sweep MMF MM	M4009	NR	NR	0.00	0.00	0.00	0.00	67.47		N/A
TexasCLASS I H9920 LGIP	TXCLASSH9920	S&P-AAAm	NR	156,181.99	152,004.56	156,181.99	156,181.99	2,174.53	5.569	N/A
T-Note 0.875 1/31/2024	91282CDV0	S&P-AA+	Moodys-Aaa	10,225,000.00	10,072,823.27	10,188,772.82	10,189,870.14	126,623.55	5.070	1/31/2024
Sub Total/Average H9920 Hospital - Rev & Ref Ser 2016 DS				**10,381,181.99**	**10,224,827.83**	**10,344,954.81**	**10,346,052.13**	**128,865.55**	**5.078**	
H9921 Hospital - Rev & Ref Ser 2016 DSR										
H9921 Hospital - Series 2016 DSR Sweep MMF MM	M4033	NR	NR	0.00	0.00	0.00	0.00	70.95		N/A
TexasCLASS I H9921 LGIP	TXCLASSH9921	S&P-AAAm	None	165,943.25	161,526.74	165,943.25	165,943.25	2,310.49	5.569	N/A
T-Note 0.875 1/31/2024	91282CDV0	S&P-AA+	Moodys-Aaa	10,650,000.00	10,491,498.07	10,612,267.05	10,613,409.97	131,886.63	5.070	1/31/2024
Sub Total/Average H9921 Hospital - Rev & Ref Ser 2016 DSR				**10,815,943.25**	**10,653,024.81**	**10,778,210.30**	**10,779,353.22**	**134,268.07**	**5.078**	
H9924 Hospital - Capital Assets Series 2020										
H9924 Hospital - Capital Assets Ser 2020 Sweep MMF	M6228	NR	NR	0.00	169,933.08	0.00	0.00	268.12		N/A
TexasCLASS I H9924 LGIP	TXCLASSH9924	S&P-AAAm	NR	5,719,999.27	5,849,150.00	5,719,999.27	5,719,999.27	84,633.39	5.569	N/A
Sub Total/Average H9924 Hospital - Capital Assets Series 2020				**5,719,999.27**	**6,019,083.08**	**5,719,999.27**	**5,719,999.27**	**84,901.51**	**5.569**	
H9925 Hospital - Capital Gift Proceeds										
H9925 Hospital - Capital Gift Proceeds Sweep MM	M1367	None	None	0.00	0.00	0.00	0.00	7.81		N/A
TexasCLASS I H9925 LGIP	TXCLASSH9925	S&P-AAAm	NR	55,332,473.34	54,939,847.12	55,332,473.34	55,332,473.34	776,806.95	5.569	N/A
Sub Total/Average H9925 Hospital - Capital Gift Proceeds				**55,332,473.34**	**54,939,847.12**	**55,332,473.34**	**55,332,473.34**	**776,814.76**	**5.569**	
Total / Average				**1,286,082,243.54**	**1,046,784,178.91**	**1,285,835,904.51**	**1,285,876,035.58**	**18,474,833.40**	**5.437**	

BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 15, 2024

Consideration of Acceptance of the Harris Health System Fourth Quarter Calendar Year 2023 Pension Plan Report

Attached for your review and acceptance is the Fourth Quarter Calendar Year 2023 Pension Plan Report for the period October–December 2023.

Administration recommends that the Board accept the Fourth Quarter Pension Plan Report for the period ended December 31, 2023.

DocuSigned by:
Victoria Nikitin
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Victoria Nikitin
EVP - CFO

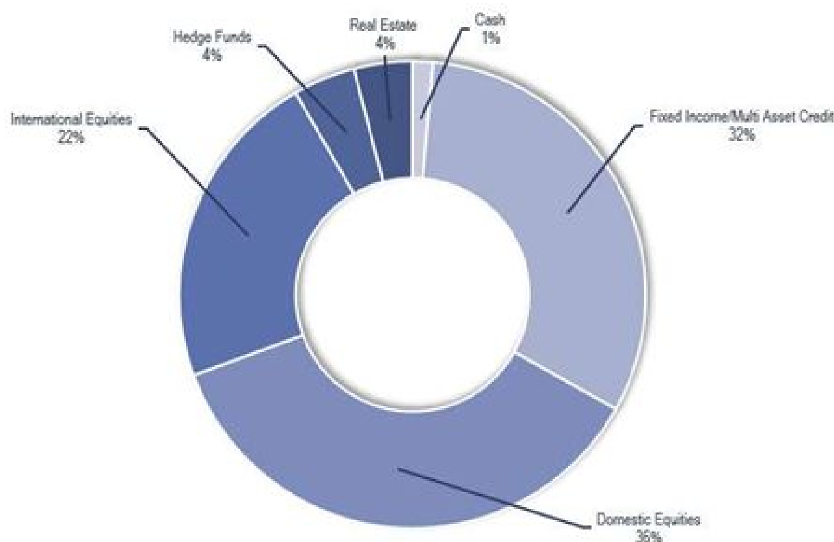
Pension Plan Summary

HARRISHEALTH SYSTEM

For the Quarter Ended and Year to Date December 31, 2023

	YEAR-TO-DATE	QUARTERLY				YEAR-TO-DATE
	12/31/22	03/31/23	06/30/23	09/30/23	12/31/23	12/31/23
Investment Return	-16.3%	0.2%	8.5%	-3.0%	8.4%	14.0%
Market Value of Assets (in millions)	$ 821.2	$ 821.0	$ 893.4	$ 868.7	$ 946.6	$ 946.6
Employer Contributions (in millions)	$ 60.0	$ 15.2	$ 16.2	$ 18.3	$ 18.3	$ 68.0
Benefit Payments (in millions)	$ 56.6	$ 16.2	$ 16.0	$ 16.0	$ 16.0	$ 64.1
Funded Ratio	71.6%	71.2%	75.8%	73.2%	79.3%	79.3%

Current Asset Allocation:



*The Plan was in compliance with target asset allocations per the Board approved Pension Plan Investment Policy.

Market Updates:

The market value of the Plan assets increased $77.9 million this quarter and increased $125.4 million since the beginning of the calendar year. Investment return was 8.4% for the quarter ended December 31, 2023, due to the following market conditions:

- In the fourth quarter of 2023, global equity markets rose due to a strong rally in November and December as market participants anticipated a higher probability of interest rate cuts in 2024.
- U.S. economic growth exceeded expectations as the economy expanded by an annualized rate of 4.9% over the third quarter, aided by a sharp rise in consumer spending and business spending on inventories.
- Inflation generally slowed across major economies, as the U.S. headline consumer price index edged lower to 3.1%. U.S. Core inflation, which excludes food and energy costs, remained unchanged from the previous month at 4%. A fall in energy prices and a slower pace of growth in food and services prices proved to be primary factors.
- During the fourth quarter, major central banks around the world kept their interest rates unchanged. The U.S. Federal Reserve kept its benchmark policy rate at 5.25%-5.5% for the third consecutive meeting.
- U.S. Treasury yields fell across most maturities as the yield curve shifted downwards over the quarter. Longer-dated and medium-term bond yields fell more compared to short-dated yields. Credit markets rose amid increasing risk tolerance sentiment.

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 15, 2024

Consideration of Acceptance of the Harris Health System December 2023 Quarterly Financial Report Subject to Audit

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Attached for your review and consideration is the December 2023 Financial Report for the quarter and three months fiscal year-to-date ended December 31, 2023.

Administration recommends that the Board accept the financial report for the period ended December 31, 2023, subject to final audit.

DocuSigned by:
Victoria Nikitin
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Victoria Nikitin
EVP - CFO

HARRISHEALTH SYSTEM

Financial Statements

As of the Quarter Ended December 31, 2023
Subject to Audit

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Financial Highlights Review

As of the Quarter Ended December 31, 2023 and 2022

Operating income for the quarter ended December 31, 2023 was $28.7 million compared to budgeted income of $25.9 million.

Total quarterly net revenue for December of $614.4 million was $34.7 million or 5.3% less than budget. Net patient revenue was $4.7 million more than budget. Medicaid Supplemental programs were $40.5 million less than expected primarily due to timing.

Total quarterly expenses of $585.6 million were $37.5 million or 6.0% less than budget. Staff costs were $12.0 million under budget as a result of lower labor costs and benefits expense than expected. Physician services were $7.6 million less than projected mostly due to the unfilled faculty vacancies and prior period adjustments. Purchased services for medical insurance subsidies contributed $6.9 million to the decrease due to the Marketplace plan pricing effective for calendar year 2023.

For the first quarter, total patient days and average daily census increased 4.4% compared to budget. Inpatient case mix index, a measure of patient acuity, was 0.8% lower than planned with length of stay 1.3% more than budget. Emergency room visits were 4.8% higher than planned for the quarter. Total clinic visits, including telehealth, were 4.2% lower compared to budget. Births were down 10.4% for the quarter.

Total cash receipts for the quarter were $779.4 million. The System has $1,181.0 million in unrestricted cash, cash equivalents and investments, representing 192.1 days cash on hand. Harris Health System has $167.4 million in net accounts receivable, representing 86.1 days of outstanding patient accounts receivable at December 31, 2023. The December balance sheet reflects a combined net receivable position of $157.1 million under the various Medicaid Supplemental programs. The current portion of ad valorem taxes receivable is $782.9 million, which is offset by ad valorem tax collections as received. Deferred ad valorem tax revenue is $681.8 million, and is released as ad valorem tax revenue is recognized. As of December 31, 2023, $122.3 million in ad valorem tax collections were received and $227.3 million in current ad valorem tax revenue was recognized.

Income Statement

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2023 and 2022 (in $ Millions)

	QUARTER-TO-DATE			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT VARIANCE	CURRENT YEAR	CURRENT BUDGET	PERCENT VARIANCE	PRIOR YEAR	PERCENT VARIANCE
REVENUE								
Net Patient Revenue	$ 178.9	$ 174.2	2.7%	$ 178.9	$ 174.2	2.7%	$ 184.7	-3.1%
Medicaid Supplemental Programs	163.6	204.1	-19.8%	163.6	204.1	-19.8%	166.9	-1.9%
Other Operating Revenue	31.1	30.0	3.6%	31.1	30.0	3.6%	29.1	6.7%
Total Operating Revenue	**$ 373.6**	**$ 408.3**	**-8.5%**	**$ 373.6**	**$ 408.3**	**-8.5%**	**$ 380.7**	**-1.9%**
Net Ad Valorem Taxes	224.4	224.1	0.1%	224.4	224.1	0.1%	207.8	8.0%
Net Tobacco Settlement Revenue	-	-	0.0%	-	-	0.0%	-	0.0%
Capital Gifts & Grants	-	-	0.0%	-	-	0.0%	-	0.0%
Interest Income & Other	16.4	16.6	-1.7%	16.4	16.6	-1.7%	10.1	61.1%
Total Nonoperating Revenue	**$ 240.8**	**$ 240.8**	**0.0%**	**$ 240.8**	**$ 240.8**	**0.0%**	**$ 218.0**	**10.5%**
Total Net Revenue	**$ 614.4**	**$ 649.1**	**-5.3%**	**$ 614.4**	**$ 649.1**	**-5.3%**	**$ 598.6**	**2.6%**
EXPENSE								
Salaries and Wages	$ 234.6	$ 240.5	2.4%	$ 234.6	$ 240.5	2.4%	$ 215.8	-8.7%
Employee Benefits	82.3	88.4	7.0%	82.3	88.4	7.0%	66.1	-24.4%
Total Labor Cost	**$ 316.9**	**$ 328.9**	**3.7%**	**$ 316.9**	**$ 328.9**	**3.7%**	**$ 282.0**	**-12.4%**
Supply Expenses	74.6	79.4	6.0%	74.6	79.4	6.0%	72.9	-2.3%
Physician Services	104.2	111.8	6.8%	104.2	111.8	6.8%	100.6	-3.6%
Purchased Services	64.4	80.5	20.0%	64.4	80.5	20.0%	66.5	3.2%
Depreciation & Interest	25.6	22.6	-13.2%	25.6	22.6	-13.2%	21.6	-18.7%
Total Operating Expense	**$ 585.6**	**$ 623.1**	**6.0%**	**$ 585.6**	**$ 623.1**	**6.0%**	**$ 543.6**	**-7.7%**
Operating Income (Loss)	**$ 28.7**	**$ 25.9**		**$ 28.7**	**$ 25.9**		**$ 55.0**	
Total Margin %	**4.7%**	**4.0%**		**4.7%**	**4.0%**		**9.2%**	

Balance Sheet

HARRISHEALTH SYSTEM

December 31, 2023 and 2022 (in $ Millions)

	CURRENT YEAR	PRIOR YEAR
CURRENT ASSETS		
Cash, Cash Equivalents and Short Term Investments	$ 1,181.0	$ 1,151.7
Net Patient Accounts Receivable	167.4	146.4
Net Ad Valorem Taxes, Current Portion	782.9	(2.9)
Other Current Assets	264.6	260.2
Total Current Assets	**$ 2,396.0**	**$ 1,555.4**
CAPITAL ASSETS		
Plant, Property, & Equipment, Net of Accumulated Depreciation	$ 535.6	$ 415.1
Construction in Progress	145.5	181.0
Right of Use Assets	42.4	44.9
Total Capital Assets	**$ 723.5**	**$ 640.9**
ASSETS LIMITED AS TO USE & RESTRICTED ASSETS		
Debt Service & Capital Asset Funds	$ 41.1	$ 40.1
LPPF Restricted Cash	111.4	24.7
Capital Gift Proceeds	55.3	45.8
Other - Restricted	1.0	1.0
Total Assets Limited As to Use & Restricted Assets	**$ 208.9**	**$ 111.6**
Other Assets	40.3	30.4
Deferred Outflows of Resources	237.5	188.5
Total Assets & Deferred Outflows of Resources	**$ 3,606.2**	**$ 2,526.9**
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 274.2	$ 186.3
Employee Compensation & Related Liabilities	149.5	132.6
Deferred Revenue - Ad Valorem	681.8	-
Estimated Third-Party Payor Settlements	21.5	14.9
Current Portion Long-Term Debt and Capital Leases	20.2	20.3
Total Current Liabilities	**$ 1,147.1**	**$ 354.0**
Long-Term Debt	315.2	331.5
Net Pension & Post Employment Benefits Liability	779.4	598.2
Other Long-Term Liabilities	9.7	8.0
Deferred Inflows of Resources	112.6	218.7
Total Liabilities	**$ 2,364.0**	**$ 1,510.4**
Total Net Assets	**$ 1,242.1**	**$ 1,016.5**
Total Liabilities & Net Assets	**$ 3,606.2**	**$ 2,526.9**

Cash Flow Summary

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2023 and 2022 (in $ Millions)

	QUARTER-TO-QUARTER		YEAR-TO-DATE	
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR
CASH RECEIPTS				
Collections on Patient Accounts	$ 210.8	$ 156.9	$ 210.8	$ 156.9
Medicaid Supplemental Programs	412.6	462.0	412.6	462.0
Net Ad Valorem Taxes	114.3	204.0	114.3	204.0
Tobacco Settlement	-	-	-	-
Other Revenue	41.7	66.8	41.7	66.8
Total Cash Receipts	**$ 779.4**	**$ 889.7**	**$ 779.4**	**$ 889.7**
CASH DISBURSEMENTS				
Salaries, Wages and Benefits	$ 330.0	$ 313.1	$ 330.0	$ 313.1
Supplies	79.5	73.8	79.5	73.8
Physician Services	99.6	96.4	99.6	96.4
Purchased Services	67.5	52.5	67.5	52.5
Capital Expenditures	41.3	32.5	41.3	32.5
Debt and Interest Payments	0.8	0.9	0.8	0.9
Other Uses	(7.7)	(8.5)	(7.7)	(8.5)
Total Cash Disbursements	**$ 611.0**	**$ 560.8**	**$ 611.0**	**$ 560.8**
Net Change	**$ 168.4**	**$ 328.9**	**$ 168.4**	**$ 328.9**

Unrestricted Cash, Cash Equivalents and Investments - Beginning of year	$ 1,012.6
Net Change	168.4
Unrestricted Cash, Cash Equivalents and Investments - End of period	**$ 1,181.0**

Performance Ratios

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2023 and 2022 (in $ Millions)

	QUARTER-TO-DATE		YEAR-TO-DATE		
	CURRENT YEAR	CURRENT BUDGET	CURRENT YEAR	CURRENT BUDGET	PRIOR YEAR
OPERATING HEALTH INDICATORS					
Operating Margin %	4.7%	4.0%	4.7%	4.0%	9.2%
Run Rate per Day (In$ Millions)	$ 6.1	$ 6.6	$ 6.1	$ 6.6	$ 5.7
Salary, Wages & Benefit per APD	$ 2,429	$ 2,642	$ 2,429	$ 2,642	$ 2,265
Supply Cost per APD	$ 572	$ 637	$ 572	$ 637	$ 586
Physician Services per APD	$ 799	$ 898	$ 799	$ 898	$ 808
Total Expense per APD	**$ 4,489**	**$ 5,006**	**$ 4,489**	**$ 5,006**	**$ 4,367**
Overtime as a % of Total Salaries	3.3%	2.9%	3.3%	2.9%	3.7%
Contract as a % of Total Salaries	4.9%	4.4%	4.9%	4.4%	5.8%
Full-time Equivalent Employees	10,334	10,181	10,334	10,181	9,866
FINANCIAL HEALTH INDICATORS					
Quick Ratio			2.1		4.3
Unrestricted Cash (In $ Millions)			$ 1,181.0	$ 854.7	$ 1,151.7
Days Cash on Hand			192.1	129.5	200.4
Days Revenue in Accounts Receivable			86.1	88.1	73.0
Days in Accounts Payable			47.2		44.6
Capital Expenditures/Depreciation & Amortization			201.0%		174.8%
Average Age of Plant(years)			10.6		11.1

Harris Health System Key Indicators

Statistical Highlights

HARRIS HEALTH SYSTEM

As of the Quarter Ended December 31, 2023 and 2022

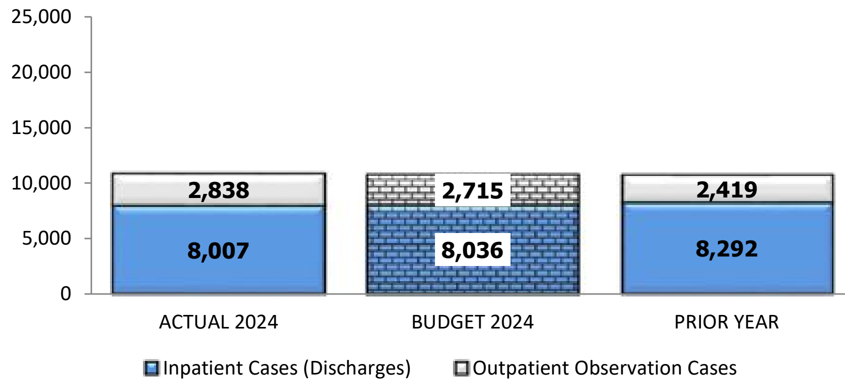
	QUARTER-TO-DATE			YEAR-TO-DATE				
	CURRENT QUARTER	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
Adjusted Patient Days	130,461	127,210	2.6%	130,461	127,210	2.6%	124,480	4.8%
Outpatient % of Adjusted Volume	61.6%	61.0%	1.0%	61.6%	61.0%	1.0%	60.1%	2.6%
Primary Care Clinic Visits	129,896	134,191	-3.2%	129,896	134,191	-3.2%	131,474	-1.2%
Specialty Clinic Visits	59,219	59,465	-0.4%	59,219	59,465	-0.4%	60,378	-1.9%
Telehealth Clinic Visits	28,105	33,023	-14.9%	28,105	33,023	-14.9%	32,467	-13.4%
Total Clinic Visits	**217,220**	**226,679**	**-4.2%**	**217,220**	**226,679**	**-4.2%**	**224,319**	**-3.2%**
Emergency Room Visits - Outpatient	33,583	32,354	3.8%	33,583	32,354	3.8%	32,891	2.1%
Emergency Room Visits - Admitted	5,334	4,775	11.7%	5,334	4,775	11.7%	5,410	-1.4%
Total Emergency Room Visits	**38,917**	**37,129**	**4.8%**	**38,917**	**37,129**	**4.8%**	**38,301**	**1.6%**
Surgery Cases - Outpatient	2,828	2,465	14.7%	2,828	2,465	14.7%	2,565	10.3%
Surgery Cases - Inpatient	2,397	2,528	-5.2%	2,397	2,528	-5.2%	2,375	0.9%
Total Surgery Cases	**5,225**	**4,993**	**4.6%**	**5,225**	**4,993**	**4.6%**	**4,940**	**5.8%**
Total Outpatient Visits	**354,913**	**368,904**	**-3.8%**	**354,913**	**368,904**	**-3.8%**	**366,095**	**-3.1%**
Inpatient Cases (Discharges)	8,007	8,036	-0.4%	8,007	8,036	-0.4%	8,292	-3.4%
Outpatient Observation Cases	2,838	2,715	4.5%	2,838	2,715	4.5%	2,419	17.3%
Total Cases Occupying Patient Beds	**10,845**	**10,751**	**0.9%**	**10,845**	**10,751**	**0.9%**	**10,711**	**1.3%**
Births	1,317	1,470	-10.4%	1,317	1,470	-10.4%	1,507	-12.6%
Inpatient Days	50,033	49,553	1.0%	50,033	49,553	1.0%	49,666	0.7%
Outpatient Observation Days	9,480	7,437	27.5%	9,480	7,437	27.5%	7,687	23.3%
Total Patient Days	**59,513**	**56,990**	**4.4%**	**59,513**	**56,990**	**4.4%**	**57,353**	**3.8%**
Average Daily Census	646.9	619.5	4.4%	646.9	619.5	4.4%	623.4	3.8%
Average Operating Beds	696	702	-0.9%	696	702	-0.9%	681	2.2%
Bed Occupancy %	92.9%	88.2%	5.3%	92.9%	88.2%	5.3%	91.5%	1.5%
Inpatient Average Length of Stay	6.25	6.17	1.3%	6.25	6.17	1.3%	5.99	4.3%
Inpatient Case Mix Index (CMI)	1.681	1.694	-0.8%	1.681	1.694	-0.8%	1.661	1.2%
Payor Mix (% of Charges)								
Charity & Self Pay	45.2%	44.3%	2.1%	45.2%	44.3%	2.1%	46.6%	-3.0%
Medicaid & Medicaid Managed	19.9%	22.7%	-12.1%	19.9%	22.7%	-12.1%	22.9%	-13.2%
Medicare & Medicare Managed	11.8%	11.4%	3.2%	11.8%	11.4%	3.2%	10.8%	8.6%
Commercial & Other	23.2%	21.7%	6.8%	23.2%	21.7%	6.8%	19.6%	17.9%
Total Unduplicated Patients - Rolling 12				**246,353**			**241,493**	**2.0%**
Total New Patient - Rolling 12				**88,751**			**84,727**	**4.7%**

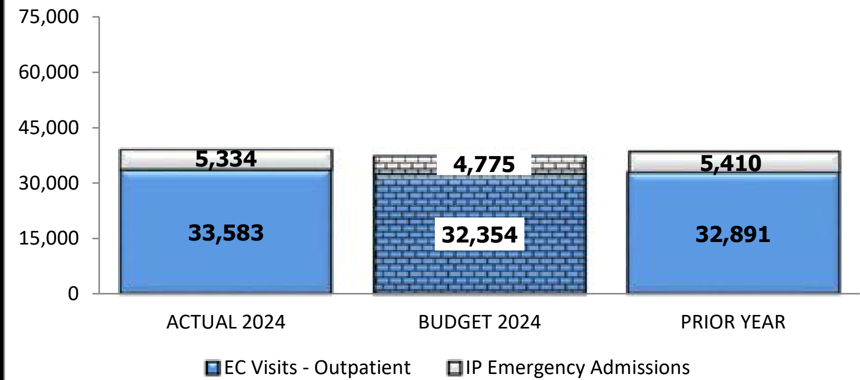
Harris Health System

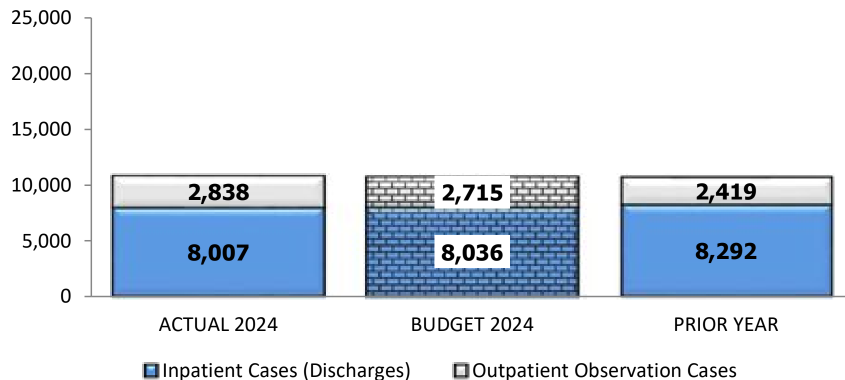
Statistical Highlights

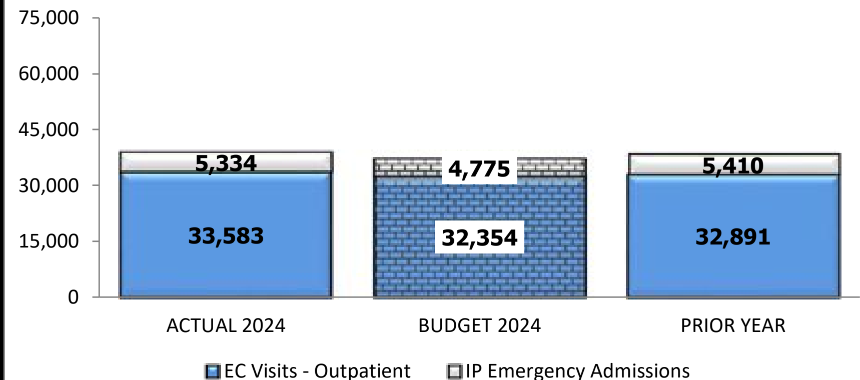
As of the Quarter Ended December 31, 2023

Cases Occupying Beds - Q1			Cases Occupying Beds - YTD			Emergency Visits - Q1			Emergency Visits - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
10,845	10,751	10,711	10,845	10,751	10,711	38,917	37,129	38,301	38,917	37,129	38,301







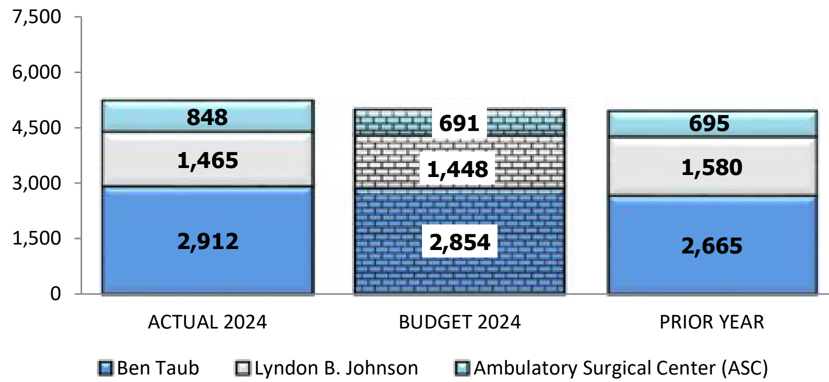


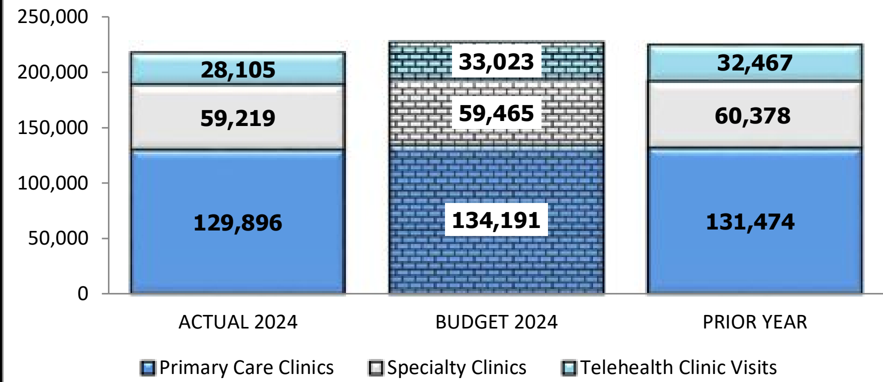
Harris Health System

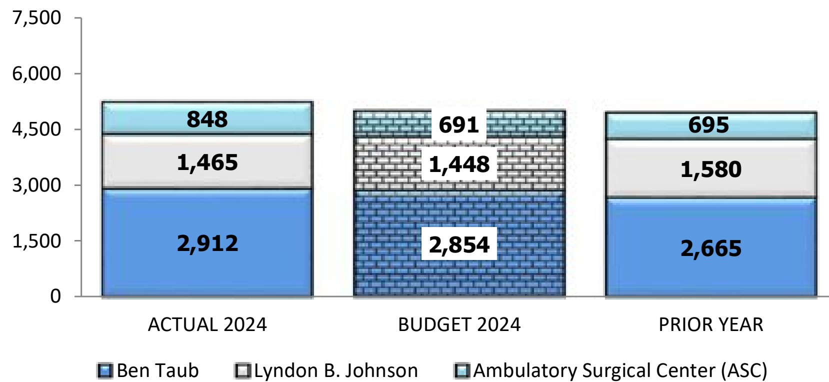
Statistical Highlights

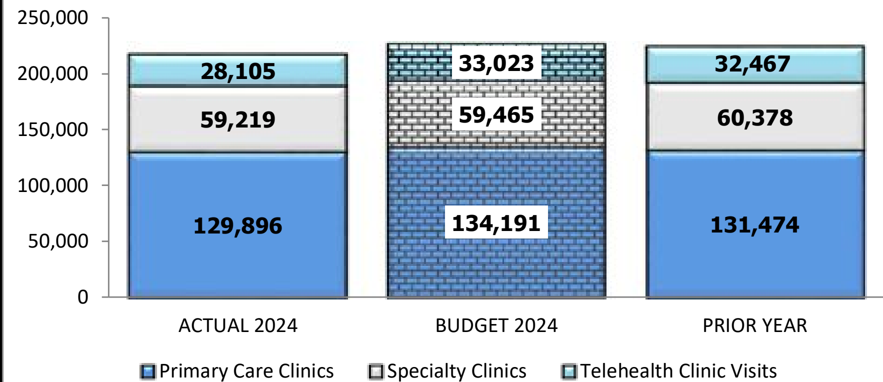
As of the Quarter Ended December 31, 2023

Surgery Cases - Q1			Surgery Cases - YTD			Clinic Visits - Q1			Clinic Visits - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
5,225	4,993	4,940	5,225	4,993	4,940	217,220	226,679	224,319	217,220	226,679	224,319







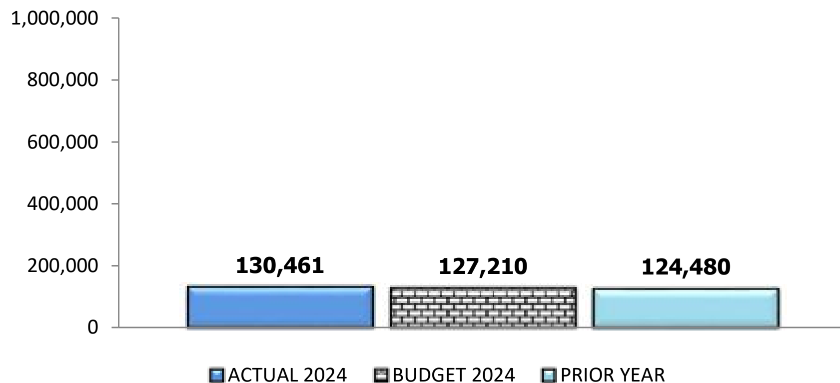


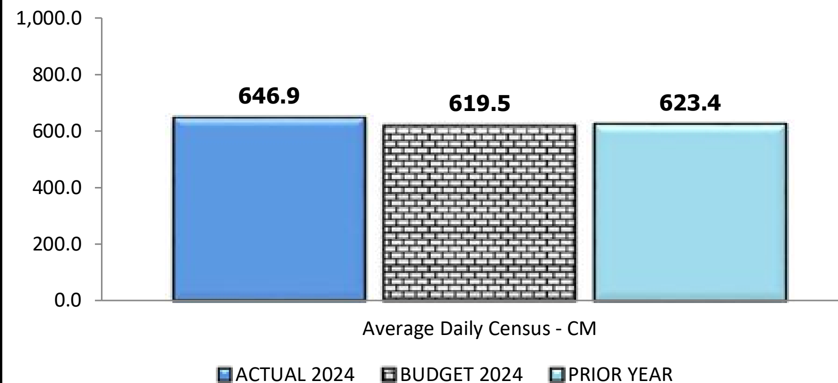
Harris Health System

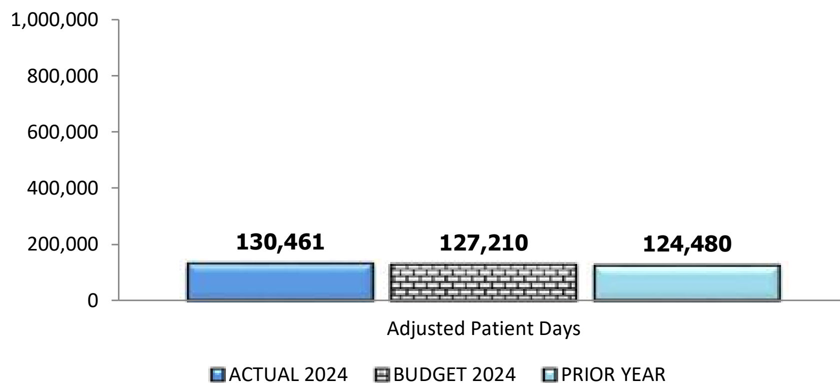
Statistical Highlights

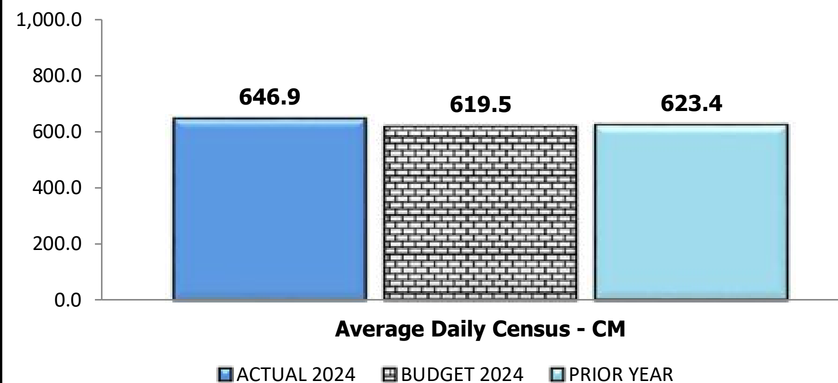
As of the Quarter Ended December 31, 2023

Adjusted Patient Days - Q1	Adjusted Patient Days - YTD	Average Daily Census - Q1	Average Daily Census - YTD
130,461	130,461	646.9	646.9







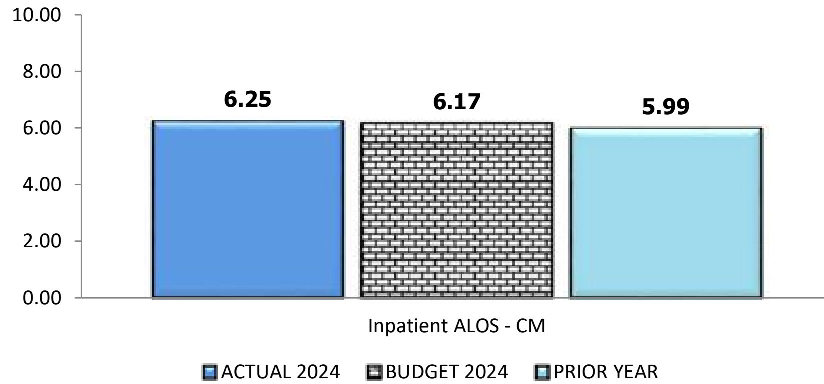


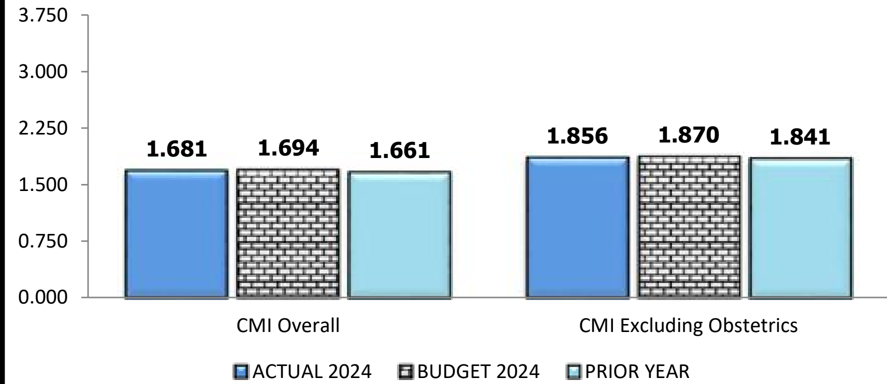
Harris Health System

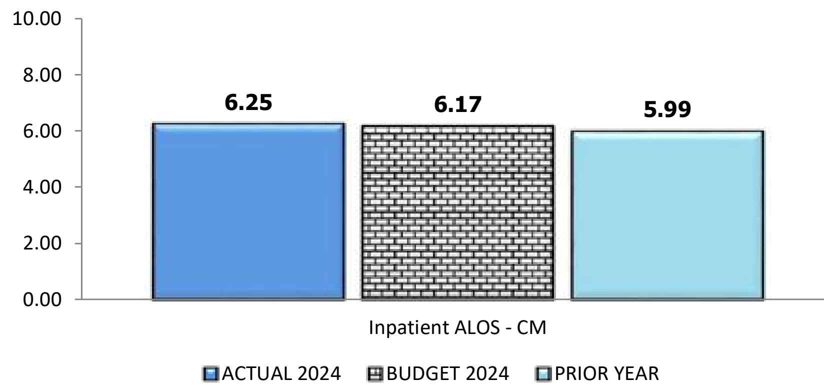
Statistical Highlights

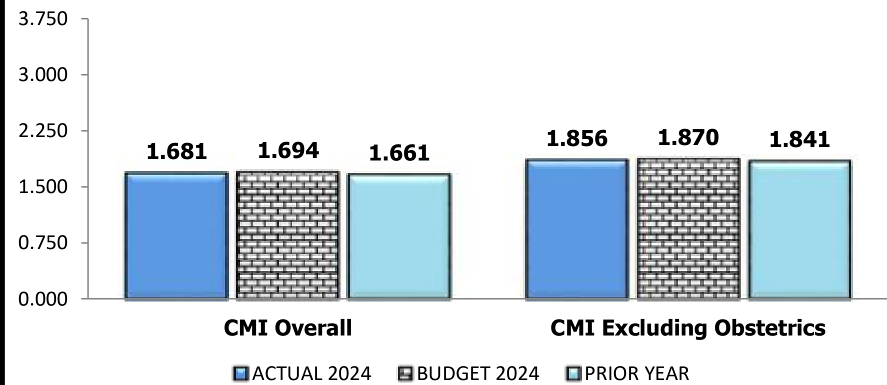
As of the Quarter Ended December 31, 2023

Inpatient ALOS - Q1	Inpatient ALOS - YTD	Case Mix Index - Q1		Case Mix Index (CMI) - YTD	
		Overall	Excl. Obstetrics	Overall	Excl. Obstetrics
6.25	6.25	1.681	1.856	1.681	1.856









Harris Health System

Statistical Highlights - Cases Occupying Beds

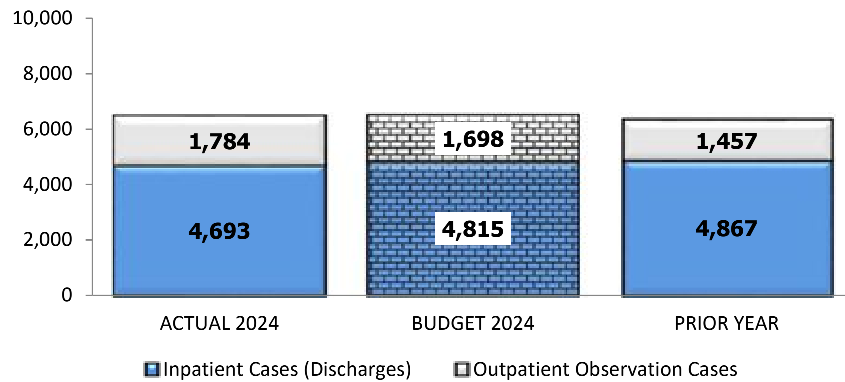
As of the Quarter Ended December 31, 2023

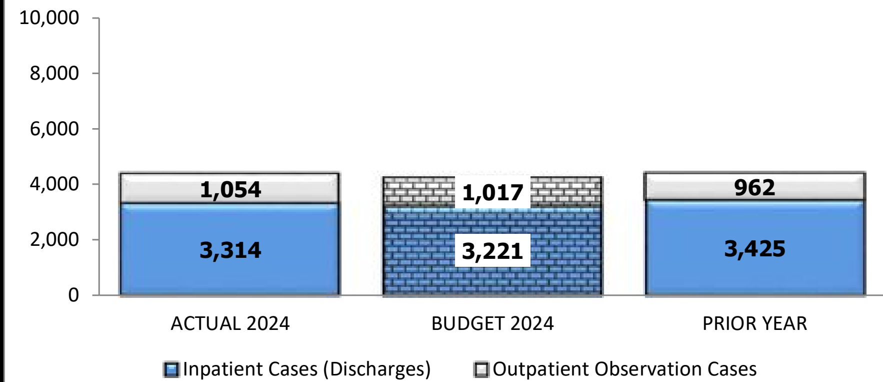
BT Cases Occupying Beds - Q1		
Actual	Budget	Prior Year
6,477	6,513	6,324

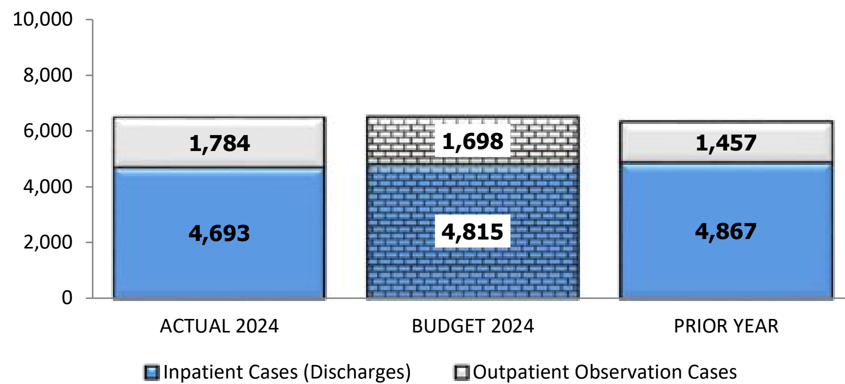
BT Cases Occupying Beds - YTD		
Actual	Budget	Prior Year
6,477	6,513	6,324

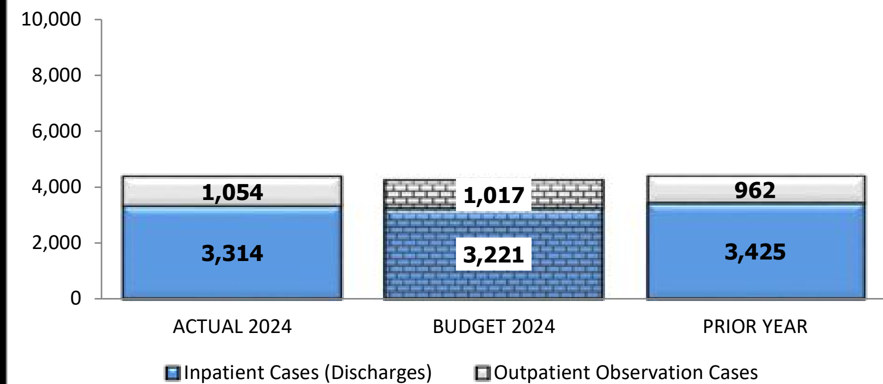
LBJ Cases Occupying Beds - Q1		
Actual	Budget	Prior Year
4,368	4,238	4,387

LBJ Cases Occupying Beds - YTD		
Actual	Budget	Prior Year
4,368	4,238	4,387









Harris Health System

Statistical Highlights - Surgery Cases

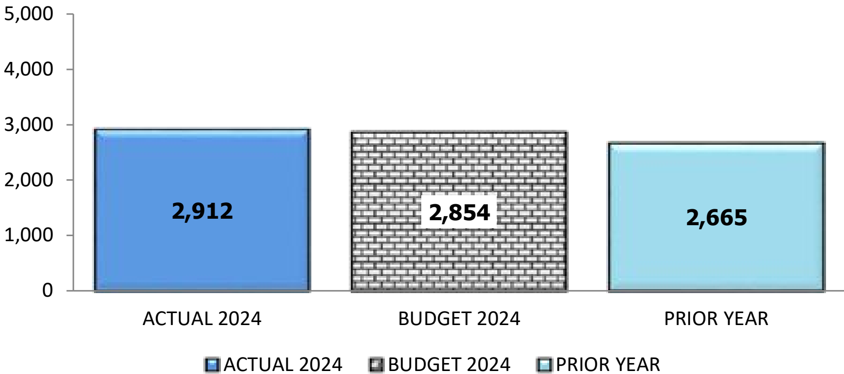
As of the Quarter Ended December 31, 2023

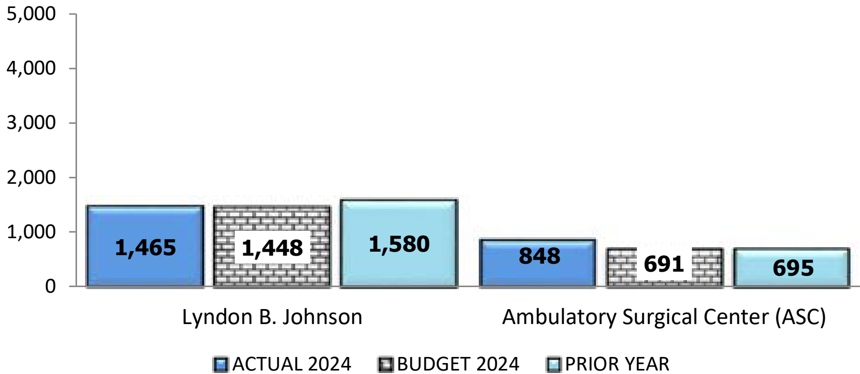
BT Surgery Cases - Q1		
Actual	Budget	Prior Year
2,912	2,854	2,665

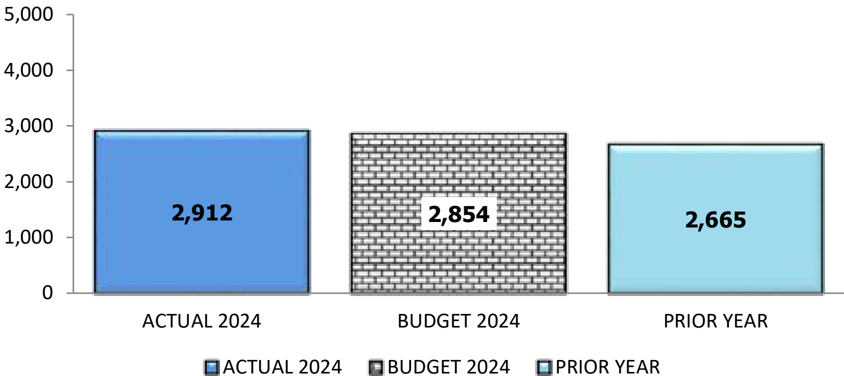
BT Surgery Cases - YTD		
Actual	Budget	Prior Year
2,912	2,854	2,665

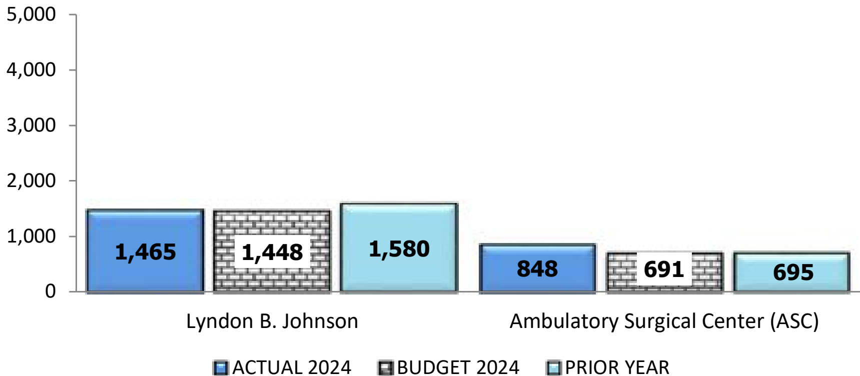
LBJ Surgery Cases - Q1		
Actual	Budget	Prior Year
2,313	2,139	2,275

LBJ Surgery Cases - YTD		
Actual	Budget	Prior Year
2,313	2,139	2,275







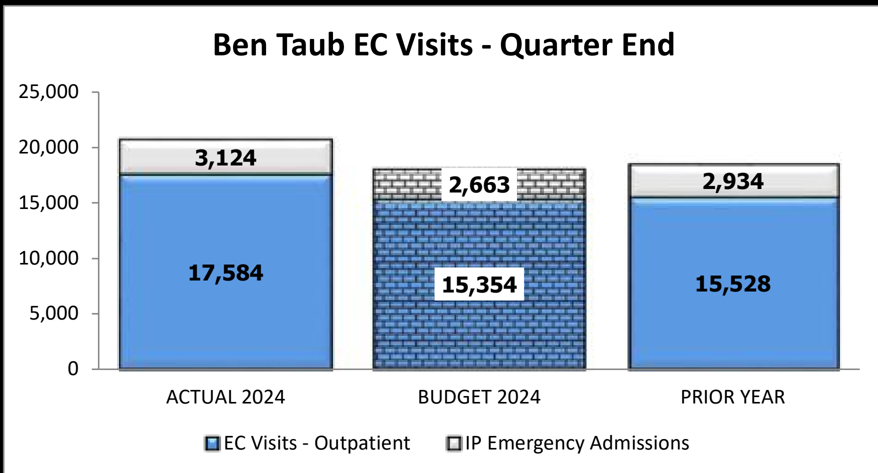


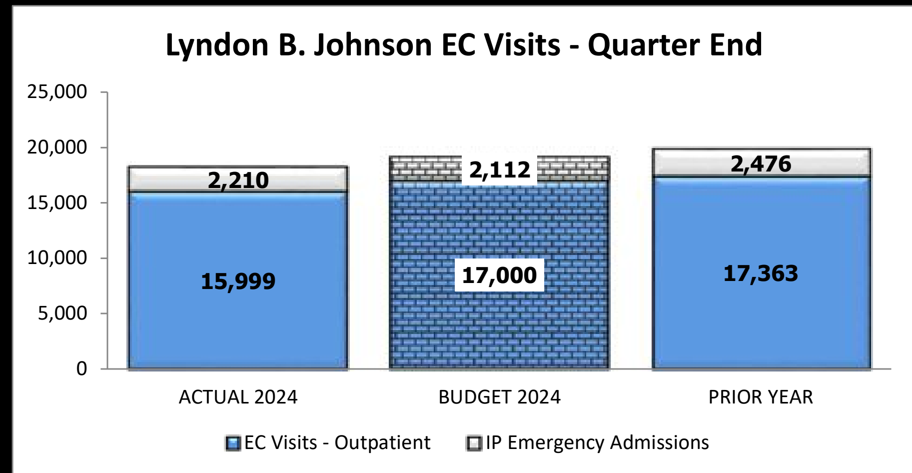
Harris Health System

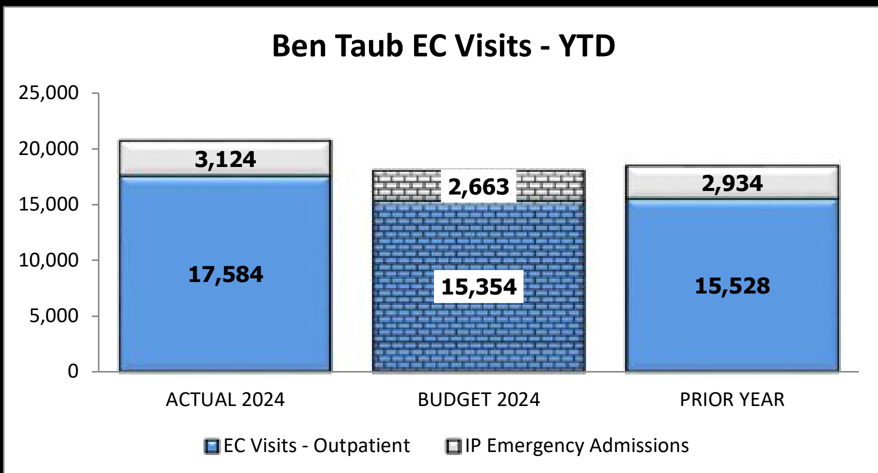
Statistical Highlights - Emergency Room Visits

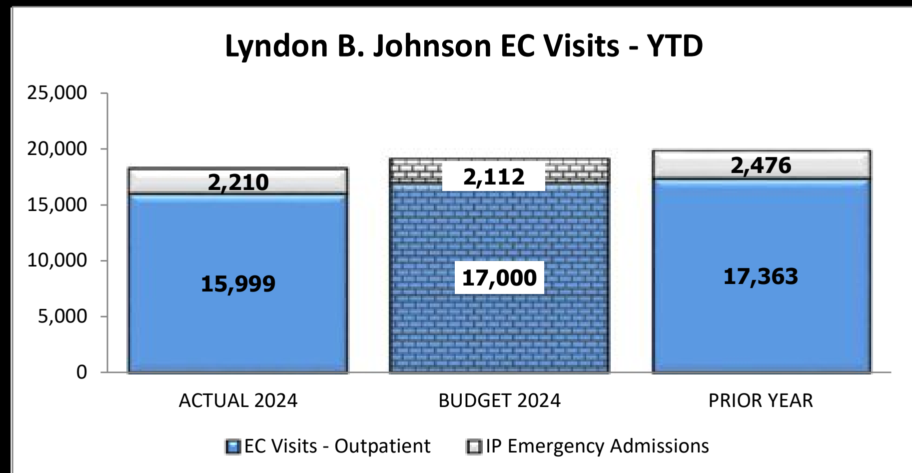
As of the Quarter Ended December 31, 2023

BT Emergency Visits - Q1			BT Emergency Visits - YTD			LBJ Emergency Visits - Q1			LBJ Emergency Visits - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
20,708	18,017	18,462	20,708	18,017	18,462	18,209	19,112	19,839	18,209	19,112	19,839







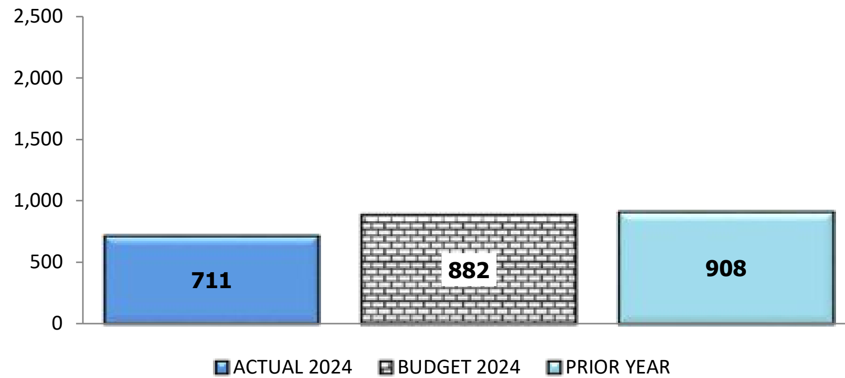


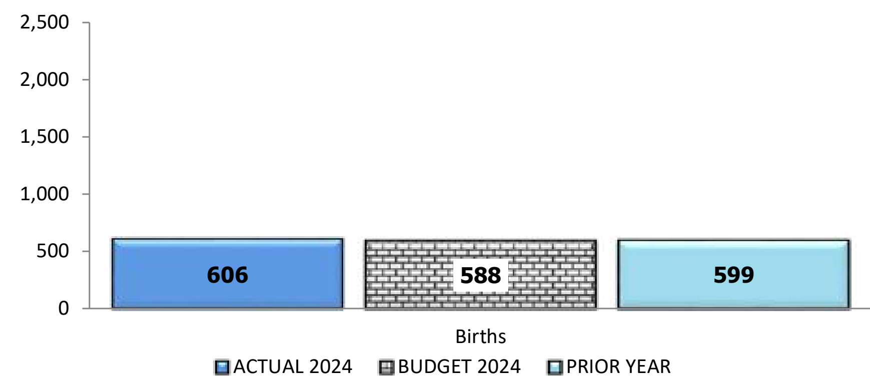
Harris Health System

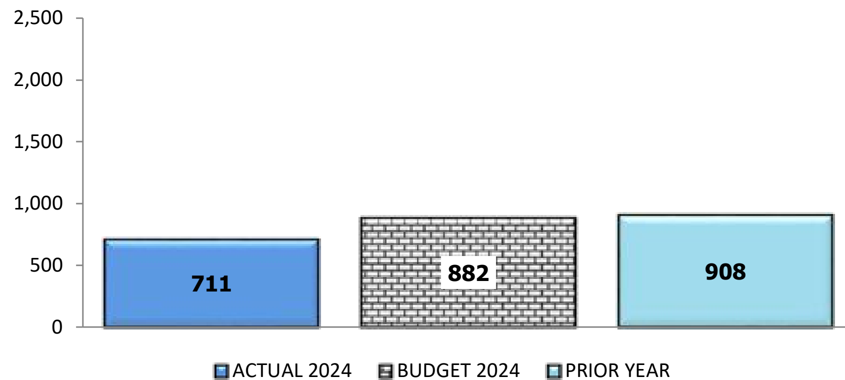
Statistical Highlights - Births

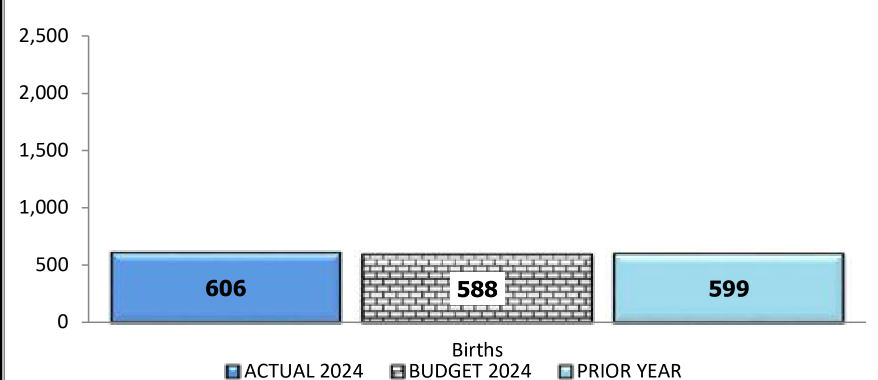
As of the Quarter Ended December 31, 2023

BT Births - Q1			BT Births - YTD			LBJ Births - Q1			LBJ Births - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
711	882	908	711	882	908	606	588	599	606	588	599







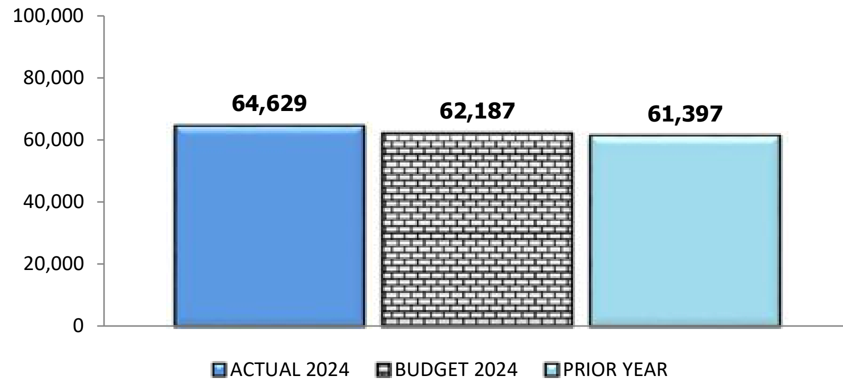


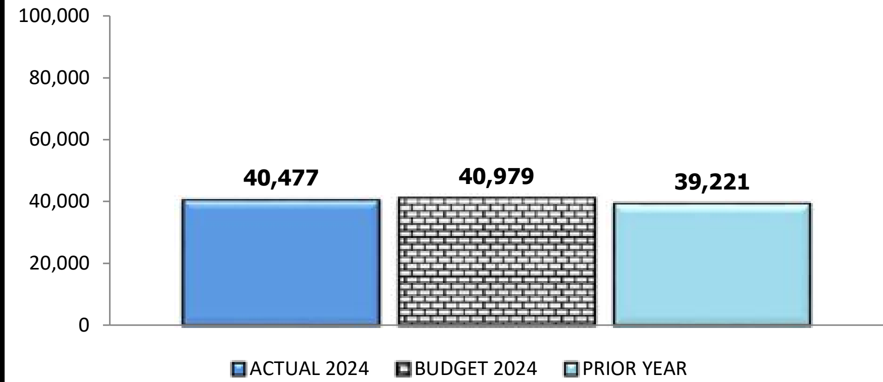
Harris Health System

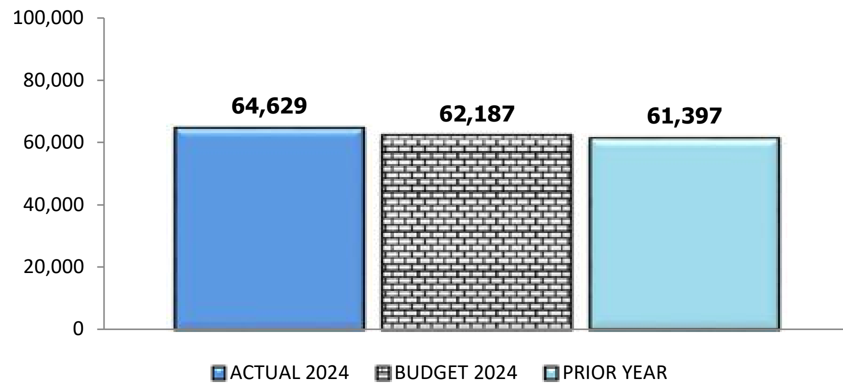
Statistical Highlights - Adjusted Patient Days

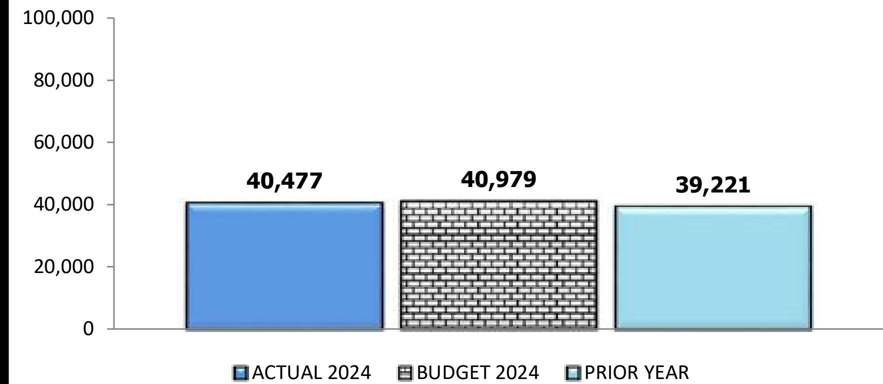
As of the Quarter Ended December 31, 2023

BT Adjusted Patient Days - Q1	BT Adjusted Patient Days - YTD	LBJ Adjusted Patient Days - Q1	LBJ Adjusted Patient Days - YTD
64,629	64,629	40,477	40,477







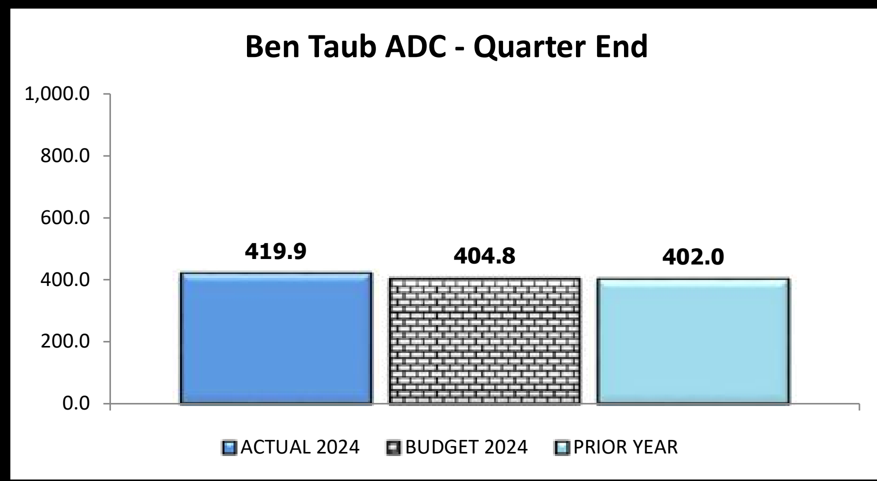


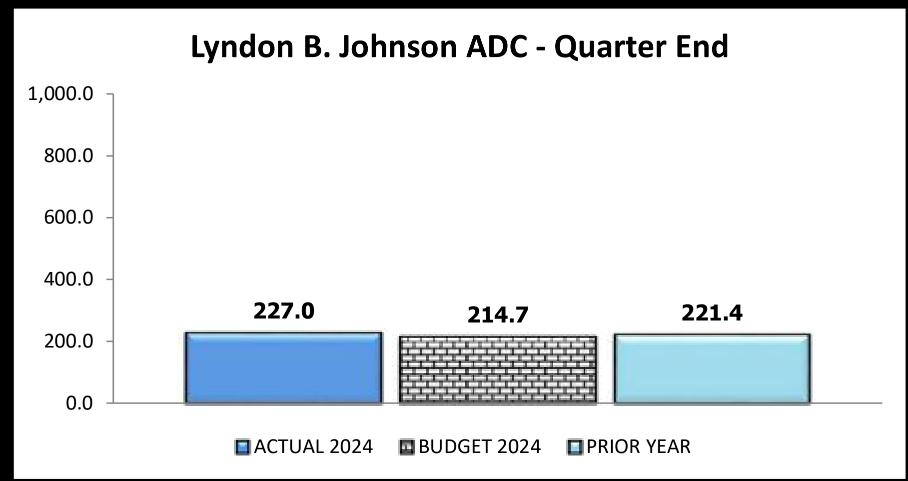
Harris Health System

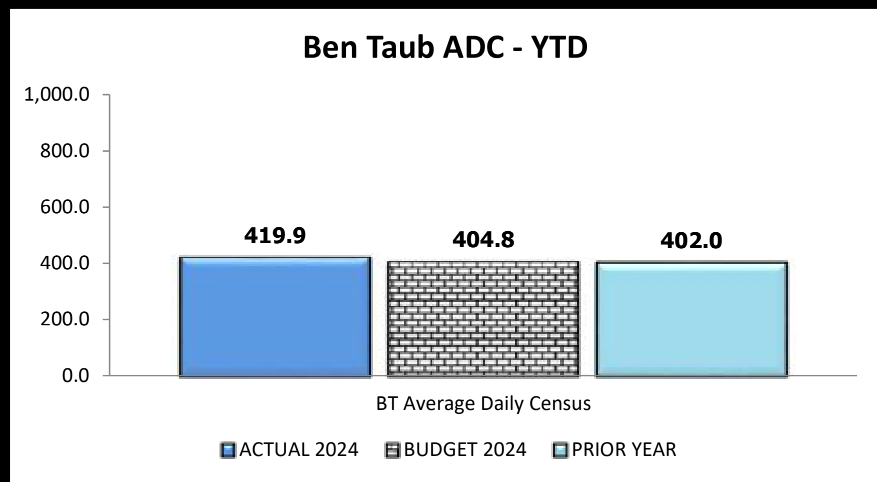
Statistical Highlights - Average Daily Census (ADC)

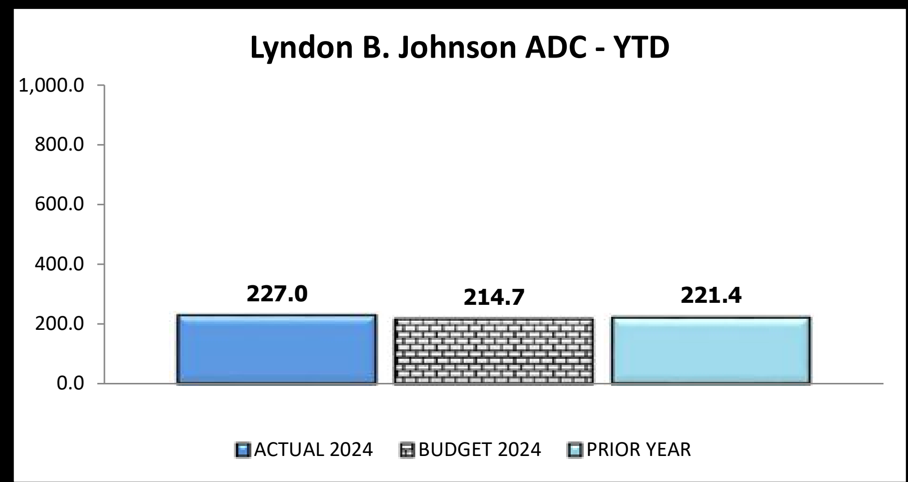
As of the Quarter Ended December 31, 2023

BT Average Daily Census - Q1	BT Average Daily Census - YTD	LBJ Average Daily Census - YTD	LBJ Average Daily Census - YTD
419.9	419.9	227.0	227.0







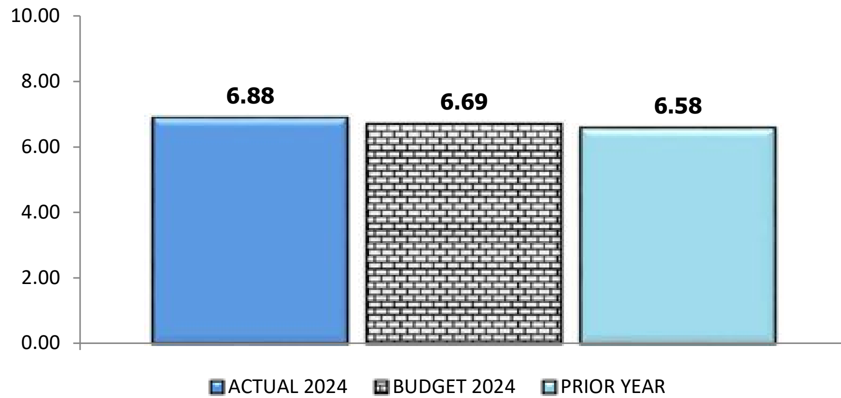


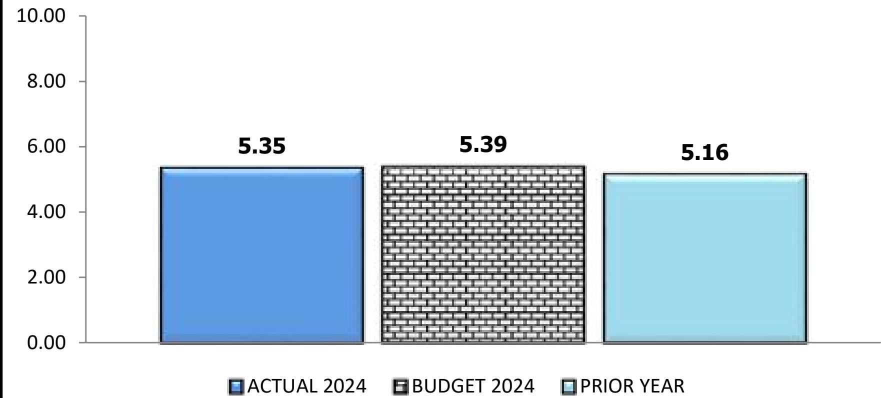
Harris Health System

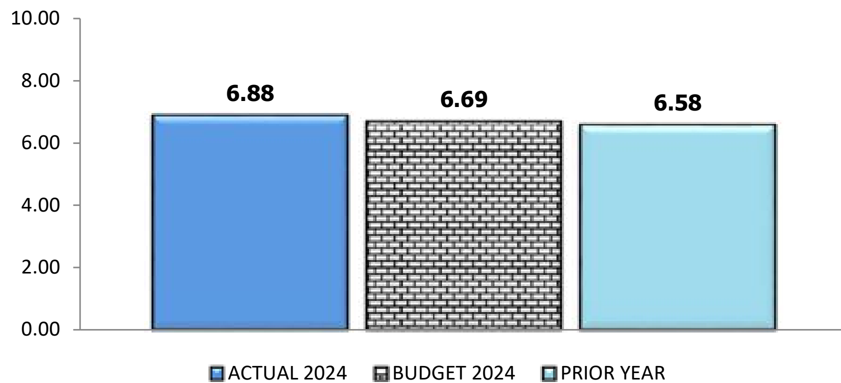
Statistical Highlights - Inpatient Average Length of Stay (ALOS)

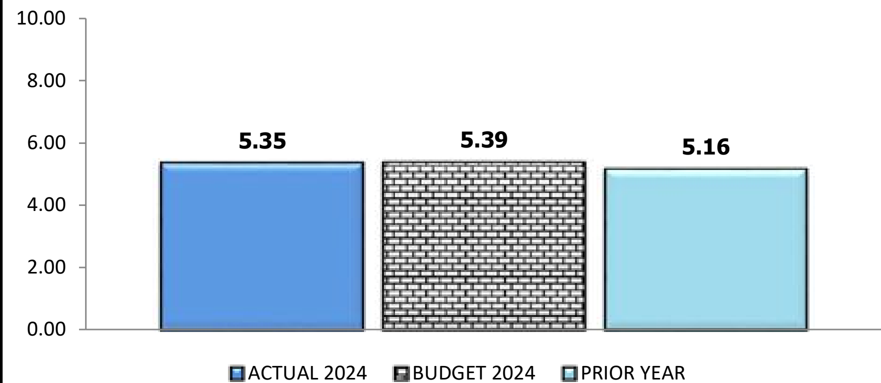
As of the Quarter Ended December 31, 2023

BT Inpatient ALOS - Q1	BT Inpatient ALOS - YTD	LBJ Inpatient ALOS - Q1	LBJ Inpatient ALOS - YTD
6.88	6.88	5.35	5.35







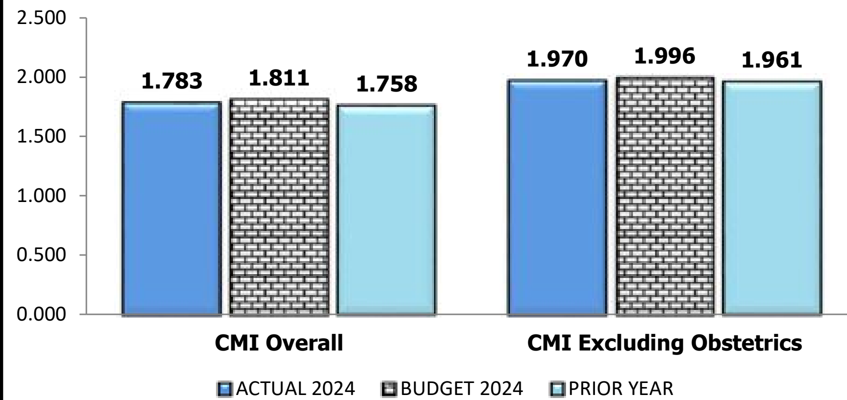


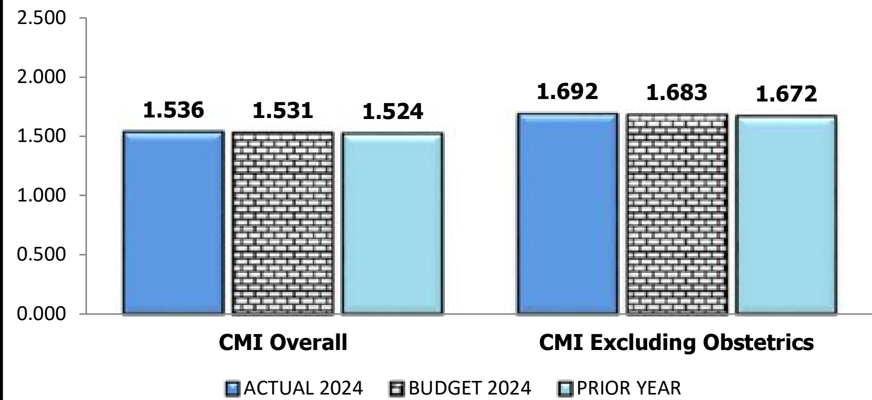
Harris Health System

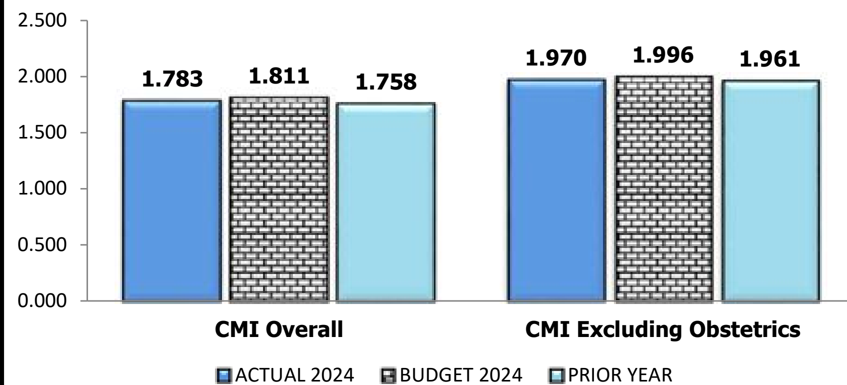
Statistical Highlights - Case Mix Index (CMI)

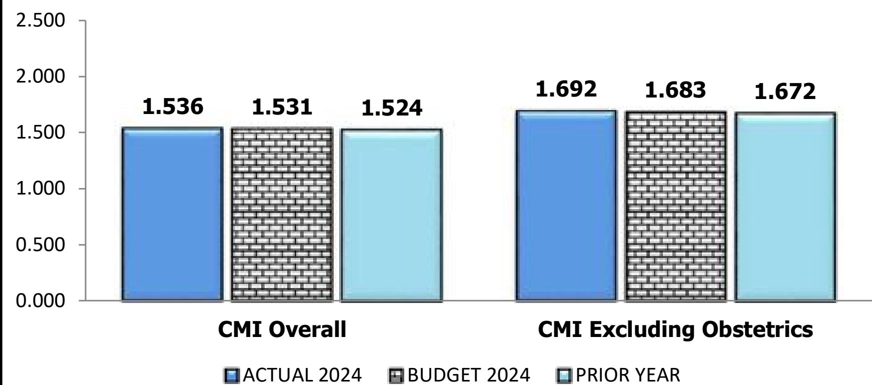
As of the Quarter Ended December 31, 2023

BT Case Mix Index (CMI) - Q1		BT Case Mix Index (CMI) - YTD		LBJ Case Mix Index (CMI) - Q1		LBJ Case Mix Index (CMI) - YTD	
Overall	Excl. Obstetrics	Overall	Excl. Obstetrics	Overall	Excl. Obstetrics	Overall	Excl. Obstetrics
1.783	1.970	1.783	1.970	1.536	1.692	1.536	1.692









BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 15, 2024

Consideration of Acceptance of the Harris County Hospital District Pension Plan Investment Practices and Performance Evaluation as of the Year Ended December 31, 2023 as required by the Texas Pension Review Board

Representatives from the independent investment adviser firm, Aon Investments USA Inc., will provide an overview of the results of the Harris County Hospital District Pension Plan's Investment Practices and Performance Evaluation as of the Year Ended December 31, 2023 as required every three years by the Texas Pension Review Board for the Budget and Finance Committee's consideration and approval.

A copy of the draft report is attached.

Management recommends the acceptance of the Harris County Hospital District Pension Plan's Investment Practices and Performance Evaluation as of the Year Ended December 31, 2023.

DocuSigned by:
Victoria Nikitin
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Victoria Nikitin
EVP - CFO

Texas Pension Review Board – Update on Required Reporting

Investment Practices and Performance Evaluations

Texas Government Code §802.109 requires Texas public retirement systems with at least $30 million in assets to complete an **Investment Practices and Performance Evaluation**.

- It is intended that the evaluation would include the following elements:
  1) Identify and review existing investment policies, procedures, and practices.
  2) Compare the existing policies and procedures to industry best practices.
  3) Generally, assess whether the board, internal staff, and external consultants are adhering to the established policies.
  4) Identify the strengths and weaknesses of the current policies, procedures, and practices and make recommendations for improvement.
  5) Include a detailed description of the criteria considered and methodology used to perform the evaluation

- Systems with **assets of at least $100 million** must complete an **evaluation once every 3 years**.
  - Harris Health first completed this required PRB reporting as of plan year 2020, thus the next submission is due for plan year 2023

- PRB guidance states that a public retirement system shall select an **independent firm** with substantial experience in evaluating institutional investment practices and performance to conduct the evaluation.
  - As was done in 2020, Harris Health has engaged Aon Investments to act as an independent firm in conducting the evaluation.

Current Status: Aon Investments has created an initial draft of the evaluation and is working with Harris Health staff to complete.

Next Step: Per PRB guidelines, a substantially completed evaluation will be submitted to the retirement system's board for review and comment.
- Following review by the Board, a written response acknowledging receipt will be created and shared with the evaluating firm (*new this year*).
- Once comments and/or recommendations are addressed, a final report will be completed by the evaluating firm and shared with the system.
- The system will then provide the final report to the PRB not later than 31 days from receiving the final report from the evaluating firm.

Investment advice and consulting services provided by Aon Investments USA Inc.

Investment Practices and Performance Evaluation of the Harris County Hospital District Pension Plan

Introduction

This report has been prepared by Aon Investments USA Inc., acting as an independent firm, as defined by Texas Government Code §802.109.

- Aon Investments USA Inc. ("Aon") is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"); a Commodity Pool Operator ("CPO") and a Commodity Trading Advisor ("CTA") registered with the Commodity Futures Trade Commission ("CFTC"); and is a member of the National Futures Association ("NFA") with its principal place of business located in Chicago, Illinois. Aon provides professional investment advisory and consulting services to institutional clients including public pension funds, endowments, foundations, not-for-profit organizations, corporate pension funds, defined contribution plans, insurance companies, and registered investment advisers/wealth managers. The firm is wholly owned by Aon Consulting, Inc., an indirect subsidiary of its ultimate parent, Aon plc. Aon Investments USA Inc. is headquartered in Chicago, IL and has offices across the U.S. Aon provides nondiscretionary investment advice, discretionary investment solutions, and actuarial related services to clients on many matters related to their investment programs and operations, including investment policy planning and asset allocation, manager structure and selection, performance review and manager monitoring, fiduciary governance services, alternative asset advisory services, outsourced Chief Investment Officer ("OCIO") solutions and pension risk management, and direct investment funds. In addition to the services listed, Aon offers related services including defined contribution services, trustee/custodian evaluation, and asset transition services. Aon Investments USA Inc., and its predecessor firms, have been providing institutional investment consulting services since 1974.

- Aon Investments USA Inc. and Harris Health System ("HHS") currently have an agreement in place by which Aon provides HHS with investment consulting services to the Harris County Hospital District Pension Plan ("Plan") for a fixed fee, including, but not limited to, review of investment objectives and guidelines, performance evaluation, and investment manager oversight.

- Aon receives no remuneration from HHS outside of the contractual terms set forth in the agreement for investment consulting services to the Plan.

- Aon knowledges that it is not involved in directly or indirectly managing the investments of the Plan, as it has no discretion over the assets of the Plan, nor does it have sole responsibility for selecting or terminating investment managers of the Plan.

The following responses reflect what Aon's believes to be a reasonable and appropriate summary of the investment practices and performance evaluations followed by Harris Health System.

Executive Summary

General Overview

Our report evaluates all the key areas outlined in the Texas Government Code §802.109, following the format and questions included in the PRB guidance. Through our review we have evaluated the five (5) evaluation components (outlined and summarized below), and we have found that the Plan is performing these functions in a manner consistent with commensurate peer institutional investors. During our review we have found;

1. The Investment Policy Statement ("IPS") is comprehensive and follows best practice, it contains appropriate measurable outcomes, and it is being followed.

2. The Plan is following common practice in its process for establishing and evaluating asset allocation, assets are well diversified, and risk positioning is being measured and managed appropriately.

3. Fees, both for administering and managing the assets, are appropriately monitored through regular reporting processes.

4. The structure and breadth of the investment decision-making governance process is in line with best practices, with clearly delineated roles and responsibilities, monitoring, reporting, and transparency.

5. The manager selection process is well defined and robust. Returns are calculated by the Plan's consultant, and all performance is reported net of external investment management fees.

Evaluation Component 1: Investment Policy or Strategic Investment Plan and Associated Compliance

The Plan has an IPS document that was last reviewed and updated in November 2023 and is continually reviewed on an annual basis. The document provides a thorough, yet succinct overview of the roles and responsibilities for each applicable group associated with investment decisions and oversight. The Plan's IPS is quite comprehensive. Overall, we think the level of detail and the readability of the document is appropriate given the context of HHS. Based on our review, we believe the IPS follows best practice.

Based on our review of the meeting minutes and various other documents (performance reports, board reports, etc.), we believe the IPS and other policies are being followed.

The IPS contains measurable outcomes for the Plan as well as the underlying asset classes. The document contains measurable risk/return outcomes for investment managers. As detailed in the report, the Plan has been successful in meeting its stated objectives.

Evaluation Component 2: Investment Asset Allocation

The Harris County Hospital District Pension & Disability Committee ("Committee") is responsible for making decisions regarding the strategic asset allocation of the Plan. The Plan's asset allocation guidelines are clearly outlined in the Plan's IPS and determine the policy for evaluating the investment program. Based on our review of the most recent evaluation they are following this process. The strategic asset allocation development process occurring in practice is robust, and we believe represents a practice in line with peers. As stated in the IPS, a formal asset allocation study is to be conducted every five to seven years. The most recent asset-liability study was conducted in August 2021.

The approach to setting investment policy begins with the evaluation of the target asset allocation and risk level in the context of a plan's liabilities. Asset-liability studies analyze the impact of various asset allocations and risk levels on required contributions and funded status to identify future trends in the financial health of the plan under a range of different macro-economic scenarios. It is our belief that this approach aligns with industry best practice.

The current assumed rate of return is incorporated as one of the Plan's main total return objectives in establishing an overall asset allocation and is used as a bogey for determining a targeted return. In general terms, the Plan's asset allocation has been chosen to meet the desired actuarial expected return on assets, while also factoring in a reasonable level of risk. We find this practice to be sound and a rational approach to structuring an investment portfolio of this type.

The choice of asset classes and strategies utilized is guided by model portfolios and adjusted based on the objectives and risk tolerances of the Plan and the anticipated time horizon of the investment strategy. The assets of the Plan are well diversified through a mix of actively managed fixed income, equity, real estate, and alternatives (i.e. hedge funds) strategies. The report details the asset allocation of the Plan, the long-term strategic target, and provides the projected risk and return of the Plan and each invested asset class.

The asset allocation guidelines established by the Committee for the Plan are intended to reflect, and be consistent with, the Committee's return objectives and risk tolerance. The asset allocation guidelines, developed by the Committee and the Investment Consultant after examining the historical relationships of risk and return among the Plan's asset classes and the relationship between the expected behavior of the Plan's assets and liabilities, is designed to provide the greatest probability of meeting or exceeding the Plan's objectives at the lowest possible risk. We believe the process to determine the asset allocation of the Plan is robust, and there is nothing in our analysis that would suggest that a different asset allocation would be better positioned to meet the investment return and risk objectives of the Plan at this time.

Evaluation Component 3: Investment Fees and Commissions

One of the outlined investment objectives of the Plan is to ensure the assets of the Plan are invested in a manner that controls the costs incurred in administering and managing the assets. The system pays direct and indirect investment fees to each of the investment firms managing an account/strategy within the Plan.

While HHS does not have a written investment management fee policy, investment management fees are compared to peer universes on a regular basis. The review and competitiveness of investment management fees is a regular part of the ratings process by the investment consultant. Fees are reviewed on an ongoing basis for reasonableness.

HHS, in concert with the Investment Consultant, conducted a Request For Proposal project in 2021 to evaluate the competitiveness and reasonableness of the fees and services provided by the Plan's custodian.

We find these practices to be in line with other institutional investors with which we work.

Evaluation Component 4: Investment Governance Processes

The governance of the investment-decision making process is documented in the IPS. The IPS outlines the roles and responsibilities of all parties involved in the investment program, including, but not limited to, the Board of Trustees ("Board"), the Committee, the Investment Consultant, and investment managers.

The Board is comprised of community members appointed by the Harris County Commissioners Court. All Board members are required to take the on-line training courses provided by the Pension Review Board. The Board,

which meets monthly, has delegated direct oversight of the Pension Plan to the Committee, which is comprised of employee members with Human Resource Benefits expertise, Finance expertise, and other employees who are participants in the Plan. The Committee meets quarterly to review investment performance with the Investment Consultant and discuss and evaluate that performance, as well as any recommendations for changes in the portfolio to ensure that long-term objectives are achieved.

The Committee is generally responsible for developing, implementing and managing the investment program, employing service providers, monitoring and evaluating the effectiveness of service providers in carrying out their respective duties under the investment program and evaluating the effectiveness of the investment program. The Committee is responsible for outlining general investment guidelines for the investment program, including the asset allocation guidelines, investment manager structure guidelines, appointing investment managers to fulfill specific roles, monitoring and evaluating each investment manager, approving the termination and, if appropriate, replacement of an investment manager.

The overall investment governance process is evaluated on an annual basis as part of the Plan's IPS review.

Overall, we believe the governance structure is in line with best practices of a fund the size and complexity of HHS. We found HHS to have extensive and detailed documentation of its governance related to the investment-decision making process. The IPS is detailed and follows best practices by clearly articulating roles and responsibilities and clarity regarding what authority has been retained by the Board and what has been delegated. We determined that the level of delegation from the Board is in line with its peers and best practices.

Evaluation Component 5: Investment Manager Selection and Monitoring Processes

The Committee, with guidance from the investment consultant, is responsible for selecting investment managers. The investment consultant conducts a prudent investment manager search process, as needed, to identify appropriate candidates for investment manager positions for review and selection by the Committee. The IPS details the guidelines that all investment managers presented to the Committee for selection should meet.

The process of monitoring investment manager performance is an on-going process. On a periodic basis, the Committee may meet to review performance of the investment managers. The Committee may review each investment manager against the selection criteria set forth in the IPS to determine whether they continue to meet the selection standards. In evaluating all investment managers, the Committee will consider qualitative factors likely to impact the future performance of the Plan's assets managed by an investment manager in addition to current and historical rates of return.

The Plan's investment consultant is responsible for measuring and reporting net of fee investment performance to assist in evaluating investment guidelines and the investment program as a whole. Such reports will evaluate the performance and risk characteristics of the Plan's investments. We believe that the performance reports are appropriately formatted and presented to allow Committee Members of all investment acumen and expertise to evaluate the investment success associated with the implementation of the investment policy. Given the complex nature of the topic, the additional opportunity to discuss the reports with the Committee's investment consultant further alleviates any concern that the reports are overly complex.

Evaluation Component 1: Investment Policy or Strategic Investment Plan and Associated Compliance

- **Analysis of any investment policy or strategic investment plan adopted by the retirement system and the retirement system's compliance with that policy or plan;**

Evaluation Component	Status/Response
Does the system have a written investment policy statement (IPS)?	Yes
Are the roles and responsibilities of those involved in governance, investing, consulting, monitoring, and custody clearly outlined?	Yes – roles and responsibilities of all involved parties are clearly outlined in IPS
Is the policy carefully designed to meet the real needs and objectives of the retirement plan? Is it integrated with any existing funding or benefit policies?	Yes – investment objectives are clearly stated in IPS Yes – the District's Retirement Plan policy requires that the actuarial Annual Required Contribution be funded by the District each year. Additional contributions are allowed.
Is the policy written so clearly and explicitly that anyone could manage a portfolio and conform to the desired intentions?	Yes
Does the policy follow industry best practices? If not, what are the differences?	Yes
Does the IPS contain measurable outcomes for managers? Does the IPS outline over what time periods performance is to be considered?	Yes – both measurable outcomes and time periods defined in the IPS
Is there evidence that the system is following its IPS? Is there evidence that the system is not following its IPS?	Yes – the IPS is reviewed on an annual basis and documented in meeting minutes
What practices are being followed that are not in, or are counter to, written investment policies and procedures?	None
Are stated investment objectives being met?	Yes – quarterly performance reviews ensure investment objectives are being met.
Will the retirement fund be able to sustain a commitment to the policies under stress test scenarios, including those based on the capital	Yes

markets that have actually been experienced over the past ten, twenty, or thirty years?	
Will the investment managers be able to maintain fidelity to the policy under the same scenarios?	Yes
Will the policy achieve the stated investment objectives under the same scenarios?	Yes
How often is the policy reviewed and/or updated? When was the most recent substantial change to the policy and why was this change made?	The Plan’s IPS is reviewed annually. The most recent substantial change was in November 2023 to reflect modifications to the underlying asset class structure.

Evaluation Component 2: Investment Asset Allocation

- **Detailed review of the retirement system's investment asset allocation, including:**

A. Process for determining target allocations;

Evaluation Component	Status/Response
Does the system have a formal and/or written policy for determining and evaluating its asset allocation? Is the system following this policy?	Yes – the Plan's asset allocation guidelines are clearly outlined in the Plan's IPS and reviewed on a regular basis
Who is responsible for making the decisions regarding strategic asset allocation?	Harris County Hospital District Pension & Disability Committee
How is the system's overall risk tolerance expressed and measured? What technology is used to determine and evaluate the strategic asset allocation?	Risk tolerance was established considering the Plan's ability to withstand short and intermediate-term volatility in various market conditions, as well as long-term characteristics of various asset classes, focusing on balancing risk with expected return.
How often is the strategic asset allocation reviewed?	Per the Plan's IPS – a formal asset allocation study is to be conducted every five to seven years
Do the system's investment consultants and actuaries communicate regarding their respective future expectations?	Investment consultant – provides regular market updates, investment outlook, and asset class expectations Actuary – annual actuarial reports and assumptions are provided to the investment consultant by the Plan sponsor. Harris Health coordinates the communication of information to the investment consultants and the actuaries to assure that expectations are consistent.
How does the current assumed rate of return used for discounting plan liabilities factor into the discussion and decision-making associated with setting the asset allocation? Is the actuarial expected return on assets a function of the asset allocation or has the asset allocation been chosen to meet the desired actuarial expected return on assets?	The current assumed rate of return is incorporated as one of the Plan's main total return objectives in establishing an overall asset allocation and is used as a bogey for determining a targeted return. In general terms, the Plan's asset allocation has been chosen to meet the desired actuarial expected return on assets, while also factoring in a reasonable level of risk.
Is the asset allocation approach used by the system based on a specific methodology? Is this methodology prudent, recognized as best practice, and consistently applied?	The approach to setting investment policy begins with the evaluation of the target asset allocation and risk level in the context of a plan's liabilities. Asset-liability studies analyze the impact of various asset allocations and risk levels on required contributions and funded status to identify future trends in the financial health of the plan under a range of different macro-economic scenarios.

	It is our belief that this approach aligns with industry best practice.
Does the system implement a tactical asset allocation? Is so, what methodology is used to determine the tactical asset allocation? Who is responsible for making decisions regarding the tactical asset allocation?	While there is no policy for tactical asset allocations, from time to time, as market conditions warrant, the Plan will carry over/underweight positions relative to long-term policy targets. The asset allocation positions are a result of consultation between the Committee, the Plan Administrator, and investment consultant.
How does the asset allocation compare to peer systems?	The system will periodically compare its asset allocation to peers through research provided by the investment consultant.

B. Expected risk and expected rate of return, categorized by asset class;

Evaluation Component	Status/Response
What are the strategic and tactical allocations?	See table below

	Minimum	Target	Maximum
1. U.S. Large Capitalization Equities – Growth Style	9%	14%	19%
2. U.S. Large Capitalization Equities – Value Style	9%	14%	19%
3. U.S. Small/Mid Cap Equities – Core	2%	5%	8%
4. Non-U.S. – Developed International Equities	11%	16%	21%
5. Non-U.S. – Emerging Markets Equities	4%	6%	8%
6. Real Estate – Core Private Real Estate	3%	5%	7%
7. Hedge Funds	3%	5%	7%
8. U.S. Fixed Income – Core Strategy	10%	15%	20%
9. U.S. Fixed Income – Core Plus Strategy	10%	15%	20%
10. Multi-Asset Credit	3%	5%	7%

What is the expected risk and expected rate of return of each asset class?

Asset Allocation

	Expected Nominal Return[1]	Expected Risk (Volatility)[1]
Equity		
Large Cap U.S. Equity	7.0%	18.5%
Small Cap U.S. Equity	7.5%	24.8%
International (Non-U.S.) Equity (Developed)	7.0%	19.7%
Emerging Markets Equity	7.3%	22.5%
Fixed Income		
Core U.S. Fixed Income (Market Duration)	4.3%	5.2%
Multi-Asset Credit	6.5%	9.0%
Alternative Investments		
Hedge Fund – Direct (Median Manager)	5.7%	5.6%
Private Real Estate (Core)	5.5%	15.4%
U.S. Inflation (CPI)	2.3%	

[1] Capital market assumptions were developed by Aon's Global Asset Allocation Team and represent the long-term capital market outlook (i.e., 30 years) based on data at the end of the fourth quarter of 2023.

How is this risk measured, and how are the expected rates of return determined? What is the time horizon?	The capital market assumptions were developed by the investment consultant and represent the long-term capital market outlook (i.e., 30 years) based on data at the end of the respective time period utilized. The assumptions were developed using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. The long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment Assumed volatilities (or expected risks) are formulated with reference to implied volatilities priced into option contracts of various terms, as well as with regard to historical volatility levels. For asset classes which are not marked to market (for example real estate), a "de-smoothing" of historical returns is completed before calculating volatilities. Importantly, expected volatility trends in the future are considered. Correlation assumptions are generally similar to actual historical results; however, adjustments are made to reflect forward-looking views as well as current market fundamentals.
What mix of assets in necessary to achieve the plan's investment return and risk objectives?	The choice of asset classes and strategies utilized is guided by model portfolios and adjusted based on the objectives and risk tolerances of the Plan and the anticipated time horizon of the investment strategy; e.g., time to reach end state.
What consideration is given to active vs. passive management?	At the guidance of our investment consultant, the system views active vs. passive management in the following way: Given the difficulty of active management in certain markets, clients are encouraged to use an active risk budget and to only take active risk in areas and strategies where we collectively have high conviction and believe that the risk is likely to be appropriately compensated. Where conviction is lacking, and especially in extremely efficient markets, clients should look to use low-cost, passive mandates.
Is the approach used by the system to formulate asset allocation strategies sound, consistent with best practices, and does it result in a well-diversified portfolio?	The asset allocation guidelines established by the Committee for the Plan is intended to reflect, and be consistent with, the Committee's return objectives and risk tolerance. The asset allocation guidelines, developed by the Committee and the Investment Consultant after examining the historical relationships of risk and return among the Plan's asset classes and the relationship between the expected behavior of the Plan's assets and liabilities, is designed to provide the greatest probability of meeting or exceeding the Plan's objectives at the lowest possible risk.
How often are the strategic and tactical allocations reviewed?	The Investment Consultant prepares quarterly reports reviewing the actual asset allocation percentages as compared to the policy targets, while also demonstrating whether the lower or upper limits have been reached. From a policy perspective, a formal asset allocation study is to be conducted every five to seven years to verify or provide a basis for revising the targets.

C. Appropriateness of selection and valuation methodologies of alternative and illiquid assets;

Evaluation Component	Status/Response
How are alternative and illiquid assets selected, measured, and evaluated?	The selection, measurement, and evaluation of alternative and illiquid assets follows the same process as more traditional investment strategies. This process includes numerous factors, including, but is not limited to, meeting a set of qualifying characteristics (team, philosophy, process, risk), performance comparisons to market indexes and peer groups, appropriate diversification, and fees.
Are the system's alternative investments appropriate given its size and level of investment expertise? Does the IPS outline the specific types of alternative and illiquid investments allowed, as well as the maximum allocation allowable?	Yes – at a target allocation of 10% total for alternative and illiquid investments (5% target each to hedge funds and core private real estate – capped at a maximum of 7%), this level is appropriate for the overall objective of the Plan. The Plan's IPS does outline permissible investments.
What valuation methodologies are used to measure alternative and illiquid assets? What alternative valuation methodologies exist and what makes the chosen method most appropriate?	The Plan holds collective investment trusts invested in international equity, multi-asset credit, multi-strategy hedge funds, and real estate that are measured at net asset value (NAV) in accordance with U.S. generally accepted accounting principles as a practical expedient. There are no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Plan. For collective investment trusts that are measured at NAV per share, the valuation provided by the fund manager is used. All partnerships provide audited financial statements, along with unaudited quarterly reports.

D. Future cash flow and liquidity needs;

Evaluation Component	Status/Response
What are the plan's anticipated future cash flow and liquidity needs? Is this based on an open or closed group projection?	Reflected in the annual Actuarial report, with year over year projections; it is based on a closed group, since the Plan was frozen to new participants January 1, 2007.
When was the last time an asset-liability study was performed?	August 2021
How are system-specific issues incorporated in the asset allocation process? What is the current funded status of the plan and what impact does it have? What changes should be considered when the plan is severely underfunded,	Each asset allocation review process begins with an objective setting component that seeks to understand key risks to the plan and how those risks may be managed in the context of the broader organization. These items may include required contributions and funded status, significance of plan performance to the enterprise, correlation of pension risks with business risks, and time horizon.

approaching full funding, or in a surplus? How does the difference between expected short-term inflows (contributions, dividends, interest, etc.) and outflows (distributions and expenses) impact the allocation? How does the underlying nature of the liabilities impact the allocation (e.g. pay-based vs. flat $ benefit, automatic COLAs, DROP, etc.)?	The Plan Fiduciary Net Position as a % of the Total Pension Liability was 79.3% as of December 31, 2023, the last Plan year end. While the Plan is not severely underfunded, the Board of Trustees has approved an incremental employer contribution to the Plan for calendar year 2023, adding $29 million to the Annual Required Contribution of $38.6 million.
What types of stress testing are incorporated in the process?	Sensitivity testing by the actuary calculates the range of the liability if investment performance were 1% lower or 1% higher than the expected log-term performance.

Evaluation Component 3: Investment Fees and Commissions

- **Review of the appropriateness of investment fees and commissions paid by the retirement system;**

Evaluation Component	Status/Response
Do the system's policies describe the management and monitoring of direct and indirect compensation paid to investment managers and other service providers? What direct and indirect investment fees and commissions are paid by the system?	Yes – one of the outlined investment objectives of the Plan is to ensure the assets of the Plan are invested in a manner that controls the costs incurred in administering and managing the assets. The system pays direct and indirect investment fees to each of the investment firms managing an account/strategy within the Plan.
Who is responsible for monitoring and reporting fees to the board? Is this responsibility clearly defined in the system's investment policies?	The Committee is tasked with monitoring and controlling investment expenses, including investment manager fees, trustee fees, and trading costs.
Are all forms of manager compensation included in reported fees?	Yes
How do these fees compare to peer group and industry averages for similar services? How are the fee benchmarks determined?	The review and competitiveness of investment management fees is a regular part of the ratings process by the investment consultant. If fees are (or become) out of alignment with peers and/or benchmarks, this will be communicated to the system as a component of the overall rating of the specific investment strategy.
Does the system have appropriate policies and procedures in place to account for and control investment expenses and other asset management fees?	Yes – one of the outlined investment objectives of the Plan is to ensure the assets of the Plan are invested in a manner that controls the costs incurred in administering and managing the assets. If it is found that investment expenses have grown to a level not commensurate with results, the Committee, in conjunction with the investment consultant, has the ability to negotiate with the respective investment manager and/or seek alternate strategies to fill the particular mandate.
What other fees are incurred by the system that are not directly related to the management of the portfolio?	The annual audit fee for the Pension Plan, legal fees for any statutorily required amendments to the Plan, actuarial fees, benefit fees (paid to State Street to do benefit calculations for retirees), custodial fees for monthly reporting (State Street), and consulting fees for the investment consultant.
How often are the fees reviewed for reasonableness?	Fees are reviewed on an ongoing basis for reasonableness. This is a component of the ratings process undertaken by the investment consultant and factors into their overall evaluation of each investment strategy.
Is an attorney reviewing any investment fee arrangements for alternative investments?	Yes, Harris Health requires attorney review of all investment manager contracts and terms.

Evaluation Component 4: Investment Governance Processes

- **Review of the retirement system's governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education;**

Evaluation Component	Status/Response
Transparency	
Does the system have a written governance policy statement outlining the governance structure? Is it a stand-alone document or part of the IPS?	Yes – the system's governance policies are part of the Plan's IPS.
Are all investment-related policy statements easily accessible by the plan members and the public (e.g. posted to system website)?	Within the company intranet Employee Benefits page, we have the Pension Plan Document, Summary Plan Description, and Policies posted. We do on occasion receive requests for a copy of the Plan Document or Summary Plan Description from active, term vested, or retired participants and provide them with that requested information.
How often are board meetings? What are the primary topics of discussion? How much time, detail, and discussion are devoted to investment issues?	Board of Trustee Meetings are monthly. The Board has delegated direct oversight of the Pension Plan to the Pension & Disability Committee, which is comprised of employee members with Human Resource Benefits expertise, Finance expertise, and other employees who are participants in the Plan. The Committee meets quarterly to review investment performance with Aon, the Investment Consultant, and discuss and evaluate that performance, as well as any recommendations for changes in the portfolio to assure that long-term objectives are achieved. A quarterly overview of investment performance is provided to the Budget and Finance Committee of the Board of Trustees, as well as annual reports of Committee activities, and performance by fund. The audit results are presented to the Audit and Compliance Committee and the Board of Trustees.
Are meeting agendas and minutes available to the public? How detailed are the minutes?	Board of Trustees agendas and minutes are public information, minutes and attachments reflect the discussion by the Board and decisions made. Pension & Disability Committee agendas and minutes are available to the public upon request, in accordance with the Public Information Act.
Investment Knowledge/Expertise	
What are the backgrounds of the board members? Are there any investment-related educational requirements for board members?	The Board is comprised of community members appointed by the Harris County Commissioners Court; currently one is a physician, four are attorneys, one is dual certified as an attorney and physician, and three are other members of the community. All Board members are required to take the on-line training courses provided by the Pension Review Board; 7 hours for new members and 4 hours for renewing members every two years.

What training is provided and/or required of new board members? How frequently are board members provided investment-related education?	All Board members are required to take the on-line training courses provided by the Pension Review Board; 7 hours for new members and 4 hours for renewing members every two years.
What are the minimum ethics, governance, and investment education requirements? Have all board members satisfied these minimum requirements?	All Board members are required to take the on-line training courses provided by the Pension Review Board; 7 hours for new members and 4 hours for renewing members every two years. All members have satisfied the requirements.
Does the system apply adequate policies and/or procedures to help ensure that all board members understand their fiduciary responsibilities?	In addition to the required PRB training, the Corporate Compliance function of Harris Health System requires annual conflict of interest disclosure and other compliance training.
What is the investment management model (i.e. internal vs. external investment managers)?	The Plan is managed entirely by external investment managers.
Does the board receive impartial investment advice and guidance?	By contract, Aon is not allowed to recommend investments that would directly or indirectly benefit Aon or any of its affiliates.
Accountability	
How is the leadership of the board and committee(s), if any, selected?	Committee Chairs are designated by the Board Chair and the Board Officers are voted on by the Board of Trustees members.
Who is responsible for making decisions regarding investments, including manager selection and asset allocation? How is authority allocated between the full board, a portion of the board (e.g. an investment committee), and internal staff members and/or outside consultants? Does the IPS clearly outline this information? Is the board consistent in its use of this structure/delegation of authority?	The Committee is generally responsible for developing, implementing and managing the investment program, employing service providers, monitoring and evaluating the effectiveness of service providers in carrying out their respective duties under the investment program and evaluating the effectiveness of the investment program. The Committee is responsible for delineating general investment guidelines for the investment program, including the asset allocation guidelines, investment manager structure guidelines, appointing investment managers to fulfill specific roles, monitoring and evaluating each investment manager, approving the termination and, if appropriate, replacement of an investment manager. The Board of Trustees of the District is responsible for appointing and removing the members of the Committee. The Committee is responsible for employing an investment consultant to assist with all aspects of the investment program, including developing investment guidelines and evaluating the performance of the Plan's investment managers. The IPS clearly outlines this information. The Board is consistent in its use of this structure/delegation of authority.

Does the system have policies in place to review the effectiveness of its investment program, including the roles of the board, internal staff and outside consultants?	The investment policy for the Pension Plan discusses goals, objectives, and benchmarks. Aon communicates at least quarterly, and more often if there are immediate concerns about investment managers or strategies. As noted earlier, the Pension Committee and the consultant review performance quarterly based on the guidelines documented in the investment policy.
Is the current governance structure striking a good balance between risk and efficiency?	Yes – the current governance structure allows for the system to continually be evaluating risk levels while at the same time looking for ways to maximize efficiency through asset allocation and manager selection.
What controls are in place to ensure policies are being followed?	All parties are knowledgeable of the policy, and quarterly reviews evaluate performance based on stated targets. Aon representatives, Committee members, internal and outside legal counsel are all present for the evaluation process and discussion. Concerns not adequately addressed at the Committee level would be escalated to the Board of Trustees for discussion and action.
How is overall portfolio performance monitored by the board?	As established in the IPS, total return objectives have been established for the Plan's portfolio as follows: • Overall annualized total return should exceed the U.S. Department of Labor Consumer Price Urban Worker Index (CPI-U) by at least two (2) percentage points per year measured over rolling three (3) year periods. • Investment return should rank in the upper 50th percentile compared to an appropriate universe of similarly managed pension plans or comparable databases identified by the Committee, over a majority of rolling three (3) year periods. • Overall annualized total return should exceed the Plan's actuarial assumed rate of interest over a majority of rolling three (3) year periods. • Overall annualized total return should exceed the Plan's custom "Policy Index" over a majority of rolling three (3) year periods. Investment reports generated by the Investment Consultant are designed to monitor these performance objectives.
How often are the investment governance processes reviewed for continued appropriateness?	The investment governance process is evaluated on an annual basis as part of the Plan's IPS review.

Evaluation Component 5: Investment Manager Selection and Monitoring Processes

- **Review of the retirement system 's investment manager selection and monitoring process;**

Evaluation Component	Status/Response
Who is responsible for selecting investment managers?	The Committee, with guidance from the investment consultant, is responsible for selecting investment managers.
How are the managers identified as potential candidates?	The investment consultant conducts a prudent investment manager search process, as needed, to identify appropriate candidates for investment manager positions for review and selection by the Committee.
What are the selection criteria for including potential candidates?	When selecting investment managers, the Committee may employ a competitive search process which may include the following steps: • Formulation of specific investment manager search criteria that reflect the requirements for the investment manager role under consideration. • Identification of qualified candidates from the manager search database maintained by the Investment Consultant and such other sources as determined by the Committee. • Analysis of qualified candidates in terms of: o Quantitative characteristics, such as Global Investment Performance Standards (GIPS) – compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics. o Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision making process, and risk controls. o Organizational factors, such as type and size of firm, ownership structure, client servicing capabilities, ability to obtain and retain clients, and fees.
What are the selection criteria when deciding between multiple candidates?	An investment manager being considered for selection by the Committee for the Plan should meet the following standards: • Performance should be equal to or greater than the median return for an appropriate, style-specific benchmark and peer group over a specified time period. • The investment manager should demonstrate adherence to the stated investment objective. • Fees charged should be competitive to similar investments, as adjusted for performance.
How does the selection process address ethical considerations and potential conflicts of interest for both investment managers and board members?	Members of the Board of Trustees and the Committee do not provide recommendations to the investment consultant regarding the selection of potential candidates for review. The investment consultant's discretion to select potential investment managers is based on the criteria set forth above, and only vetted candidates are presented to the Committee for consideration. If a Committee member has disclosed a conflict of interest, or if other meeting participants are aware of such

	a conflict, the conflicted member would be prohibited from participating in the selection process.
Who is responsible for developing and/or reviewing investment consultant and/or manager contracts?	Typically, the investment consultant and investment managers will provide a template contract for the work to be completed, which will then be reviewed by the system and their legal counsel.
What is the process for monitoring individual and overall fund performance?	The process of monitoring investment manager performance is an on-going process. On a periodic basis, the Committee may meet to review performance of the investment managers. The Committee may review each investment manager against the selection criteria set forth above to determine whether they continue to meet the selection standards. In evaluating all investment managers, the Committee will consider qualitative factors likely to impact the future performance of the Plan's assets managed by an investment manager in addition to current and historical rates of return.
Who is responsible for measuring the performance?	The investment consultant will produce quarterly performance evaluation reports to assist the Committee in evaluating the Committee's investment guidelines and the investment program. Such reports will evaluate the performance and risk characteristics of the investments made for the Plan as a whole, each asset class and each investment manager relative to targets established in the investment guidelines.
What benchmarks are used to evaluate performance?	Primary benchmarks (standard market industry indexes) and style peer group universes are used to evaluate each individual investment manager across asset classes.
What types of performance evaluation reports are provided to the board? Are they provided in a digestible format accessible to trustees with differing levels of investment knowledge/expertise?	A quarterly overview of investment performance is provided to the Budget and Finance Committee of the Board of Trustees, as well as annual reports of Committee activities, and performance by fund. The audit results are presented to the Audit and Compliance Committee and the Board of Trustees. The reports are in summary form, with performance compared to benchmark expectations within the defined market.
How frequently is net-of-fee and gross-of-fee investment manager performance reviewed? Is net-of-fee and gross-of-fee manager performance compared against benchmarks and/or peers?	Net-of-fees investment manager performance is reviewed within each quarterly performance evaluation report, with these returns compared against both market benchmarks and peers universe data.
What is the process for determining when an investment manager should be replaced?	The Committee may terminate or replace an investment manager when the Committee determines that the investment manager: • Is not expected to achieve performance and risk objectives. • Has failed to comply with legal requirements. • Has not maintained a stable organization and retained key relevant investment professionals. • No longer meets the needs of the Plan. There are no fixed criteria for terminating or replacing an investment manager. If, however, the investment manager consistently fails to

	meet one or more of the above conditions, the Committee may consequently lack confidence in the Investment Manager's ability to do so going forward. Failure to remedy the circumstances of unsatisfactory performance by the investment manager, within a time period determined to be reasonable by the Committee, may be grounds for termination. Additionally, the Committee reserves the right to terminate an investment manager based on what the Committee determines to be in the best interest of Plan participants.
How is individual performance evaluation integrated with other investment decisions such as asset allocation and investment risk decisions?	Return objectives have been established for each of the Plan's investment managers and asset classes to evaluate their place within the investment structure. Each asset class is judged on the following criteria: • Performance is expected to have been competitive with that of the asset class when measured against appropriate benchmarks (including the primary benchmark), as well as against a peer group of similar investment style, over the previous three to five years. • Volatility, as measured by the standard deviation of quarterly returns, should be comparable to that experienced by appropriate benchmarks (including the primary benchmark), as well as against a peer group of similar investment style over the previous three to five years. Higher volatility generally should be accompanied by higher returns and lower volatility may be accompanied by lower returns. • The investment's performance should be strongly correlated with the asset class (as represented, for example, by the primary benchmark and peer group universe), and the investments holdings should be drawn to a large degree from assets that fall within the asset class. This correlation provides confidence that the investment will support its role with the strategic asset allocation strategy.

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 15, 2024

Executive Session

PRIVILEGED AND CONFIDENTIAL

Review of CHC's financial update Pursuant to Tex. Gov't Code Ann. §551.085 and Tex. Gov't Code Ann. §551.071, and including Consideration of Approval of the 2024 Insurance Renewals Upon Return to Open Session.

Anna Mateja
CFO, Community Health Choice

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HARRISHEALTH SYSTEM

BOARD OF TRUSTEES

Compliance and Audit Committee

Thursday, February 15, 2024
10:00 A.M.
(*or immediately following the Budget and Finance Committee*)

BOARD ROOM
4800 Fournace Place, Bellaire, Texas 77401

The meeting may be viewed online at: **http://harrishealthtx.swagit.com/live**

Notice: Some Board Members may participate by videoconference.

Mission
Harris Health is a community-focused academic healthcare system dedicated to improving the health of those most in need in Harris County through quality care delivery, coordination of care, and education.

AGENDA

I.	**Call to Order and Record of Attendance**	**Ms. Carol Paret**	**2 min**
II.	**Approval of the Minutes of Previous Meeting** • Compliance and Audit Committee Meeting – November 9, 2023		**1 min**
III.	**Presentation Regarding the Harris Health System Quarterly Internal Audit Update as of February 15, 2024 – *Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director***		**10 min**
IV.	**Presentation of the Harris Health System Independent Auditor's Report and Overview for the Year Ended September 30, 2023 – *Mr. Chris Clark, Forvis***		**10 min**
V.	**Consideration of Acceptance of the Harris Health System Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2023 – *Mr. Chris Clark, Forvis***		**5 min**
VI.	**Consideration of Acceptance of the Harris Health System Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2023 – *Mr. Chris Clark, Forvis***		**5 min**
VII.	**Executive Session**	**Ms. Carol Paret**	**55 min**
	A. Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Compliance with Medicare, Medicaid, HIPAA and Other Federal and State Health Care Program Requirements, Including Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Possible Action Upon Return to Open Session ***– Ms. Carolynn Jones***		*(30 min)*

B. Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Harris Health System's Cybersecurity Review, Pursuant to Tex. Gov't Code Ann. §418.183, Tex. Gov't Code Ann. §551.089, Tex. Gov't Code Ann. §551.074 and Tex. Health & Safety Code Ann. §161.032 ***– Ms. Carolynn Jones*** *(10 min)*

C. Presentation Regarding Harris County Auditor's Report Related to Correctional Health Pharmacy, Nursing, and Infection Prevention Assessment Follow-up. This Assessment was Performed Under Attorney-client Privilege and the Results are Not Subject to Disclosure Under Chapter 552 of the Tex. Gov't Code, Tex. Health & Safety Code Ann. §161.032 and Tex. Gov't Code Ann. §551.071 ***– Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director*** *(10 min)*

D. Presentation Regarding Harris County Auditor's Report Related to Details of Past-due High-priority Management Action Plans (MAPs), Pursuant to Tex. Occ. Code Ann. §151.002 and Tex. Gov't Code Ann. §551.089 ***– Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director*** *(5 min)*

VIII.	**Reconvene**	**Ms. Carol Paret**	**1 min**
IX.	**Adjournment**	**Ms. Carol Paret**	**1 min**

HARRISHEALTH SYSTEM

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
COMPLIANCE & AUDIT COMMITTEE MEETING
Thursday, November 9, 2023
10:00 AM

	AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I.	**Call to Order and Record of Attendance**	Ms. Barbie Robinson, Chair, called the meeting to order at 10:03 a.m. It was noted there was a quorum present and the attendance was recorded. Ms. Tijerina stated that only participants scheduled to speak have been provided dial in information for the meeting. All others who wish to view the meeting may access the meeting online through the Harris Health website: http://harrishealthtx.swagit.com/live.	
II.	**Approval of the Minutes of Previous Meeting –** Compliance and Audit Committee Meeting – September 14, 2023		**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously approved the minutes of the September 14, 2023 meeting.**
III.	**Presentation Regarding the Harris Health System Independent Auditor's Pre-Audit Communication for the Fiscal Year Ended September 30, 2023**	Mr. Chris Clark, Partner, FORVIS, delivered a presentation regarding the Harris Health System Independent Auditor's Pre-Audit Communication for the Fiscal Year Ended September 30, 2023. He provided an overview of the attest services performed by FORVIS in 2023, including the risk assessment process, key disclosures, timeline and preliminary findings related to the internal audit. A copy of the presentation is available in the permanent record.	**As Presented.**
IV.	**Presentation Regarding the Harris Health System FY2023 Internal Audit Update**	Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office, delivered a presentation regarding the Harris Health System FY2023 Internal Audit. She provided an overview of the audit team's organizational structure and credentials. She presented a summary of the Post-Engagement Survey results, noting a 29% survey response rate. Ms. Perkins reported a 72% completion rate, of which thirteen (13) audits were completed, four (4) are in progress, and one (1) consulting audit that is delayed. Ms. Sharon Brantley Smith, Audit Director, Harris County Auditor's Office, provided an overview of the recently completed audits and a summary of outstanding management action plans. Ms. Perkins concluded by providing highlights of the FY2024 Annual Risk Assessment and Audit Plan Process. A copy of the presentation is available in the permanent record.	**As Presented.**

	AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
V.	**Consideration of Recommendation of Approval of the Harris Health System FY2024 Internal Audit Charter to the Harris Health System Board of Trustees**	In accordance with the Harris Health System Board of Trustees Compliance and Audit Committee Charter, the Board is required to annually review and recommend approval of the Internal Audit Charter. Ms. Perkins noted that there were minimal revisions to the charter, mainly grammatical changes. A copy of the Harris Health System FY2024 Internal Audit Charter is available in the permanent record.	**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item V.**
VI.	**Discussion Regarding 2024 Compliance and Audit Committee Meeting Frequency**	Ms. Robinson led the discussion regarding the 2024 Compliance and Audit Committee Meeting frequency. The Committee agreed to maintain quarterly meetings with a commitment to meet more frequently, if needed.	**As Presented.**
VII.	**Executive Session**	At 10:26 a.m., Ms. Robinson stated that the Compliance & Audit Committee would go into Executive Session for Items "A through C" as permitted by law under Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Gov't Code §418.183 and Tex. Gov't Code Ann. §551.089.	
	A. Presentation Regarding the Harris County Auditor's FY2024 Annual Risk Assessment and Audit Plan Process, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Gov't Code Ann. §418.183 and Tex. Gov't Code Ann. §551.089, Including Consideration of Recommendation of Approval to the Harris Health System Board of Trustees Upon Return to Open Session		**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item VII.A., Harris County Auditor's FY2024 Annual Risk Assessment and Audit Plan Process.**

AGENDA ITEM		DISCUSSION	ACTION/RECOMMENDATIONS
	B. Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Compliance with Medicare, Medicaid, HIPAA and Other Federal and State Health Care Program Requirements, Including Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Including Consideration of Recommendation of Approval of the Compliance Program Audit Plan and Internal Quality Audit Plan to the Harris Health System Board of Trustees Upon Return to Open Session		**Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item VII.B, Compliance Program Audit Plan and Internal Quality Audit Plan.**

	AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	C. Presentation Regarding Harris County Auditor's Report on High Priority Management Action Plans (MAPs) Related to the Telemedicine Audit. The Audit and any Related Information is Proprietary, Privileged, Confidential or Otherwise Legally Exempt from Disclosure, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, and Tex. Gov't Code Ann. §418.183		**No Action Taken.**
VIII.	**Reconvene**	At 11:26 a.m., Ms. Barbie Robinson reconvened the meeting in open session; she noted that a quorum was present and that no action was taken in Executive Session. The Board then took action on Items "A and B" of the Executive Session agenda.	
IX.	**Adjournment**	Moved by Ms. Jennifer Tijerina, seconded by Ms. Carol Paret, and unanimously approved to adjourn the meeting. There being no further business, the meeting adjourned at 11:28 a.m.	

I certify that the foregoing are the Minutes of the Meeting of the Compliance and Audit Committee of the Board of Trustees of the Harris Health System held on November 9, 2023.

Respectfully submitted,

Ms. Carol Paret, BS, Acting Committee Chair

in lieu Ms. Barbie Robinson, MPP, JD, CHC, Committee Chair

Recorded by Cherry A. Pierson, MBA

HARRISHEALTH SYSTEM

Thursday, November 9, 2023

Harris Health System Board of Trustees Board Meeting – Compliance and Audit Committee Attendance

Note: For Zoom meeting attendance, if you joined as a group and would like to be counted as present, please submit an email to: BoardofTrustees@harrishealth.org before close of business the day of the meeting.

COMPLIANCE & AUDIT COMMITTEE MEMBERS PRESENT	COMPLIANCE & AUDIT COMMITTEE MEMBERS ABSENT	ADDITIONAL BOARD MEMBERS PRESENT
Ms. Barbie Robinson *(Committee Chair)*		
Ms. Carol Paret		
Ms. Jennifer Tijerina		

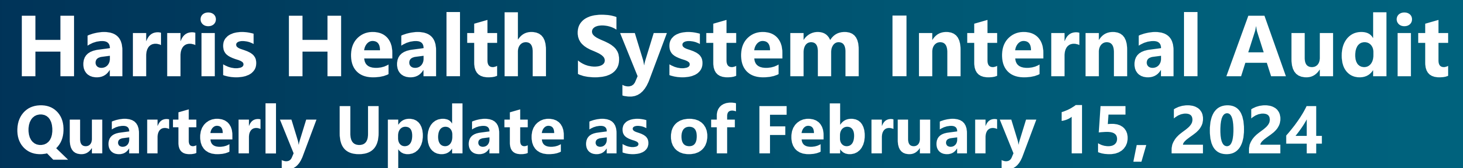
HARRIS HEALTH EXECUTIVE LEADERSHIP, STAFF & SPECIAL INVITED GUESTS	
Anthony Williams	King Hillier
Antoinette "Toni" Cotton	Louis Smith
Carolynn Jones	Dr. Martha Mims
Catherine Walther	Dr. Matasha Russell
Cherry Pierson	Matthew Schlueter
Chris Clark *(FORVIS)*	Michael Hill
Daniel Smith	Dr. Michael Nnadi
Derek Curtis	Nicholas J. Bell
Ebon Swofford (*Harris County Attorney's Office)*	Omar Reid
Elizabeth Winn (*Harris County Attorney's Office)*	Patricia Darnauer
Errika Perkins *(Harris County Auditor's Office)*	Patrick Casey
Dr. Esmaeil Porsa (*Harris Health President & CEO)*	Randy Manarang
Dr. Glorimar Medina	Dr. Sandeep Markan
Jack Adger *(Harris County Purchasing Office)*	Sara Thomas (*Harris County Attorney's Office)*
Dr. Jackie Brock	Sharon Brantley-Smith *(Harris County Auditor's Office)*
Jeffrey Vinson	Shawn DeCosta
Dr. Jennifer Small	Dr. Steven Brass
Jennifer Zarate	Dr. Tien Ko
Jerry Summers	Vivian Ho-Nguyen
John Matcek	

Thursday, February 15, 2024

Presentation Regarding the Harris Health System Quarterly Internal Audit Update as of February 15, 2024

Harris County Auditor's Office presentation to the Compliance and Audit Committee of the Quarterly Internal Audit Update as of February 15, 2024.

Errika Perkins
Errika Perkins
Chief Assistant County Auditor, Harris County Auditor's Office



Harris Health System Internal Audit

Quarterly Update as of February 15, 2024

Errika Perkins, Chief Assistant County Auditor

Sharon Brantley Smith, Audit Director

HARRISHEALTH

Our Mission

Provide independent, objective assurance and consulting services, utilizing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Our Goal

Serve as a trusted assurance partner by completing at least 75% of the annual Audit Plan by fiscal year-end and providing deliverables that add value and support Harris Health's achievement of its Strategic Plan.

Audit Plan Status

HARRISHEALTH

Completed Engagement – *Follow-up on Correctional Health Pharmacy, Nursing, & Infection Prevention*

Overview

Internal Audit, along with Harris Health's Accreditation and Regulatory Affairs and Infection Prevention teams, were engaged to confirm whether corrective actions were completed from the 2021 Correctional Health Pharmacy, Nursing, and Infection Prevention Assessment. The engagement was performed under attorney-compliance privilege.

Conclusion

Significant progress has been made to improve pharmacy, nursing, and infection prevention processes within Correctional Health and ensure compliance with regulatory standards. There are, however, opportunities for improvement which management has acknowledged and plans to address in phases during the months of November 2023, February 2024, and March 2024, with the final corrective actions occurring by December 31, 2024.

The full report will be presented in Executive Session.

In-Progress Engagements

Audit	Objective	Scope Period	Status	Expected Compliance and Audit Committee Presentation Date
Baylor Provider Invoicing (co-sourced with Corporate Compliance)	Determine whether controls exist to ensure Baylor physician services invoices are complete, compliant with the agreement, and accurate prior to payment.	July 2021 – June 2023	**End of fieldwork.** Issues are being finalized and discussed with Harris Health and Baylor College of Medicine management. Final report is expected in February 2024.	May 2024
Medical Device Security	Evaluate controls to confirm medical devices are updated with the latest security patches/software per vendor and IT security requirements.	January 2022- August 2023	**End of fieldwork.** Issues are being finalized and discussed with Harris Health management. Final report expected in February 2024.	May 2024
MWBE Program & Policy	Validate the status of corrective action plans from the Disparity Study and compliance with the MWBE Policy.	May 1, 2022 – November 30, 2023	**Midway through fieldwork.** Reviewing documentation and processes to evaluate recordkeeping and collaboration among Contract Diversity Office, Purchasing, and Contract Administration, as well as completeness and accuracy of information in B2Gnow and PeopleSoft. Final report is expected in February 2024.	May 2024

In-Progress Engagements (continued)

Audit	Objective	Scope Period	Status	Expected Compliance and Audit Committee Presentation Date
HIPAA Privacy Controls	Determine whether the use and disclosure of PHI is in accordance with Harris Health's HIPAA privacy policies.	October 2022 – December 2023	**Midway through fieldwork.** Final report is expected in March 2024.	May 2024
Benefits Eligibility	Evaluate controls for ensuring benefits eligibility for spouses and dependents.	January 2023 – December 2023	**Beginning of fieldwork.** Final report is expected in March 2024.	May 2024
Nursing License	Validate the risk reduction strategies in place for ensuring nursing licenses are current.	May 2023 – December 2023	**Planning.** Final report is expected in February 2024.	May 2024

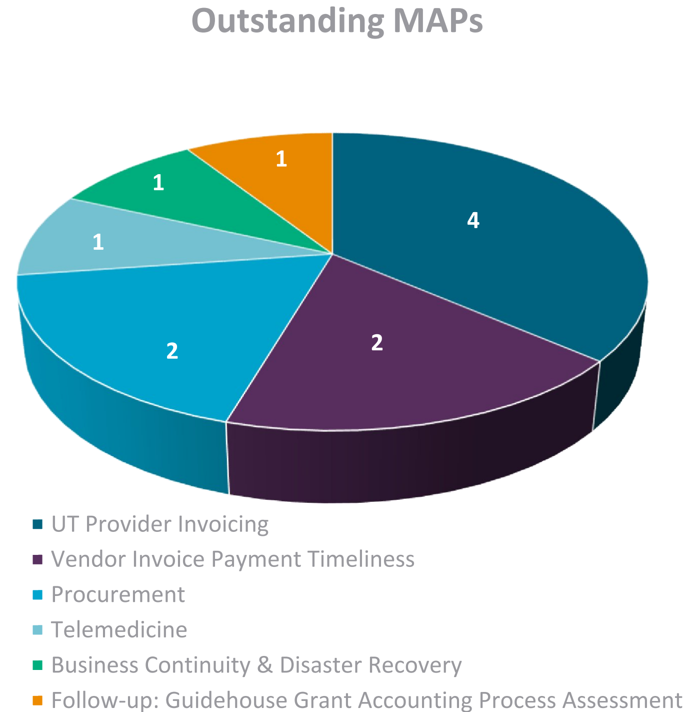
Follow-up on Management Action Plans

At the end of each audit engagement, Internal Audit requests action plans and implementation dates from management to remediate the risks identified during the audit. Internal Audit follows up to confirm implementation of the management action plans (MAPs) and provides updates to the Compliance and Audit Committee on any past-due MAPs with a HIGH priority for implementation.

A total of **11 MAPs** are outstanding for six audits (***Figure 1***). The table below indicates **four past-due**, high-priority MAPs, which will be discussed in Executive Session.

Project Name	Total Outstanding MAPs	High Priority Past Due MAPs
Vendor Invoice Payment Timeliness	2	1
Procurement	2	1
Business Continuity & Disaster Recovery	1	1
Telemedicine	1	1
Total	**7**	**4**

Figure 1



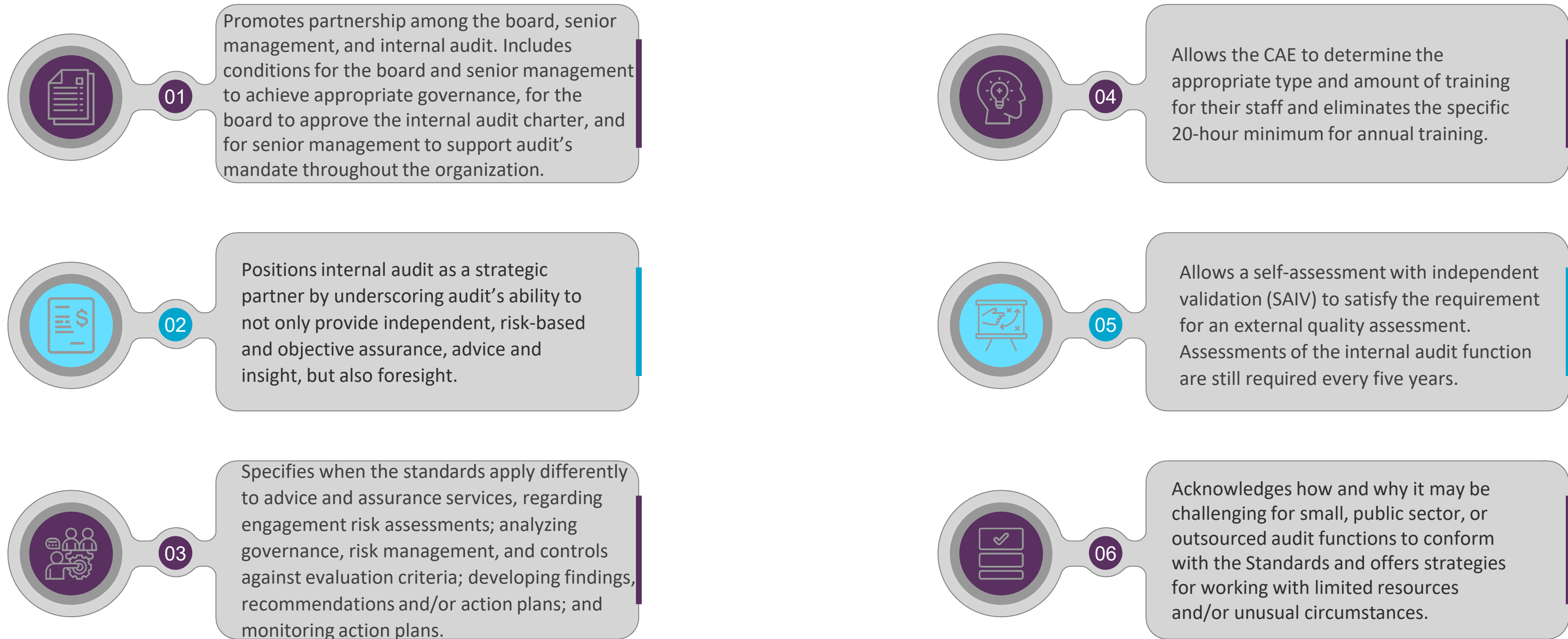
Knowledge Sharing

HARRISHEALTH

2024 Global Internal Audit Standards

On January 9, 2024, The Institute of Internal Auditors released the new Global Internal Audit Standards, which will become effective in January 2025. The Standards include five domains (purpose, ethics, governance, functional management, and audit services) to guide the professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The previous version of the Standards, the *International Standards for the Professional Practice of Internal Auditing*, was released in 2017 and remains approved for use during the one-year transition period.

6 Major Revisions to the Standards



Source: Gartner, *The IIA's Global Internal Audit Standards Are Here — Understand the Changes*, January 18, 2024

HARRISHEALTH

Summary of Key Board Expectations

Purpose, Ethics & Professionalism

- Review and approve purpose statement in charter and strategy.
- Support audit's direct accountability and access to the Board.
- Ensure audit's independence and require CAE to confirm objectivity annually.
- Support audit's resource needs including competency, training and total budget.

Governance and Oversight

- CAE should report primarily/ functionally to the Board.
- Agree on the CAE's role and responsibilities, qualifications, compensation and evaluation.
- Review (at least annually) audit's charter, strategy, audit plan, budget, resource plan, performance objectives and quality assessments.
- Agree with CAE on frequency and nature of periodic updates and review same.

Manage the Function and Perform Engagements

- Support audit as needed to fulfill its mandate, charter, strategy and audit plan.
- Support audit regarding audit's stakeholder relationships and coordinated assurance efforts.
- Review audit's risk rating scale and support engagement level resource needs.
- Support internal audit if action is needed to remove management barriers to timely finding remediation.

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See The Global Internal Audit Standards, The Institute of Internal Auditors, 2024

Summary of Key Senior Management Expectations

Purpose, Ethics & Professionalism

- Review purpose statement in charter and strategy.
- Support audit's direct accountability and access to the Board.
- Support audit's methodology for addressing ethical concerns and impairments to independence or objectivity.
- Support audit's conformance to the standards and training budget needs.

Governance and Oversight

- Position CAE at organization level that enables it to meet its mandate, charter and purpose.
- Support CAE's access and meetings with Board and Senior Management.
- Enable audit's access to data, information, personnel and physical assets and properties.
- Review audit's periodic quality assessments, review results and support action plans.

Manage the Function and Perform Engagements

- Enable CAE's knowledge of organization's strategy, objectives and risks.
- Support audit's resource needs, stakeholder relationships and coordinated assurance efforts.
- Provide input into audit's audit plan, review final plan and significant changes.
- Review audit's risk rating scale, help remove management obstacles, and support communications.

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 15, 2024

Presentation of the Harris Health System Independent Auditor's Report and Overview for the Year Ended September 30, 2023

Representatives from the external audit firm FORVIS, LLP, will provide an overview of the results of the audit engagements for the Harris Health System audit reports for the Compliance and Audit Committee's consideration and approval.

A copy of the presentation is attached.

DocuSigned by:
Victoria Nikitin
7AE7D121730A45C...

Victoria Nikitin
EVP - CFO

FORVIS

Harris County Hospital District d/b/a Harris Health System

Year Ended September 30, 2023

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

REQUIRED COMMUNICATIONS

- FORVIS' Responsibilities
  - ✓ Draft financial statements and related notes are being presented and we are prepared to issue an unmodified opinion
- Accounting Policies and Practices
  - ✓ Consistent with accounting and industry standards
  - ✓ Adoption of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*
- There were no:
  - ✓ Difficulties encountered by our team when conducting the audit
  - ✓ Disagreements with management
  - ✓ Contentious accounting issues
  - ✓ Consultations with other accountants
  - ✓ Identified material weaknesses or significant deficiencies in internal controls
- Material Written Communications
  - ✓ Audit communication letter
  - ✓ Management representation letter

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Risk Area	Comments
Management Override of Controls	No matters are reportable.
Revenue Recognition	No matters are reportable.
Information Technology	FORVIS IT Specialists tested general and access controls related to financial statement applications at Harris Health and the HMOs. No matters are reportable.
Management Estimates	
• Allowance for contractual and uncollectible account adjustments	• No adjustment was required.
• Estimated third-party payer settlements, including Medicaid Waiver and supplemental funding related receivables	• No adjustment was required.
• Accrual for professional, general, workers' compensation and employee health insurance claims	• No adjustment was required.
• Net pension liability	• No adjustment was required.
• Other post-employment benefit liability	• No adjustment was required. • No adjustment was required.
• Reserve for CHC and CHCT medical claims liability	• No adjustment was required.
Implementation of GASB Statement No. 96	Resulted in recognition of subscription assets and subscription liabilities that were not previously required to be recorded on the balance sheet. No adjustment was required.

FORVIS

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STATEMENTS OF NET POSITION (IN THOUSANDS)

	2/29/2020	2/28/2021	2/28/2022	7 mo ended 9/30/2022	Year Ended 9/30/2023
Current Assets					
Cash and short-term investments	$ 905,565	$ 1,090,584	$ 1,232,924	$ 822,808	$ 1,012,630
Property taxes receivable, net	32,872	33,449	24,820	-	-
Patient accounts receivable, net	77,348	114,312	127,653	114,899	181,545
Other current assets	166,610	368,241	363,682	666,377	553,340
	1,182,395	1,606,586	1,749,079	1,604,084	1,747,515
Noncurrent Cash and Investments	56,182	47,037	84,787	78,375	88,713
Capital Assets, Net	492,450	526,484	560,291	586,683	670,357
Lease and Subscription Assets, Net	-	-	-	47,888	42,465
Other Assets	4,928	6,597	9,441	11,180	17,179
Deferred Outflows of Resources	106,691	187,543	160,212	195,717	241,358
	$ 1,842,646	$ 2,374,247	$ 2,563,810	$ 2,523,927	$ 2,807,587
Current Liabilities	$ 275,524	$ 371,417	$ 314,517	$ 394,213	$ 389,648
Postemployment Health Benefit Liability	470,007	572,176	445,471	445,471	432,130
Net Pension Liability	224,938	162,134	155,191	155,191	344,235
Long-term Debt	325,319	341,287	320,877	308,580	275,833
Lease and Subscription Liabilities	-	-	-	40,335	37,033
Deferred Inflows of Resources	55,313	112,442	218,695	218,695	115,315
Net Position	491,545	814,791	1,109,059	961,442	1,213,393
	$ 1,842,646	$ 2,374,247	$ 2,563,810	$ 2,523,927	$ 2,807,587

FORVIS

Note: Condensed financial statements should be read in conjunction with the full set of financial statements.

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (IN THOUSANDS)

	2/29/2020	2/28/2021	2/28/2022	7 Mo Ended 9/30/2022	Year Ended 9/30/2022
Net patient service revenue	$ 591,357	$ 695,234	$ 822,096	$ 396,517	$ 753,635
Medicaid supplemental programs revenue	290,557	563,923	561,109	583,321	719,270
Other revenue	32,938	34,168	42,552	61,422	130,799
	914,852	1,293,325	1,425,757	1,041,260	1,603,704
Expenses					
Salaries and employee benefits	837,609	894,277	1,052,089	631,301	1,223,621
Supplies and other	717,313	826,853	922,249	556,908	966,407
Depreciation	54,650	59,751	61,159	42,402	74,434
	1,609,572	1,780,881	2,035,497	1,230,611	2,264,462
Operating Loss	(694,720)	(487,556)	(609,740)	(189,351)	(660,758)
Ad valorem tax revenue, net	767,515	780,713	814,846	-	822,755
Provider Relief Fund revenue	-	22,134	34,027	20,893	-
Capital grants from the Foundation	-	-	45,900	-	9,500
Other revenue (expense)	17,416	7,955	9,235	20,841	80,454
Change in Net Position	$ 90,211	$ 323,246	$ 294,268	$ (147,617)	$ 251,951

Note: Condensed financial statements should be read in conjunction with the full set of financial statements.

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Industry Comparisons

District	Total Assets	Total Debt	NPSR + Supplemental	Net Income	Total Margin	Operating Margin
Bexar	$4,655,000	$1,260,000	$1,398,000	$179,128	9%	(23%)
Dallas	3,873,000	564,000	1,980,000	$118,585	4%	(34%)
Harris	2,808,000	298,000	1,473,000	$242,451	10%	(41%)
JPS	2,532,000	472,000	995,000	$251,770	14%	(34%)
El Paso	1,000,000	384,000	749,000	$ 13,916	1%	(17%)

District	Net Days in AR	DCOH	Cash to Debt %	Pension Funded Status	Pension Measurement Date
Bexar	58	250	139%	90.40%	12/31/2021
Dallas	54	180	225%	66.11%	12/31/2022
Harris	54	168	340%	70.46%	12/31/2022
JPS	43	362	306%	85.97%	9/30/2022
El Paso	54	53	51%	90.03%	12/31/2022

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OTHER AUDIT ENGAGEMENTS & RESULTS

- Uniform Grant Compliance Audit
  - ✓ Separate audit performed to assess compliance with federal and state grants
- Statutory Audits of CHC and CHCT
  - ✓ Statutory reporting standards
  - ✓ Filed with the Texas Department of Insurance
  - ✓ Most recently issued audit was for FY22. FY23 audit will soon be underway
- Pension and 401k Plans
  - ✓ Separate audit performed on the net position of the plans
  - ✓ Most recently issued audit was for FY22. FY23 audit will be performed later in 2024
- Board Communications
  - ✓ We will provide separate communications to the governing boards of CHC and CHCT, and to the Pension Plan and 401K Plan delegated committees of the Board of Trustees as the other audits are completed

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The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities.
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Assurance / Tax / Advisory

BOARD OF TRUSTEES

Compliance and Audit Committee

Thursday, February 15, 2024

Consideration of Acceptance of the Harris Health System Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2023

Representatives from the external audit firm FORVIS, LLP, will provide an overview of the results of the audit engagement for the Harris Health System for the Compliance and Audit Committee's consideration and approval.

A copy of the draft report is attached.

Management recommends the acceptance of the Harris Health System Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2023.

DocuSigned by:
Victoria Nikitin
7AE7D121730A45C...

Victoria Nikitin
EVP - CFO

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Harris County Hospital District d/b/a Harris Health System A Component Unit of Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2023

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
September 30, 2023

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Independent Auditor's Report

Board of Trustees
Harris County Hospital District
d/b/a Harris Health System
Houston, Texas

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Harris County Hospital District, d/b/a Harris Health System (the System), a component unit of Harris County, Texas, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Harris County Hospital District Foundation (Foundation), a discretely presented component unit of the System, which represents 2.6% of total assets, 6.6% of net position, and 0.1% of revenues of the aggregate discretely presented component units as of and for the year ended September 30, 2023. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension, and other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of

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management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Dallas, Texas
February __, 2024

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position
September 30, 2023
(In Thousands)

Assets and Deferred Outflows of Resources	Harris Health System	Component Units: Foundation February 28, 2023	Component Units: Community Health Choice, Inc. December 31, 2022	Component Units: Community Health Choice Texas, Inc. December 31, 2022
Current Assets				
Cash and cash equivalents	$ 194,456	$ 152	$ 46,807	$ 664,248
Short-term investments	818,174	-	3,325	100
Accounts receivable – net of allowance for uncollectible accounts of $81,369	181,545	-	-	-
Inventories	9,182	-	-	-
Medicaid supplemental programs receivable	434,855	-	-	-
Prepaid expenses and other current assets	54,456	3,027	235,119	66,657
Estimated third-party payor settlements	2,839	-	-	-
Due from Community Health Choice, Inc.	12,534	-	-	64,274
Restricted cash and cash equivalents - Local Provider Participation Fund	31,500	-	-	-
Current portion of assets limited as to use or restricted	7,974	-	-	-
Total current assets	1,747,515	3,179	285,251	795,279
Assets Limited as to Use or Restricted – Net of Current Portion				
Debt service	25,472	-	-	-
Capital gift proceeds	54,940	-	-	-
Series 2020 capital asset fund	6,019	-	-	-
Other	2,282	23,529	-	-
Total assets limited as to use or restricted – net	88,713	23,529	-	-

See Notes to Financial Statements

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2023
(In Thousands)

Assets and Deferred Outflows of Resources (Continued)	Harris Health System	Component Units: Foundation February 28, 2023	Component Units: Community Health Choice, Inc. December 31, 2022	Component Units: Community Health Choice Texas, Inc. December 31, 2022
Capital Assets				
Land and improvements	$ 58,781	$ -	$ -	$ -
Buildings and fixed equipment	825,426	-	-	-
Major movable equipment	473,945	-	-	-
Less accumulated depreciation	(848,066)	-	-	-
Total depreciable capital assets, net	510,086	-	-	-
Construction in progress	160,271	-	-	-
Capital assets, net	670,357	-	-	-
Lease Assets, Net	40,923	-	1,039	-
Subscription Assets, Net	1,542	-	-	-
Other Assets				
Ad valorem taxes receivable – net of allowance for uncollectible taxes of $50,287	5,766	-	-	-
Derivative asset	2,733	-	-	-
Other assets	8,680	2,125	-	-
Total other assets	17,179	2,125	-	-
Total assets	2,566,229	28,833	286,290	795,279
Deferred Outflows of Resources				
Resources related to pension	158,454	-	-	-
Resources related to OPEB	76,350	-	-	-
Loss on refunding revenue bonds	6,554	-	-	-
Total deferred outflows of resources	241,358	-	-	-
Total assets and deferred outflows of resources	$ 2,807,587	$ 28,833	$ 286,290	$ 795,279

See Notes to Financial Statements

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2023
(In Thousands)

Liabilities, Deferred Inflows of Resources and Net Position	Harris Health System	Component Units		
		Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
Current Liabilities				
Accounts payable and accrued liabilities	$ 147,423	$ 197	$ 23,564	$ 55,766
Interest payable	938	-	-	-
Current portion of employee compensation and related benefit liabilities	61,595	-	-	-
Postemployment health benefit liability	18,918	-	-	-
Compensated absences	62,036	-	-	-
Intergovernmental transfer obligation	45,302	-	-	-
Medical claims liability	-	-	79,133	357,927
Premium deficiency reserve	-	-	-	1,105
Experience rebate payable	-	-	-	77,138
Liabilities related to the Affordable Care Act	-	-	2,001	-
Due to Harris Health System	-	-	11,081	-
Due to Community Health Choice Texas, Inc.	-	-	64,274	-
Estimated third-party payor settlements	16,893	-	-	-
Current portion of long-term debt	29,666	-	-	-
Current portion of subscription liabilities	463	-	-	
Current portion of lease liabilities	6,414	-	-	-
Total current liabilities	389,648	197	180,053	491,936
Other Long-term Liabilities				
Postemployment health benefit liability	432,130	-	-	-
Net pension liability	344,235	-	-	-
Lease liabilities	36,067	-	1,061	-
Subscription liabilities	966	-	-	-
Borrowing payable	7,085	-	-	-
Arbitrage liability	92	-	-	-
Long-term Debt				
Series 2010 refunding revenue bonds	57,994	-	-	-
Series 2016 refunding revenue bonds - including premium of $8,977	139,277	-	-	-
Series 2016 certificates of obligation - including premium of $3,603	48,218	-	-	-
Series 2020 certificates of obligation - including premium of $2,497	23,167	-	-	-
Total liabilities	1,478,879	197	181,114	491,936

See Notes to Financial Statements

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2023
(In Thousands)

Liabilities, Deferred Inflows of Resources and Net Position (Continued)	Harris Health System	Component Units: Foundation February 28, 2023	Component Units: Community Health Choice, Inc. December 31, 2022	Component Units: Community Health Choice Texas, Inc. December 31, 2022
Deferred Inflows of Resources				
Resources related to pension	$ 1,192	$ -	$ -	$ -
Derivative financial instrument	2,733	-	-	-
Resources related to OPEB	111,390	-	-	-
Total deferred inflows of resources	115,315	-	-	-
Net Position				
Net investment in capital assets	355,254	-	-	-
Restricted for debt service	33,446	-	-	-
Restricted by donors for capital acquisitions	54,940	-	-	-
Restricted – other	2,282	24,737	3,325	100
Unrestricted	767,471	3,899	101,851	303,243
Total net position	1,213,393	28,636	105,176	303,343
Total liabilities, deferred inflows of resources and net position	$ 2,807,587	$ 28,833	$ 286,290	$ 795,279

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2023
(In Thousands)

	Harris Health System	Component Units		
		Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
Operating Revenues				
Net patient service revenue	$ 753,635	$ -	$ -	$ -
Medicaid supplemental programs revenue	719,270	-	-	-
Premium revenue	-	-	897,108	1,892,084
Other operating revenues	130,799	1,574	489	-
Total operating revenues	1,603,704	1,574	897,597	1,892,084
Operating Expenses				
Salaries, wages, and benefits	1,223,621	478	14,734	64,448
Pharmaceuticals and supplies	293,412	-	3,681	11,974
Physician services	419,537	-	-	-
Medical claims expense	-	-	808,627	1,667,186
Purchased services and other	253,458	4,102	64,647	96,326
Depreciation and amortization	74,434	-	297	1,187
Total operating expenses	2,264,462	4,580	891,986	1,841,121
Operating Income (Loss)	(660,758)	(3,006)	5,611	50,963
Nonoperating Revenues (Expenses)				
Ad valorem tax revenues – net	822,755	-	-	-
Tobacco settlement revenues	15,184	-	-	-
Investment income	76,715	(1,328)	820	10,701
Interest expense	(14,963)	-	(2,847)	-
Capital grants to Harris Health System	-	(9,500)	-	-
Other, net	3,518	-	-	2,695
Total nonoperating revenues (expenses) – net	903,209	(10,828)	(2,027)	13,396
Surplus Transfer Between Affiliates	-	-	20,000	(20,000)
Income (Loss) Before Capital Grants and Gifts	242,451	(13,834)	23,584	44,359
Capital Grants from the Foundation	9,500	-	-	-
Changes in Net Position	251,951	(13,834)	23,584	44,359
Net Position – Beginning of Year	961,442	42,470	81,592	258,984
Net Position – End of Year	$ 1,213,393	$ 28,636	$ 105,176	$ 303,343

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas

Statement of Cash Flows

Year Ended September 30, 2023
(In Thousands)

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 745,161
Receipts from Medicaid supplemental programs	765,767
Receipts from incentive programs and grants	11,483
Receipts from other revenues	106,546
Payments to suppliers	(973,129)
Payments to employees and for employee benefits	(1,185,941)
Net cash used in operating activities	(530,113)
Cash Flows from Noncapital Financing Activities	
Contributions and other – net	3,377
Ad valorem taxes – net	811,496
Interest paid	(901)
Repayment of long-term debt	(1,990)
Tobacco settlement revenues	15,184
Net cash provided by noncapital financing activities	827,166
Cash Flows from Capital and Related Financing Activities	
Receipt of property taxes for debt service	8,628
Acquisitions and construction of capital assets	(143,634)
Contributions restricted for the acquisition and construction of capital assets	9,500
Interest paid on long-term debt, lease liabilities, and subscription arrangement liabilities	(16,270)
Principal paid on long-term debt, lease liabilities, and subscription arrangement liabilities	(20,165)
Net cash used in capital and related financing activities	(161,941)
Cash Flows from Investing Activities	
Receipts of investment income – including realized gains and losses	65,118
Decrease in cash equivalents included in assets limited as to use or restricted	(925)
Purchases of investment securities	(1,797,977)
Proceeds from sale and maturities of investment securities	1,227,702
Net cash used in investing activities	(506,082)
Net Decrease in Cash and Cash Equivalents	(370,970)
Cash and Cash Equivalents - Beginning of Year	565,426
Cash and Cash Equivalents - End of Year	$ 194,456

See Notes to Financial Statements

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Cash Flows (Continued)
Year Ended September 30, 2023
(In Thousands)

Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$	(660,758)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		74,434
Changes in operating assets and liabilities:		
Increase in accounts receivable		(66,646)
Decrease in inventories		1,487
Decrease in Medicaid supplemental program receivable		46,497
Increase in prepaid expenses and other assets		(16,506)
Decrease in estimated third-party payor settlements		53,732
Decrease in accounts payable and accrued liabilities		(6,750)
Increase in net pension liability		189,044
Increase in employee compensation and related benefit liabilities		11,987
Increase in compensated absences		4,255
Increase in estimated third-party payor settlements		3,356
Decrease in postemployment health benefit liability		(11,480)
Decrease in deferred inflows of resources - pension		(86,961)
Increase in deferred outflows of resources - pension		(85,673)
Decrease in deferred inflows of resources - OPEB		(19,152)
Decrease in deferred outflows of resources - OPEB		39,021
Total adjustments		130,645
Net cash used in operating activities	$	(530,113)

Supplemental Disclosures of Noncash Operating, Capital, Financing and Investing Activities		
Unrealized gain on investments	$	6,538
Amounts related to acquisition of capital assets in accounts payable and accrued liabilities		35,299
Lease obligations incurred for lease assets		2,898

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Mission

Harris County Hospital District, d/b/a Harris Health System, (the System), a component unit of Harris County, Texas, was created by authorization of the legislature of the State of Texas and subsequent approval by the voters of Harris County, Texas, in November 1965. The System provides patient care to the indigent population of Harris County and receives property taxes levied by Harris County for the provision of this care. The System operates two acute care hospitals and a psychiatric unit, with a total of 617 licensed beds. The System also operates 16 primary care health clinics including the nation's first free-standing HIV/AIDS treatment center; three large multi-specialty clinics; four same day clinics; a free-standing dental center; a dialysis center; a outpatient gastroenterology endoscopy center; seven homeless shelter clinics; and a mobile immunization and medical outreach program. The System is exempt from federal income taxes.

The System is a component unit of Harris County, Texas (legally separate from Harris County, Texas) since the members of the System's governing board are appointed by the Harris County Commissioners' Court. The Harris County Commissioners' Court approves the System's tax rate and annual operating and capital budget. Harris County, Texas does not provide any funding to the System, hold title to any of the System's assets or have any rights to any surpluses of the System.

The System's primary mission is to provide quality preventive, medical, hospital and emergency care to the indigent and needy of Harris County and to others with the ability to pay. All activities conducted by the System are directly associated with the furtherance of this mission and are, therefore, considered to be operating activities.

The Harris County Hospital District Foundation (the Foundation) was organized in 1993. The Foundation is a nonprofit, tax-exempt corporation organized under Section 501(c)(3) of the Internal Revenue Code whose primary purpose is to raise funds to support the operations and activities of the System. Although the System does not control the timing or amount of receipts from the Foundation, the majority of resources (or income thereon) that the Foundation holds and invests is restricted to the activities of the System by the donor. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the System, the Foundation is considered a component unit of the System and is included in the System's financial statements. The Foundation is reported as a discretely presented component unit of the System. Financial reports for the Foundation can be obtained from the Harris County Hospital District Foundation, 4800 Fournace Place, Bellaire, Texas 77401. Attention: Jeffrey Baker, Executive Director (Jeffrey.Baker@harrishealth.org).

The Harris County Hospital District Strategic Fund (the Strategic Fund) was organized in 2023. The Strategic Fund is a non-profit, tax-exempt corporation organized under Section 501(c)(3) of the Internal Revenue Code whose primary purpose is to lead the private fundraising efforts for the

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implementation of the Harris Health System strategic plan. The Strategic Fund will be reported as a discretely presented component unit of the System. The Strategic Fund had no activity in 2023 with fundraising efforts expected to begin in 2024.

Community Health Choice, Inc. (CHC) and Community Health Choice Texas, Inc. (CHCT) (collectively, the HMOs) are Texas not-for-profit corporations organized under Section 501(c)(4) of the Internal Revenue Code to operate as health maintenance organizations. CHC was incorporated on May 8, 1996, licensed by the Texas Department of Insurance on February 27, 1997, and as of December 31, 2022, offered three Medicaid insurance products as well as individual health insurance on the Health Insurance Marketplace. Community Health Choice Texas, Inc. was formed in August 2016 to allow the Health Insurance Marketplace and the Medicaid insurance products to be provided and served by separate corporations. Community Health Choice, Inc. is the Health Insurance Marketplace and commercial HMO with 95,434 enrollees as of December 31, 2022, and Community Health Choice Texas, Inc. is the Medicaid Managed Care HMO with 410,332 enrollees as of December 31, 2022. The HMOs are reported as discretely presented component units of the System since the Board of Directors are appointed by the System's Board of Trustees (the Board) and the System can impose its will on the HMOs. The differences in amounts due to the System and due from the HMOs in the accompanying statement of net position are primarily due to the presentation of the HMOs financials based on their fiscal year-end of December 31. Financial reports for the HMOs can be obtained from Community Health Choice, Inc., 2636 South Loop West, Ste. 125, Houston, Texas 77054, Attention: Anna Mateja, Chief Financial Officer (Anna.Mateja@CommunityHealthChoice.org).

Unless otherwise noted, the following notes do not include the Foundation or the HMOs.

The accompanying statement of revenues, expenses and changes in net position of the System reflects its activities for the year ended September 30, 2023. The financial statements of the Foundation are as of and for the year ended February 28, 2023. The financial statements of the HMOs are as of and for the year ended December 31, 2022. These years are the most recent fiscal years ended for these component units.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and ad valorem tax revenues) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or

voluntary nonexchange transactions that are not program specific, ad valorem taxes, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses.

Method of Accounting

Under the provisions of the American Institute of Certified Public Accountants' *Audit and Accounting Guide, Health Care Organizations*, the System is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board (GASB).

In accordance with GASB Statement No. 34*, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the System's financial statements include the statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows.

The statement of net position requires that total net position be reported in three components (a) net investment in capital assets, (b) restricted; and (c) unrestricted.

- "Net investment in capital assets" consists of capital, lease and subscription assets, net of accumulated depreciation and amortization, reduced by the amount outstanding for any bonds, notes, or other financing liabilities that were incurred related to the acquisition, use, construction or improvement of those assets.
- "Restricted" consists of restricted assets reduced by liabilities and deferred inflows of resources related to the assets and are primarily for debt service and capital asset acquisition.
- "Unrestricted" is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the System's practice to apply that expense to restricted net position to the extent such are available and then to unrestricted.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board pronouncements. As such, certain revenue recognition criteria and presentation features are different from that of the GASB. The Foundation's financial statement formats were modified to make them compatible with the System's financial statement formats.

The HMOs are licensed only in the state of Texas and report under Governmental Accounting Standards Board pronouncements. The HMOs' financial statement formats were modified to make them compatible with the System's financial statement formats.

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Reporting Entity

The financial statements include the accounts of the System, the Foundation and the HMOs, as described in *Note 1*. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements Nos. 14 and 34*, the System reports the HMOs and the Foundation as discretely presented component units in its financial statements. The Strategic Fund will also be reported as a discretely presented component unit, however this entity had no activity during the year ended September 30, 2023. Management of the System believes the separate presentation of the System's statements and of each discretely presented component unit to be the most reflective of the System's activities.

Transactions between the System and its component units include the following:

The System provides certain administrative services to the HMOs including employment of all individuals who perform the day-to-day requirements of the business functions of the HMOs. The HMOs reimburse the System for such salaries, wages and benefits and these costs are reflected as expenses of the HMOs.

An additional fee for indirect costs approximating $3 million for the year ended September 30, 2023 is included as a revenue and expense in the System’s financial statements. The System pays a portion of the premiums for enrollees to Community Health Choice, Inc. for insurance coverage under the insurance plans that are offered as part of the HMO’s mission. Premiums paid on behalf of enrollees were approximately $7 million for the year ended September 30, 2023, which is included as revenue in the HMO’s financial statements and expense in the System’s financial statements.

The System supports the Foundation with payments for goods and services of approximately $557 thousand for the year ended September 30, 2023, which are recognized in the Foundation financial data as in-kind contributions and expenses. The Foundation provided support to the System for projects and grants of approximately $13 million for the year ended September 30, 2023.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash and investments that are highly liquid with maturities of less than three months when purchased, and excludes cash and cash equivalents that are restricted or limited as to use. Short-term investments are investments with maturities in excess of three months, but less than a year, when purchased.

The System's and HMO’s cash, cash equivalents and investments are invested in fully collateralized time deposits, commercial paper, money market mutual funds, investment pools and government securities as authorized by Chapter 281 of the *Texas Health and Safety Codes*

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and Chapter 116 of the *Texas Local Government Code*, except as disclosed in *Note 6*. Such total collateralization and insurance coverage is required by the Board of Trustees of the System. The Foundation's investments, however, are not subject to these laws.

Investments are reported at amortized cost or fair value, with realized and unrealized gains and losses included in investment income in the statement of revenues, expenses and change in net position.

Foundation Net Position

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net position. Gifts received with a donor stipulation that limits their use are reported as restricted net position. When a donor stipulated time restriction ends or purpose restriction is accomplished, restricted net position is reclassified to unrestricted net position. The majority of pledges recorded are externally imposed to the System's expansion projects. Pledges are included in other assets in the statement of net position.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method, or market and consist principally of pharmaceuticals.

Capital Assets

Property, plant and equipment are carried at cost or acquisition value at the time of donation and include expenditures for new facilities and equipment and expenditures that substantially increase the useful life of existing capital assets. Ordinary maintenance and repairs are charged to expense when incurred. Capitalization is limited to assets with a cost of $5,000 or greater.

Disposals are removed at carrying cost less accumulated depreciation, with any resulting gain or loss included in other nonoperating revenue and expenses. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets.

Estimated useful lives for buildings are up to 40 years and for equipment are 2 to 25 years. Equipment under capital leases is amortized on the straight-line method over the lesser of the useful life of the equipment or the lease term. Such amortization is included in depreciation and amortization in the accompanying statement of revenues, expenses and changes in net position.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset in service. Lease assets are amortized on a straight-line basis over the

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shorter of the lease term or the useful life of the underlying asset. The System has a capitalization policy to only record lease assets related to leases with more than $5,000 of payments over the lease term.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. The system has a capitalization policy to only record SBITA assets related to agreements with more than $5,000 of payments over the agreement term.

Capital, Lease, and Subscription Asset Impairment

The System evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No material asset impairment was recognized during the year ended September 30, 2023.

Deferred Outflows and Inflows of Resources

The System reports the consumption of net assets and an acquisition of net assets that is applicable to a future reporting period as deferred outflows and inflows of resources, respectively, in a separate section of its statement of net position.

Risk Management

The System is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The System is self-insured for a portion of its exposure to risk of loss from medical malpractice and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

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Compensated Absences

The System maintains a paid time-off plan. Under the paid time-off plan, the cost of all compensated absences is accrued at the time the benefits are earned. At the option of the employee, unused benefits may be liquidated at 50.0% or at the time of termination are payable at 75.0%. Changes in the System's liability for compensated absences for the year ended September 30, 2023 are as follows (in thousands):

Beginning of Year Liability	Claims and Change in Estimates	Claim Payments	End of Year Liability
$ 57,781	$ 94,236	$ 89,981	$ 62,036

Classification of Revenues and Expenses

Operating revenues include those generated from direct patient care and related support services. Nonoperating revenues consist of those revenues that are related to financing and investing types of activities and result from nonexchange transactions or investment income. Operating expenses include those related to direct patient care and related support services. Nonoperating expenses include interest expense and other expenses that are not considered operating.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported as the estimated net realized amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments under reimbursement agreements with third-party payors. In recognizing net patient service revenue, estimates are used in recording allowances for contractual adjustments and uncollectible accounts. Allowances for uncollectible accounts are estimated using historical experience, current trend information, aged account balances and a collectability analysis. The System's financial assistance program for uninsured patients classified as self-pay determines expected payments based on the Medicare allowable reimbursement.

Charges in excess of the expected payment are reflected as an administrative uninsured discount. The allowance for uncollectible accounts was estimated at $81 million as of September 30, 2023. The System provides services under contract to patients covered under the Medicare and Medicaid programs. Net revenues from these programs are included in patient service revenue at estimated reimbursement based on customary billing charges, predetermined rates of reimbursement, plus certain adjustments. The amounts due to or from these programs are subject to final review and settlement by the program administrative contractor.

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Retroactive adjustments under third-party reimbursement agreements are considered in the recognition of revenue on an estimated basis in the year the related services are rendered, and such amounts are adjusted in future years as adjustments become known. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, it is reasonably possible that these estimates could differ from actual settlements and thus change in the near term by material amounts.

Charity Care Policy

The System accepts all Harris County residents as patients regardless of their ability to pay. Harris County residents may qualify for partial financial assistance, on a sliding scale. The extent to which a resident will be financially responsible is determined based upon pre-established financial criteria, which utilize family income and size as it relates to the federal poverty guidelines set by the U.S. Department of Health and Human Services. Charity services are defined as those services for which no payment is anticipated. These amounts are not reported as revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under the System's Financial Assistance program. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross charity care charges. The following information measures the level of charity care provided during the year ended September 30, 2023 (in thousands):

Charges foregone, based on established rates	$	918,569
Cost of foregone charges, estimated		688,762

Premium Revenue

Premium revenue is recognized as revenue by the HMOs during the coverage period of the subscriber agreement. Under these agreements, the HMOs received monthly premium payments based on the number of participants. Notification is received throughout the year of any new, removed or revised members and the date of eligibility for coverage. The date of notification may be subsequent to the date of eligibility. The HMOs believe premium revenue has been appropriately recognized for the year ended December 31, 2022, the HMOs fiscal year-end.

Medical and Hospital Claims Expenses and Claim Adjustment Expenses

The HMOs contract with various health care providers for the provision of medical care to its members. The HMOs compensate hospitals on either a discounted fee-for-service or per diem basis and compensates physicians and other health care providers primarily on a discounted fee-for- service basis. The cost to the HMOs for health care services provided by providers is accrued in the period in which it is provided to members, based in part on estimates, including accruals for medical services provided but not billed and estimates of claims incurred but not yet reported to the HMOs. Medical and hospital expenses and claims adjustment expenses net of reinsurance

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recoveries represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred through the year ended December 31, 2022.

The estimate for unpaid medical expenses, claims payable, and unpaid claims adjustment expenses is actuarially determined based on historical claims payment experience. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. Although considerable variability is inherent in such estimates, management believes the reserves for unpaid claims are appropriate.

Changes in the HMO's aggregate liability for medical claims for the year ended December 31, 2022 is as follows (in thousands):

Liability at December 31, 2021	Medical Claims and Change in Estimates	Claim Payments	Liability at December 31, 2022
$ 292,733	$ 2,505,209	$ 2,360,882	$ 437,060

Contracts are evaluated to determine if it is probable that a loss will be incurred and a premium deficiency reserve is recognized when it is probable that expected future claims, including maintenance costs, will exceed existing reserves plus anticipated future premiums and reinsurance recoveries, without consideration of anticipated investment income. For purposes of determining premium deficiency reserves, contracts are grouped in a manner consistent with the method of acquiring, servicing and measuring the profitability of such contracts. As of December 31, 2022, the HMOs fiscal year-end, CHCT recognized a premium deficiency reserve for the Health Insurance Marketplace business of $1 million.

CHCT is subject to a premium experience rebate based on the excess of allowable Medicaid revenue over related expenses. As of December 31, 2022, the CHCT recorded an experience rebate liability of $77 million.

In the fiscal year ended December 31, 2022, the HMOs in aggregate paid $2,083 million in claims related to the current fiscal year and $278 million in claims related to the prior fiscal year.

Reinsurance

CHC is party to a reinsurance agreement that limits losses on cumulative inpatient hospital claims. Under the terms of the agreement, the CHC is reimbursed 30%, subject to certain limitations as specified in the contract, of the cost of each member's annual inpatient hospital

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services. CHC carries reinsurance coverage for which the reinsurer reimburses CHC 70% of each member's annual medical services in excess of $1,000,000, up to a limitation of $1,666,667 per member per agreement period for the year ended December 31, 2022.

CHCT carries reinsurance coverage for which the reinsurer reimburses CHCT 90% of each member's annual services in excess of a $1,000,000 deductible, up to a limitation of $5,000,000 per member per agreement period.

The HMOs remain obligated for amounts ceded in the event that the reinsurances do not meet their obligations. Reinsurance contracts do not relieve the HMOS from obligations to policyholders.

Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (ACA)

CHC participates in the federally facilitated health insurance exchange in 20 southeast Texas counties. The exchange was created pursuant to the *Patient Protection and Affordable Care Act* (ACA) under regulations established by the U.S. Department of Health and Human Services (HHS). Under these rules, HHS pays CHC a portion of the policy premium, in the form of Advanced Premium Tax Credit (APTC). HHS also administers certain risk management programs as detailed below.

CHC recognizes premiums received from its exchange members and APTC received from HHS as premium revenue when earned and cost sharing reductions (CSR) offsets health care costs when incurred. CHC recognized APTC amounts of $508 million for 2022. CHC did not record an allowance for APTC as of December 31, 2022.

CHC is currently involved in a dispute with the United States government regarding the payment of CSR for the years 2018 and 2017. The U.S. Court of Appeals for the Federal Circuit ruled in favor of CHC for unpaid CSR payments through December 31, 2017. CHC received a payment related to the 2017 CSR of $11 million in 2022. There is significant uncertainty surrounding any amounts due for 2018 CSR as there is ongoing debate as to the amount of additional premium tax credit payments that should offset the 2018 CSR receivable. Due to the uncertainty, CHC has not recorded a receivable for the 2018 CSR at December 31, 2022.

The ACA established a permanent risk adjustment program which adjusts the premiums that commercial, individual and small group health insurance issuers receive based on the demographic factors and health status of each member as derived from current year medical diagnosis as reported throughout the year. This program transfers funds from lower-risk plans to higher-risk plans with similar plans in the same state. The risk adjustment program is applicable to commercial, individual and small group health plans (except certain exempt and grandfathered plans) operating both inside and outside of the exchange. A risk score is determined for the entire subject population for each market in each state.

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Plans with an average risk score below the state average will pay into a pool and health insurance issuers with an average risk score that is greater than the state average risk score will receive money from that pool. CHC issues individual plans and is therefore subject to the risk adjustment program.

The risk adjustment program contains an inherent degree of risk dependent upon the Centers for Medicare & Medicaid Services' (CMS) ability to collect payments under the program from other participating plans in the state of Texas. Under this program, CHC recorded a risk adjustment receivable in the amount of $193 million at December 31, 2022, which is reflected in prepaid expenses and other current assets in the accompanying statement of net position.

The Risk Adjustment program was amended beginning for the 2018 benefit year in order to incorporate a high-cost risk pool (HCRP) calculation. The HCRP program funds an insurer's costs for members with claims above $1,000,000 while assessing a fee to all insurers using membership and standard charge percentages based on premiums. At December 31, 2022 CHC recorded a receivable of $6 million related to this program, which is reflected in prepaid expenses and other current assets in the accompanying statement of net position.

The ACA contains a provision where insurers are required to pay rebates to policyholders when minimum medical loss ratio (MLR) thresholds are not met or exceeded over a cumulative three year period. At December 31, 2022 CHC met the minimum MLR threshold for its commercial individual and large group lines of business.

Ad Valorem Tax Revenues – Net

Ad valorem tax revenues are recorded in the year for which the taxes are levied, net of provisions for uncollectible amounts, collection expenses and appraisal fees. Harris County Commissioners' Court levies a tax for the System as provided under state law. The taxes are collected by the Harris County Tax Assessor – Collector and are remitted to the System as received. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. Taxes are levied and become collectible from October 1 to January 31 of the succeeding year. Subsequent adjustments to the tax rolls, made by the County Assessor, are included in revenues in the year such adjustments are made by the County Assessor. Harris County also enters into property tax abatement agreements with local businesses under the state Property Redevelopment and *Tax Abatement Act*, Chapter 312, as well as its own guidelines and criteria, which is required under the Act.

Tobacco Settlement Revenues

The System receives a portion of the funds from the settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. Under the program guidelines, the System is free to use the funds in either the immediate or future years without restriction. The System recognizes all funds received from the settlement as nonoperating revenue in the year funds are allocated.

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Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

The System has a single-employer defined benefit other postemployment benefit (OPEB) plan. For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Change in Accounting Principle

On October 1, 2022, the System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96) using a retrospective method adoption to all SBITAs in place and not yet completed at the beginning of the earliest period presented, which was October 1, 2022. The statement requires entities to recognize a SBITA liability, measured at the present value of payments expected to be made during the subscription arrangement term, and an intangible SBITA asset. Adoption of GASB 96 had no effect on beginning net position at October 1, 2022.

Note 3: Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. The amounts by which the established billing rates exceed the amounts recoverable from these programs are written off and accounted for as contractual allowances. A summary of the payment arrangements with major third-party payors follows.

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Medicare – Inpatient acute care services and defined capital costs related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical diagnostic and other factors. Medicare outpatient services are reimbursed on fee schedules and on a prospective basis through ambulatory payment classifications, which are based on clinical resources used in performing the procedures. The System's Medicare cost reports have been audited by the Medicare administrative contractor through February 28, 2018.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge similar to those of the Medicare inpatient program. Medicaid outpatient services are paid by fee schedules for specific services, including outpatient surgery, imaging and laboratory services. Other outpatient services are reimbursed on reasonable cost, based on a percentage from the System's most recent Medicaid cost report tentative settlement as of March 1, 2013. The System's Medicaid cost reports have been settled by the Medicaid administrative contractor through February 28, 2018.

Cash received from the Medicare program accounted for approximately 54% of the System's total cash collections for net patient service revenue for the year ended September 30, 2023. Cash received from the Medicaid program (including managed Medicaid) accounted for approximately 21% of the System's total cash collections for net patient service revenue for the year ended September 30, 2023.

Compliance with laws and regulations governing the Medicare and Medicaid programs can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Note 4: Medicaid Supplemental Programs

The Disproportionate Share III (DSH) program was created in fiscal 1992 by the State of Texas to access additional federal matching funds. These funds are distributed to selected hospitals that provide services to low-income and uninsured patients.

The Upper Payment Limit (UPL) program was created in May 2002 with an effective date of July 2001. The UPL program used federal matching funds to raise state Medicaid reimbursement rates to 100.0% of equivalent Medicare rates for certain public hospital systems.

In December 2011, Texas received federal approval to redirect the funding it would have received under the UPL program. The 1115 Waiver allowed the state to expand Medicaid managed care, improve Medicaid services and reward performance. Federal funding that would have been received by hospitals if managed care was not expanded is to be preserved. The UPL program was replaced with two new pools of funding, the uncompensated care (UC) pool and the delivery

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system reform incentive payment (DSRIP) pool. The UC pool directs more funding to hospitals that serve large numbers of uninsured patients and the DSRIP pool provided incentive payments for healthcare providers based on improvements in quality of care.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool. The DSRIP pool funding ended on September 30, 2021 and was not renewed as part of the extension. CMS has also approved an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program which are discussed more fully below.

In 2022, the System began participating in the Public Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program also serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to hospitals to assist in offsetting the costs hospitals incur while providing Medicaid services. HARP revenue was approximately $136 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statement of revenues, expenses, and changes in net position.

The System also receives supplemental payments through the Public Hospital Medicaid Graduate Medical Education (GME) program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals. Revenue recognized related to the GME program was approximately $15 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statement of revenues, expenses, and changes in net position.

The System is also a participant in the Network Access Improvement Program (NAIP). NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating health-related institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, costs incurred with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as the System. This program runs through 2027. Revenue recognized related to NAIP was approximately $33 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

The System also participates in the Comprehensive Hospital Increased Reimbursement Program (CHIRP), which added a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP), a directed payment program that ended on August 31, 2021. Participating hospitals may opt into this second component. Under CHIRP, HHSC directs managed care

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organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP will require annual approval by CMS and has been approved through August 31, 2024. Revenue from CHIRP is recognized as a component of net patient service revenue in the accompanying statement of revenues, expenses, and changes in net position.

The System recognizes all funds received under these programs as operating revenues in the year applicable to the funds. Any amounts related to that year that are not received as of fiscal year-end are recorded as receivables and reflected in other current assets in the accompanying statement of net position. These receivables can be subject to adjustments that are reflected in the year they become known. The System recorded no material adjustments for the year ended September 30, 2023 for prior years' programs. The System's financial statements reflect receivables of $435 million at September 30, 2023 related to these programs.

The System also participates in a Local Provider Participation Fund (LPPF) in Harris County. The System acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Harris County. These payments are to be used to fund intergovernmental transfers representing the state's share of supplemental Medicaid funding programs. As the System acts as a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenue and expense in the statement of revenues, expenses and changes in net position. As of September 30, 2023, the System held $32 million in LPPF funds which is reported as restricted cash in the statement of net position. At September 30, 2023 the System had $45 million in intergovernmental transfer liability of which $32 million related to LPPF, and the residual related to intergovernmental transfers required for private providers.

Note 5: Assets Limited as to Use or Restricted

Assets limited as to use or restricted represent those assets whose use has been legally restricted related to the 2010 and 2016 refunding and revenue bond issues (50.0% of the greatest debt service requirement scheduled to occur); unspent bond proceeds; funds restricted by donors; or funds designated by the Board for other uses. Investments in U.S. Treasury, agency and instrumentality obligations are carried at fair value and investments in non-negotiable certificates of deposit are carried at amortized cost.

The System also invests in Texas CLASS and Lone Star Investment pools (collectively, the investment pools), both of which are state investment pools that are considered investments for financial reporting. Investments must be in compliance with the *Texas Public Funds Investment Act* and include obligations of the United States or its agencies, direct obligation of the State of Texas or its agencies, certificates of deposit and repurchase agreements. The System has an undivided beneficial interest in the pool of assets held by the investment pools. The fair value of the position in these pools is the same as the value of the shares in each pool.

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Both investment pools are rated AAAm by Standard & Poor's. Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*, are carried at amortized cost per share.

All other investments are recorded at fair value. The fair values of securities are based on appropriate valuation methodologies by third parties, quoted market prices and information available to management as of September 30, 2023.

The components of assets limited as to use or restricted at September 30, 2023 are as follows (in thousands):

Description of Assets	Total	Debt Service	Capital Gift Proceeds	Series 2020 Capital Asset Fund	Restricted Cash and Cash Equivalents LPPF	Other
Money market mutual funds	$ 33,030	$ -	$ -	$ 170	$ 31,500	$ 1,360
Investment pools	62,342	631	54,940	5,849	-	922
United States Treasury obligations	32,815	32,815	-	-	-	-
	128,187	33,446	54,940	6,019	31,500	2,282
Less funds required for current liabilities	(39,474)	(7,974)	-	-	(31,500)	-
	$ 88,713	$ 25,472	$ 54,940	$ 6,019	$ -	$ 2,282

Foundation – Assets limited as to use of $24 million at February 28, 2023 are restricted subject to donor-imposed stipulations that will be met by actions of the Foundation or the passage of time.

Note 6: Investment Risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires disclosures related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk associated with interest-bearing investments.

Credit Risk and Concentration of Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO).

The System, the HMOs and the Foundation each have formal investment policies adopted by their governing boards, which limit investment in securities based on an NRSRO credit rating. The System's investments are also subject to the *Public Funds Investment Act* (the Act), Texas Administrative Code Section 2256, and the investments of the HMOs are also subject to

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regulations enumerated in Title 28, Chapter 11 of the Texas Administrative Code and Chapter 20A of the Texas Insurance Code. The Foundation's investments are not subject to these laws.

The System's investment policy is to be reviewed and approved annually by the Board and the Commissioners' Court. The investment policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy.

Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

The System's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions located in the United States must not be rated less than A, or its equivalent, by a nationally recognized investment-rating firm. Money market mutual funds and public funds investment pools must be rated AAA or its equivalent. Commercial paper with a stated maturity of 270 days or less from the date of issuance, as authorized by the Act, must be rated A-1 or P-1 or its equivalent.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The System mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. In particular, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high-quality credit ratings.

GASB Statement No. 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk.

The following table indicates the value and maturity amount of the System's cash equivalents, assets limited as to use and investments as of September 30, 2023, summarized by security type, as well as the percentage of total portfolio, the credit rating of the investment, and the modified duration in years for each summarized security type (in thousands).

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Notes to Financial Statements
September 30, 2023

Security		Value	Percentage of Portfolio		Maturity Amount	Modified Duration (Years)	Credit Rating S&P/Moody's
Investment Pools							
Texas CLASS - Pool (Corporate)	$	102,548	9.74 %	$	102,548	0.003	AAAm
Lone Star - Pool (Corporate)		46,756	4.44		46,756	0.003	AAAm
United States Treasury obligations		121,679	11.56		122,175	0.117	Aaa/AA+
Federal Agency obligations		374,446	35.57		375,000	0.435	Aaa/AA+
Municipal Bond		18,449	1.75		18,460	0.088	Aa1/AAA
Commercial paper							
Barclays Bk PLC US DISC CP		189,831	18.02		192,200	0.222	A-1+/P-1
L'Oreal SA DCP		19,846	1.89		20,000	0.141	A-1+/P-1
LVMH Moet Hennessy DCP		29,693	2.82		30,000	0.188	A-1+/P-1
Canadian Imperial Bk Comm Bank Disc		24,722	2.35		25,000	0.205	A-1+/P-1
Halkin Finance DISC CP		24,629	2.34		25,000	0.267	A-1+/P-1
Metlife FDG DISC CP		9,896	0.94		10,000	0.188	A-1+/P-1
Glaxosmithkline LLC DISC CP		23,565	2.24		23,700	0.102	A-1/P-1
Nestle Finance INTL DISC CP		14,233	1.35		14,300	0.085	A-1/P-1
Money market mutual funds		52,520	4.99		52,520	0.003	AAAm/Aaa-mf
Total cash equivalents, assets limited as to use and investments	$	1,052,813	100.00 %	$	1,057,659	0.234	

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the System will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Chapter 2257 of the Texas Government Code is known as the *Public Funds Collateral Act*. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Deposit Insurance Corporation (FDIC) insurance is available for funds deposited at any one financial institution up to a maximum of $250 thousand each for demand deposits, time and savings deposits and deposits pursuant to indenture.

The *Public Funds Collateral Act* requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available. The System's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the System or its agent in the System's name, in accordance with the *Public Funds Collateral Act*.

Interest Rate Risk – All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the System manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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According to the System's investment policy, no more than 50.0% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, may be invested beyond 36 months. Additionally, at least 15.0% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities that can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. The System is also prohibited from investing more than 25.0% of the overall portfolio in the time deposits, including certificates of deposit, of a single issuer. As of September 30, 2023, the System was in compliance with these guidelines.

Foreign Currency Risk – Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the U.S. dollar. The System's investment policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the System is not exposed to foreign currency risk.

The following table indicates the fair value and maturity amount of the cash equivalents, assets limited as to use and investments of Community Health Choice, Inc. as of December 31, 2022, summarized by security type. Also demonstrated are the percentage of total portfolio and the modified duration in years for each summarized security type (in thousands):

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P
Money market mutual funds	$ 46,807	93.37	$ 46,807	0.003	AAAm
Certificates of deposit	3,325	6.63	3,325	0.429	AAAm
	$ 50,132	100.00 %	$ 50,132	0.031	

The following table indicates the fair value and maturity amount of the cash equivalents, assets limited as to use and investments of Community Health Choice Texas, Inc. as of December 31, 2022, summarized by security type. Also demonstrated are the percentage of total portfolio and the modified duration in years for each summarized security type (in thousands):

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P
Money market mutual funds	$ 664,248	99.98	$ 664,248	0.003	AAAm
Certificates of deposit	100	0.02	100	0.132	AAAm
	$ 664,348	100.00 %	$ 664,348	0.003	

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets, Level 2 are significant other observable inputs and Level 3 are significant unobservable inputs.

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Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, are carried at amortized cost per share, thus, they are excluded from fair value reporting below.

The following is a summary of the hierarchy of the fair value of cash equivalents, assets limited as to use, investments, and derivative instrument *(Note 8)* of the System as of September 30, 2023 (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Commercial paper	$ -	$ 336,415	$ -	$ 336,415
United States Treasury obligations	121,679	-	-	121,679
Federal Agency obligations	374,446	-	-	374,446
Money market mutual funds	52,520	-	-	52,520
Municipal Bond	-	18,449	-	18,449
Total cash equivalents, assets limited as to use and investments by fair value	$ 548,645	$ 354,864	$ -	$ 903,509
Derivative financial instrument	$ -	$ 2,733	$ -	$ 2,733

The following is a summary of the hierarchy of the fair value of investments and cash equivalents of Community Health Choice, Inc. as of December 31, 2022 (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market mutual funds	$ 46,807	$ -	$ -	$ 46,807
Total investments and cash equivalents by fair value level	$ 46,807	$ -	$ -	$ 46,807

The following is a summary of the hierarchy of the fair value of investments and cash equivalents of Community Health Choice Texas, Inc. as of December 31, 2022 (in thousands).

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	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market mutual funds	$ 664,248	$ -	$ -	$ 664,248
Total investments and cash equivalents by fair value level	$ 664,248	$ -	$ -	$ 664,248

Note 7: Capital and Lease Assets

The System's capital assets activity for the year ended September 30, 2023, consists of the following (in thousands):

	2023			
	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Land and improvements	$ 47,449	$ 11,332	$ -	$ 58,781
Buildings and fixed equipment	729,395	99,730	(3,699)	825,426
Major movable equipment	439,439	50,172	(15,666)	473,945
Total historical cost	1,216,283	161,234	(19,365)	1,358,152
Less accumulated depreciation:				
Land and improvements	(16,508)	(851)	-	(17,359)
Buildings and fixed equipment	(454,747)	(27,823)	3,637	(478,933)
Major moveable equipment	(330,109)	(35,375)	13,710	(351,774)
Total accumulated depreciation	(801,364)	(64,049)	17,347	(848,066)
Construction in progress	171,764	(11,493)	-	160,271
Capital assets - net	$ 586,683	$ 85,692	$ (2,018)	$ 670,357

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The System's lease assets activity for the year ended September 30, 2023, consists of the following (in thousands).

	2023			
	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Buildings	$ 45,887	$ 2,691	$ (1,704)	$ 46,874
Equipment	7,959	207	(1,048)	7,118
Total lease assets	53,846	2,898	(2,752)	53,992
Less accumulated amortization:				
Buildings	(3,861)	(7,567)	1,706	(9,722)
Equipment	(2,097)	(2,254)	1,004	(3,347)
Total accumulated amortization	(5,958)	(9,821)	2,710	(13,069)
Lease assets, net	$ 47,888	$ (6,923)	$ (42)	$ 40,923

Note 8: Long-term Debt

Long-term debt of the System consists of various issues of Revenue Bonds and Combination Tax and Revenue Certificates of Obligation (Certificates). Revenue Bonds are payable from the pledged revenue generated by the System. Combination Tax and Revenue Certificates of Obligation are payable from the levy and collection of an ad valorem tax, levied on taxable property within the System. Although taxes are levied and collected by Harris County for the System, the Certificates are direct obligations of the System and the holders are not entitled to demand payment from any tax revenue or other revenues of Harris County.

The following is a summary of long-term debt transactions for the year ended September 30, 2023:

	Beginning Balance	Additions	Amortization	Reductions	Ending Balance
Series 2010 Refunding Revenue Bonds	$ 79,975	$ -	$ -	$ (2,650)	$ 77,325
Series 2016 Refunding Revenue Bonds	139,380	-	-	(4,430)	134,950
Series 2016 Refunding Revenue Bonds premium	9,834	-	(857)	-	8,977
Series 2016 Certificate of Obligation Bonds	50,065	-	-	(2,660)	47,405
Series 2016 Certificate of Obligation Bonds premiu	4,132	-	(529)	-	3,603
Series 2020 Certificate of Obligation Bonds	26,320	-	-	(2,755)	23,565
Series 2020 Certificate of Obligation Bonds premiu	3,222	-	(725)	-	2,497
	$ 312,928	$ -	$ (2,111)	$ (12,495)	$ 298,322
Current portion					$ 29,666
Long-term portion					268,656
					$ 298,322

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Revenue Bonds

On October 3, 2007, the System issued two Series of Harris County Hospital District Senior Lien Refunding Revenue Bonds (the Bonds). The Series 2007A Bonds, in the amount of $199 million, were sold to provide funding for expansion and renovation projects, to refund the System's outstanding commercial paper, to fund the Debt Service Reserve Fund, and to pay costs of issuance. The Series 2007B Bonds, in the amount of $103 million, were used to refund the Series 2000 revenue bonds and to pay costs of issuance. The Series 2007 Bonds were insured by municipal bond insurance policies and secured by a lien on the pledged revenue of the System and certain funds established pursuant to the bond order.

In October 2016, the System refunded and refinanced the Series 2007A Bonds by issuing the $160 million Series 2016 Senior Lien Refunding Revenue bonds at a premium of $15 million.

The proceeds of the Series 2016 Bonds and existing debt service and debt service reserve funds covered cost of issuance and defeased the Series 2007A bonds in the principal amount $178 million. An irrevocable deposit of sufficient funds with trustees was made to pay the principal and interest of the defeased bonds through maturity.

In February 2017, the System paid the non-refunded principal balance due and related interest. The Series 2016 Bonds have a final maturity of February 15, 2042. The bonds were issued as serial bonds in the amount of $106 million maturing February 15, 2036, and $54 million in term bonds maturing February 15, 2042. The bonds maturing on or after February 15, 2027, are subject to optional redemption on or after February 15, 2026. The term bonds are additionally subject to mandatory sinking fund redemption. The refunding resulted in a net present value economic gain of $37 million.

The Series 2007B Bonds had a final maturity date of February 1, 2042, and were initially issued as 28-day taxable auction-rate paper, convertible to tax-exempt on August 16, 2010. In April 2008, these bonds were converted from auction-rate securities and reoffered as variable rate bonds bearing interest at a term rate during a term period. The 2007B Bonds Series were hedged with a forward starting swap effective upon the tax-exempt conversion of the bonds.

In August 2010, the System refunded and refinanced the Series 2007B Bonds by issuing Series 2010 Refunding and Revenue bonds in the amount of $104 million. The proceeds of the Series 2010 Bonds covered costs of issuance and defeased the Harris County Hospital District Senior Lien Refunding Revenue Bonds, Series 2007B, in the principal amount of $104 million through the irrevocable deposit of sufficient funds with trustees to pay the principal and interest of such bonds through maturity. Accordingly, these trusteed funds and the related defeased indebtedness are excluded from the balance sheet. The refunding resulted in a loss of $22 million, which includes $16 million deferred loss on refunding related to the interest rate swap, which has been deferred and is being amortized over the life of the Series 2007B Bond issue. The remaining loss on refunding of $6 million has been deferred and is being amortized to interest expense over the life of the Series 2010 bond issue. The primary components of this loss were the write-offs of

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unamortized deferred financing costs and bond premiums, the net deferred amount related to the hedging derivative instrument associated with the 2007B Bonds and the difference between amounts funded for the defeasance and the principal due on the 2007B Bonds. The financial statements reflect deferred outflows-unamortized debt refunding loss of $6.6 million at September 30, 2023. Principal amounts of total defeased indebtedness outstanding at September 30, 2023 is $52.3 million. The bonds are secured by an irrevocable letter of credit issued by JPMorgan Chase Bank.

The Series 2010 Refunding and Revenue bonds in the amount of $104 million are variable rate demand bonds maturing through February 15, 2042. The bonds are subject to purchase on the demand of the owner at a price equal to purchase price on any given business day upon irrevocable notice by electronic means to the System's tender agent and remarketing agent.

Under an irrevocable letter of credit (LOC) issued by JPMorgan Chase Bank, only the tender agent is entitled to draw an amount sufficient to pay the principal amount of the bonds when due, or to pay the portion of the purchase price corresponding to the principal amount upon certain tenders. The letter of credit facility expires on August 12, 2024. Unreimbursed advances will accrue interest at the higher of (i) the Prime Rate, (ii) one-month LIBOR plus 2.5%, or (iii) 7.5% per annum. The System is also required to pay to the JPMorgan Chase Bank an annual facility fee for the letter of credit of 0.9% per annum of the outstanding principal amount of the bonds. No amounts were outstanding on the letter of credit as of September 30, 2023.

In addition, the System is required to pay the remarketing agent an annual fee of $1.00 per $1,000 of principal amount of the bonds actually remarketed.

Pursuant to the terms of the LOC, any drawing made under the LOC on the stated expiration date as a result of the expiration may be repaid by the System in quarterly installments commencing on the date which is the first day of the month following the stated expiration date and on the first day of each third month thereafter, with the final installment in the amount equal to the entire then outstanding principal amount due and payable on the date which is one year after the stated expiration date. Based on these terms and the current expiration date is August 12, 2024, one quarter of the outstanding balance of the Series 2010 Refunding and Revenue bonds has been reflected in the statement of net position as a current liability.

Compliance

The System is in compliance with its debt covenants at September 30, 2023.

Interest Rate Swap

Related Bonds – On September 25, 2007, the System entered into an interest rate swap agreement in connection with its $104 million Harris County Hospital District Senior Lien Revenue and Refunding Bonds, Series 2007B with the settlement date on October 3, 2007. On August 12, 2010, when the System refunded and refinanced the Series 2007B Bonds by issuing Series 2010

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Bonds, the interest rate swap was redesignated and associated with the new debt. The derivative contained an off-market element equal to the value of the swap associated with the Series 2007B Bonds on August 12, 2010. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, this off-market element is recorded as a borrowing payable and is amortized as an adjustment to interest expense over the life of the swap agreement.

Objective of the Swap – The intention of the swap was to effectively reduce the impact of the System's variable interest rate exposure on the Related Bonds to a synthetic fixed rate of 4.2%.

Swap terms:	
Trade date	September 12, 2007
Effective date	August 16, 2010
Termination date	February 15, 2042
Initial notional amount	$103,500,000
District pays fixed	4.218%
Counterparty pays floating	SIFMA Municipal Swap Index
Payment dates	Monthly on the 15th calendar day of every month

As further defined in the confirmation to the swap agreement, the System is subject to an "Annual Counterparty Ceiling" which limits the maximum payment, inclusive of collateral, made by the System in any fiscal year to $40 million. Subject to cash settlement, the System has the right to terminate the agreement, in whole or in part, on the Effective Date, August 16, 2010, and on any Business Day (as observed by New York and London financial markets) thereafter.

The effectiveness of the interest rate swap has been measured using the regression analysis method. The System has concluded that the transactions are effective.

Fair Value – The redesignated swap that is associated with the new debt had a zero fair value at its inception date and a fair value of ($2.7) million at September 30, 2023 and is reported as a derivative liability in the statements of net position. The fair value of the swap was determined by calculating the present value of the anticipated future cash flows for both the floating portion and the stated fixed rate portion using discount factors derived from the London Interbank Offered Rate (LIBOR) swap curve.

Interest Rate Risk – The System is exposed to interest rate risk in that as the variable rates on the swap agreements decrease the System's net payment in the swap agreement could increase.

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Basis Risk – The System is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated.

Collateral Posting Risk – The risk that the System will be required to secure its obligations under the swap agreement. Any securities posted as collateral would not be available for the System's expenditure or reserve needs, which could adversely impact credit ratings and overall liquidity and budgetary efforts. The System was not exposed to collateral posting risk as of September 30, 2023.

Credit Risk – The risk of a change in the credit quality or credit rating of the System and/or its counterparty. At September 30, 2023, the swap counterparty was rated A by Standard & Poor’s, A1 by Moody’s Investor Services, and A- by Fitch. At September 30, 2023, the System was rated AA- by Standard & Poor's, A2 by Moody's Investor Services and AA by Fitch.

Rollover Risk – The System is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of September 30, 2023, the System was not exposed to rollover risk.

Termination Risk – The System's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the System or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination a swap has a negative value, the System would be liable to the counterparty for a payment equal to the fair value of such swap. As of September 30, 2023, termination of the original swap agreement would create a liability of $4 million and would result in a reversal of the derivative liability related to the redesignated swap, the borrowing payable amount and the unamortized loss on refunding. Any resulting net change would be recorded through nonoperating expenses.

Swap Payments – Using interest rates as of the year ended September 30, 2023, debt service requirements of the System's outstanding fixed and variable-rate debt and net swap payments on the variable-rate debt were as follows (in thousands). As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.

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Annual scheduled debt service requirements of the revenue bonds to maturity as of September 30, 2023 are as follows (in thousands).

	Principal	Interest	Swaps, Net	Total
Years ending September 30:				
2024	$ 7,400	$ 8,796	$ 741	$ 16,937
2025	7,755	8,451	761	16,967
2026	8,125	8,115	623	16,863
2027	8,510	7,763	648	16,921
2028	8,900	7,415	624	16,939
2029-2033	50,975	30,839	2,579	84,393
2034-2038	61,785	18,925	1,592	82,302
2039-2042	58,825	4,892	417	64,134
Total	$ 212,275	$ 95,196	$ 7,985	$ 315,456

The scheduled payments above do not reflect an additional $16.6 million of the Series 2010 Revenue and Refunding bonds that are reflected as a current liability in the statement of net position due to the current expiration date of the LOC as discussed above.

Hybrid Instrument Borrowings – The System's interest rate swap includes fixed rates that were off market at the execution of the interest rate swap. For financial reporting purposes, the interest rate swap is considered a hybrid instrument and is bifurcated between borrowings, with an aggregate original amount of $18 million reflecting the fair value of the instrument at its execution, and an interest rate swap with a fixed rate that was considered at the market at execution.

Activity for the hybrid instrument borrowings for the year ended September 30, 2023 was as follows (in thousands):

Beginning balance	$ 7,762
Reductions	(677)
Ending balance	$ 7,085

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The following table sets forth as of September 30, 2023, the amortization of the hybrid instrument borrowings for the next five years and thereafter (in thousands).

Years ending September 30:		
2024	$	653
2025		629
2026		604
2027		577
2028		549
2029-2033		2,292
2034-2038		1,414
2039-2042		367
Total	$	7,085

Certificates of Obligation, Series 2016

In August 2016, the System issued Combination Tax and Revenue Certificates of Obligation, Series 2016 in the principal amount of $63 million. The funds are being used to expand the operative suites and supporting services at Ben Taub Hospital necessary to maintain the facility's Level 1 Trauma status. The bonds mature in February 2036. The System's financial statements reflect $47 million in outstanding principal and $4 million in unamortized premium related to this debt at September 30, 2023. Principal and interest totaling $5 million was paid in the year ended September 30, 2023.

Certificates of Obligation, Series 2020

In April 2020, the System issued the combination tax and revenue Certificates of Obligation, Series 2020 (the 2020 certificates of obligation) in the amount of $31 million. The 2020 certificates of obligation mature in various amounts annually starting February 15, 2021 through February 15, 2030, with a stated coupon rate of 5.0%. The 2020 Certificates are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. Proceeds from the 2020 Certificates are being used to fund the construction and equipping of certain facilities at Ben Taub Hospital, and the purchase and installation of certain medical equipment in Harris County’s jail facilities as well as the purchase and installation of an upgraded electronic medical record system, among other facility improvements. The System's financial statements reflect $24 million in outstanding principal and $2 million in unamortized premium related to this debt at September 30, 2023. Principal and interest totaling $4 million was paid in the year ended September 30, 2023.

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Annual debt service requirements of the certificates of obligation to maturity as of September 30, 2023 are as follows (in thousands).

	Principal	Interest	Total
Years ending September 30:			
2024	$ 5,685	$ 2,936	$ 8,621
2025	5,970	2,659	8,629
2026	6,240	2,384	8,624
2027	6,520	2,080	8,600
2028	6,845	1,746	8,591
2029-2033	26,655	4,404	31,059
2034-2036	13,055	773	13,828
Total	$ 70,970	$ 16,982	$ 87,952

Line of Credit

In 2022, the HMOs obtained a $115 million unsecured revolving line of credit and a $15 million swingline note with an expiration date of December 31, 2026. The line of credit and note will be used to pay claims and assist with liquidity. The interest rate on the line of credit and note are subject to change based on changes in independent indexes of which is the highest of either the Prime Rate in effect on such day, the Federal Funds Rate in effect on such day plus 0.50%, or the adjusted Term Secured Overnight Financing Rate (SOFR) for a one-month term in effect on such day plus 2.00%. At December 31, 2022, the interest rate was 8% per annum. As of December 31, 2022, there were no amounts borrowed against the line of credit or amounts drawn down on the swingline note.

Note 9: Employee Benefit Plans

The System currently maintains two benefit plans allowing employees to plan and save for retirement: a defined contribution plan and a defined benefit plan. In October 2006, the Board amended the defined benefit pension plan to close enrollment. The amended plan offers employees hired prior to January 1, 2007, a choice to either (1) continue with their current pension plan or (2) elect to participate in the System's enhanced 401(k) retirement savings plan with a match, effective July 2007, of up to 5.0% of participant's compensation provided by the System. All new hires and rehires after December 31, 2006, are only eligible for the System's 401(k) retirement savings plan with a match of up to 5.0%. The change was designed to safeguard individuals approaching retirement, who had accumulated a large pension benefit in the current plan, while providing employees who planned to work many more years an option for better flexibility and portability in the System's enhanced 401(k) plan.

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The System administers the Harris County Hospital District Pension Plan and the Harris County Hospital District 401(k) Plan. The System issues publicly available financial reports that include financial statements and required supplementary information. The financial reports may be obtained by writing to Harris Health System, Human Resources Department, 4800 Fournace Place, Bellaire, Texas 77401.

Defined Contribution Plan

The System has a defined contribution 401(k) plan (which qualifies as a tax-exempt employee benefit plan under Section 401(a) of the Internal Revenue Code) (401(k) Plan) open to all full-time and part-time employees of the System who meet the plan's requirements. It is a single-employer, self-administered, trusteed plan to which contributions are made by participants on a bi-weekly basis not to exceed the statutory maximum of $22.5 thousand during the calendar year 2023 for all participants. Contributions to the plan cannot exceed the statutory maximum of $30 thousand during the calendar year 2023 for participants age 50 and older. Effective July 2007, the System enhanced the 401(k) Plan with an employer match up to 5.0% of the participant's compensation for eligible employees, which is 100.0% vested with three or more years of service. The 401(k) Plan is a governmental plan, and as such, is specifically exempt from the reporting and disclosure requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Total participant contributions were $56 million for the year ended September 30, 2023. Total System contributions were $27 million for the year ended September 30, 2023.

Forfeitures under the 401(k) Plan for a plan year will be applied to reduce the System's obligation to make future matching contributions or to pay 401(k) Plan administrative expenses for the 401(k) Plan year. During the year ended September 30, 2023, System contributions were reduced by $2 million from forfeited non-vested accounts.

Pension Plan

The System has a noncontributory, defined benefit pension plan (the Plan). It is a single-employer, self-administered, trusteed plan for which a separate stand-alone financial report is issued. The Plan is administered by an Administrative Committee appointed by the Board, which is responsible for administering the Plan under the terms that are established. The Board approves amendments to the Plan. State Street Bank & Trust Co. serves as the trustee and custodian for the Plan. As a unit of local government, the Plan is not covered by ERISA. The Plan is funded through actuarially determined contributions by the System. The entry age normal method is used to determine both the funding and the pension benefit obligation.

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Each participant shall have a monthly benefit payable for life equal to the greater of (a) the number of years of service multiplied by 1.5% of average monthly compensation (average base compensation received in five highest consecutive calendar years out of the 10 complete calendar years prior to retirement) or (b) the accrued monthly retirement benefit determined as of January 1, 1989, plus the number of years of future service earned after January 1, 1989, multiplied by 1.5% of average monthly compensation, subject to a minimum equal to the benefit earned under the Plan prior to the adoption of the 6th Amendment as of September 30, 1991 (applies to non-highly compensated employees only).

Monthly benefit payments are subject to a minimum based on the number of years of service multiplied by $6 and a maximum provision permitted to be paid under Section 415 of the Internal Revenue Code. Participants may also elect to receive their benefits in other optional forms approved by the Administrative Committee.

As of December 31, 2022 (measurement date), the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefits	3,395
Inactive employees entitled to but not yet receiving benefits	1,315
Active employees	1,860
	6,570

The Board establishes the contribution requirements of the System based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2023, the System contributed $60 million or 39.9% of covered payroll.

Net Pension Liability

The System's net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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Actuarial assumptions and methods used in the actuarial valuations are as follows.

Valuation date	January 1, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry age normal
Equivalent single amortization period	20 years, closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation	2.5%
Investment rate of return (net of expenses)	5.75
Projected salary increases (ultimate rate):	
Initial rate	5.25
Ultimate rate	3.00
Mortality rates:	
Healthy	Pub-2010 Total Dataset Mortality Table, with generational mortality improvements projected after year 2012 using Scale MP-2021
Disabled	Pub-2010 Disability Mortality Table, with generational mortality improvements projected after year 2012 using Scale MP-2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of arithmetic real rates of return as of December 31, 2022, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity-large cap	26 %	7.05 %
Domestic equity-small/mid cap	4	7.62
International equity	25	7.72
Fixed income	35	4.30
Hedge funds	5	6.13
Real estate funds	5	6.24
	100 %	

The discount rate used to measure the total pension liability was 5.75%, net of expenses, as of December 31, 2022. The projection of cash flows used to determine the discount rate assumed that System contributions would be made at rates equal to the actuarial determined contribution and the Plan's fiduciary net position is projected to cover benefit payments and administrative expenses.

Changes in the net pension liability are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances, beginning of year	$ 1,121,564	$ 966,373	$ 155,191
Changes for the year:			
Service cost	9,567	-	9,567
Interest	65,269	-	65,269
Differences between expected and actual experience	28,224	-	28,224
Changes of assumptions	(2,611)	-	(2,611)
Contributions - employer	-	60,000	(60,000)
Net investment loss	-	(146,104)	146,104
Benefit payments	(56,576)	(56,576)	-
Administrative expense	-	(2,491)	2,491
Net changes	43,873	(145,171)	189,044
Balances, end of year	$ 1,165,437	$ 821,202	$ 344,235

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Sensitivity of the net pension liability to changes in the discount rate – the following presents the net pension liability of the System, calculated using the discount rate of 5.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (4.75%) or 1.0 percentage point higher (6.75%) than the current rate (in thousands):

	1% Decrease	Current Discount	1% Increase
System's net pension liability	$ 481,786	$ 344,235	$ 228,076

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the System recognized pension expense of $81 million. At September 30, 2023, the System reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,192
Differences between expected and actual experience	12,885	-
Net difference between projected and actual earnings on pension plan investments	95,883	-
Employer contributions remitted subsequent to the measurement date	49,686	-
Total	$ 158,454	$ 1,192

At September 30, 2023, the System reported $50 million as deferred outflows of resources related to pensions resulting from System contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability at year ended September 30, 2023.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years ending September 30:	
2024	$ 14,686
2025	17,498
2026	34,572
2027	40,820
	$ 107,576

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report.

Deferred Compensation

The System has a deferred compensation plan for the benefit of its eligible employees under Section 457 of the Internal Revenue Code of 1954. The assets in the Deferred Compensation Plan, which is not recorded in the accompanying statements of net position, are not subject to creditors. The Deferred Compensation Plan assets at September 30, 2023 were approximately $146 million.

Note 10: Other Postemployment Benefits (OPEB) Healthcare Plan

Plan Description and Benefits Provided

The OPEB is sponsored by the System which provides certain health care benefits for retired employees. The System's employees may become eligible for those benefits upon completing 10 years of service. Retiree medical plan participants are provided benefits under the System's self-insured medical plan. The contribution requirements of plan members and the System are established by and may be amended by the System's Board of Trustees. The System funds these benefits on a pay-as-you-go basis, meaning that the System will pay benefits as they come due. For the year ended September 30, 2023, the System contributed $21 million to the Plan for current premiums and administrative costs. Plan members receiving benefits during the year ended September 30, 2023, contributed $5 million, or approximately 19.9% of the total premiums, through their required contribution. Plan members that are ages 65 and younger were required to contribute $66.50 per month for retiree-only coverage and $463.67 for retiree and spouse coverage for the year ended September 30, 2023. Plan members that are ages 65 and older were required to contribute $94.25 per month for retiree-only coverage and $500.08 for retiree

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and spouse coverage for the year ended September 30, 2023. The OPEB does not issue a separate report that includes financial statements.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. In an amendment approved by the Board on January 25, 2018, employees hired after June 1, 2018 are no longer eligible to participate in the OPEB.

At September 30, 2023 (measurement date), the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefits	2,161
Active employees	5,259
	7,420

Total OPEB Liability

The System's total OPEB liability of $451 million as of September 30, 2023 was determined by an actuarial valuation as of October 1, 2022 and rolled forward to the measurement date of September 30, 2023.

The total OPEB liability in the actuarial valuation report was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all years included in the measurement, unless otherwise specified.

Salary increases	2.5%
Discount rate	4.87%
Health care cost trend rates	6.50% for 2022, decreasing to 5.20% over 3 years and following the Getzen model thereafter

The discount rate used to measure the total OPEB liability was 4.9% which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2023.

Mortality rates for healthy pre-commencement and post-participants were based on Pri-2012 Total Dataset Mortality Table with generational mortality improvement projected using scale MP-2021. Rates for disabled participants were based on Pri-2012 Disability Mortality Table with generational mortality improvement projected using Scale MP-2021.

No formal actuarial experience studies have been performed.

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Changes in the Total OPEB Liability (In Thousands)

Total OPEB liability, beginning of year	$ 462,528
Changes for the year:	
Service cost	7,480
Interest	12,713
Experience loss	(8,328)
Change of assumptions	(2,542)
Benefit payments	(20,803)
Net changes	(11,480)
Total OPEB liability, end of year	$ 451,048

Sensitivity of the System's Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability has been calculated using a discount rate of 4.9%. The following table presents the total OPEB liability of the System using a discount rate 1.0% higher and 1.0% lower than the current discount rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 509,501	$ 451,048	$ 402,653

The following presents the total System's OPEB liability, as well as what the System's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% higher and 1.0% lower than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Healthcare Cost Trends Rate	1% Increase
Total OPEB Liability	$ 397,861	$ 451,048	$ 515,440

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The System recognized OPEB expense of $28 million during the year ended September 30, 2023. At September 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 71,249	$ 92,921
Differences between expected and actual experience	5,101	18,469
Total	$ 76,350	$ 111,390

Amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2023 related to OPEB will be recognized in OPEB expense as follows (in thousands):

Years ending September 30,	
2024	$ (1,462)
2025	(1,462)
2026	(7,067)
2027	(23,237)
2028	(1,812)
	$ (35,040)

Note 11: Concentrations of Credit Risk

The System provides services to its patients, most of whom are local residents and may be insured under third-party payor agreements, in accordance with its charity care policy (see *Note 2*). Patient service revenues (see *Note 3*) and the related accounts receivable are reflected in the System's financial statements net of charges for charity care provided. The mix of net receivables from self-pay patients and third-party payors at September 30, 2023 is as follows:

Medicaid	22%
Medicare	51%
Commercial	15%
Self-pay patient	12%
	100%

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Note 12: Commitments and Contingencies

At September 30, 2023, the System was a defendant in certain pending civil litigation and has notice of certain claims that have been asserted against it. The System is covered under the *Texas Tort Claims Act* (the Act). Under the Act, any claims and recoveries from pending or possible litigation due to personal injuries are limited to $100 thousand per person and $300 thousand per single occurrence of bodily injury or death. Professional liability claims have been asserted by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are also other known and unknown incidents that have occurred through September 30, 2023, that may result in the assertion of additional claims.

The System provides medical care in the Harris County jail. Detainees can bring claims against the System under state or federal law for constitutional violations. The Act does not protect the System against these claims and such claims are not subject to formal limitations such as damages caps.

The System covers its exposure for asserted and unasserted claims through a program of self-insurance and has accrued its best estimate of these contingent losses. In the opinion of the System's management, the outcomes of these actions will not have a material adverse effect on the financial statements of the System.

The System has self-insurance programs for the payment of hospital professional and general liability claims, workers' compensation, and employee health claims. Liabilities related to these programs are accrued utilizing actuarial analyses based on historical claims experience and are undiscounted.

Changes in these self-insurance programs for the year ended September 30, 2023 are as follows (in thousands):

	Beginning-of-year Liability	Current-year Claims and Changes In Estimates	Claim Payments	End-of-year Liability
Hospital professional and general liability:	$ 3,203	$ 973	$ 1,934	$ 2,242
Workers' compensation liability:	2,291	554	1,494	1,351
Employee healthcare benefits liability:	12,689	162,638	160,452	14,875

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The reserve for hospital professional and general liability, including malpractice, and the reserve for workers' compensation claims are included in accounts payable and accrued liabilities in the accompanying statement of net position. The reserve for incurred but unreported employee health claims is included in employee compensation and related benefit liabilities in the accompanying statement of net position.

The System is also exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. It is the System's policy to purchase commercial insurance for the risks of these losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

At September 30, 2023, the System had commitments outstanding in the amount of $64 million related to improvements at existing facilities and $4 million related to information technology projects.

The System receives financial awards from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the System. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition or operations of the System.

Note 13: Lease Liabilities

The System, as lessee, leases equipment and office space, the terms of which expire in various years through 2033. Various leases include escalation in payments on the anniversary of the commencement of the lease at various intervals. The leases were measured using the System's incremental borrowing rate as of the lease commencement which ranged from 1.10% to 6.54% based on the commencement date and term of the lease.

During the year ended September 30, 2023, the System recognized $6 million of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2023 (in thousands):

Years Ending September 30,	Total to Be Paid	Principal	Interest
2024	$ 7,859	$ 6,414	$ 1,445
2025	7,284	6,052	1,232
2026	6,761	5,740	1,021
2027	6,337	5,521	816
2028	5,952	5,342	610
2029-2031	14,144	13,412	732
	$ 48,337	$ 42,481	$ 5,856

The System's lease liability activity for the year ended September 30, 2023 consists of the following (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease Liabilities	$ 48,566	$ 2,898	$ (8,983)	$ 42,481	$ 6,414

Note 14: GASB Statements Issued but not yet Effective

GASB Statement No. 101 – *Compensated Absences* (GASB 101) updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The changes adopted at transition to conform to the provisions of GASB 101, should be reported as a change in accounting principle in accordance with GASB Statement No 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

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Required Supplementary Information

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Schedule of Changes in the System's Net Pension Liability and Related Ratios
December 31,
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	$ 9,567	$ 8,601	$ 8,036	$ 8,057	$ 8,280	$ 6,803	$ 7,232	$ 7,795	$ 8,642
Interest	65,269	64,147	64,307	63,183	60,495	61,427	59,397	57,482	52,342
Difference between expected and actual experience	28,224	1,782	3,807	243	8,000	1,718	(4,063)	4,637	(1,909)
Changes of assumptions	(2,611)	61,527	50,545	23,528	15,748	10,709	-	-	40,689
Benefit payments	(56,576)	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Net change in total pension liability	43,873	82,793	76,511	47,644	47,811	38,094	22,388	25,891	65,320
Total pension liability – beginning	1,121,564	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432	715,112
Total pension liability – ending (a)	1,165,437	1,121,564	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432
Plan fiduciary net position:									
Contributions – employer	60,000	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Net investment income	(146,104)	88,725	138,087	119,362	(35,426)	107,519	37,401	(4,891)	37,069
Benefit payments	(56,576)	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Administrative expense	(2,491)	(2,725)	(2,366)	(3,010)	(2,442)	(2,478)	(232)	(2,389)	(2,302)
Net change in plan fiduciary net position	(145,171)	89,736	139,315	102,606	(51,596)	91,911	29,684	(19,544)	31,615
Plan fiduciary net position – beginning	966,373	876,637	737,322	634,716	686,312	594,401	564,717	584,261	552,646
Plan fiduciary net position – ending (b)	821,202	966,373	876,637	737,322	634,716	686,312	594,401	564,717	584,261
System's net pension liability – ending (a) – (b)	$ 344,235	$ 155,191	$ 162,134	$ 224,938	$ 279,900	$ 180,493	$ 234,310	$ 241,606	$ 196,171
Plan fiduciary net position as a percentage of the total pension liability	70.46%	86.16%	84.39%	76.62%	69.40%	79.18%	71.73%	70.04%	74.86%
Covered payroll	$ 150,963	$ 148,657	$ 156,479	$ 163,835	$ 169,885	$ 173,272	$ 182,060	$ 197,360	$ 210,728
System's net pension liability as a percentage of covered payroll	228.03%	104.40%	103.61%	137.30%	164.76%	104.17%	128.70%	122.42%	93.09%

Notes to Schedule:

Changes of assumptions – In 2014, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 bottom quartile mortality tables with generational mortality improvement projected after 2014 with 50% of Scale MP-2014 for purposes of developing mortality rates.

Changes of assumptions – In 2017, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the MP-2017 scale and rate of return on investments from 7.5% to 7.0%.

Changes of assumptions – In 2018, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2014 total dataset mortality tables with generational mortality improvement projected after 2006 using Scale MP-2018 for purposes of developing mortality rates and change in inflation rate from 3.0% to 2.5%.

Changes of assumptions – In 2019, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pri-2012 total dataset mortality tables with generational mortality improvement projected after 2012 using Scale MP-2019 for purposes of developing mortality rates and change in investment return rate from 7.0% to 6.75%.

Changes of assumptions – In 2020, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pri-2012 total dataset mortality tables with generational mortality improvement projected after 2012 using Scale MP-2020 for purposes of developing mortality rates and change in investment return rate from 6.75% to 6.25%.

Changes of assumptions – In 2021, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pri-2012 total dataset mortality tables with generational mortality improvement projected after 2012 using Scale MP-2021 for purposes of developing mortality rates and change in investment return rate from 6.25% to 5.75%.

Changes of assumptions – In 2022, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pub-2010 total dataset mortality and disability tables based on the 2022 Experience Study

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Schedule of System Pension Contributions
September 30,
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 38,858	$ 36,225	$ 36,056	$ 33,621	$ 30,984	$ 29,433	$ 32,693	$ 31,759	$ 31,292
Contributions in relation to the actuarially determined contribution	60,000	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Contribution deficiency (excess)	$ (21,142)	$ (20,775)	$ (17,722)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 150,518	$ 148,657	$ 156,479	$ 163,835	$ 169,885	$ 173,272	$ 182,060	$ 197,360	$ 210,728
Contributions as a percentage of covered payroll	39.86%	38.34%	34.37%	20.52%	18.24%	16.99%	17.96%	16.09%	14.85%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Layered over a closed 20-year period
Asset valuation method	Market value, 5-year smoothing
Inflation	2.5%
Salary increases	5.25% initial rate 3.0% ultimate rate
Investment rate of return	5.75%, net of pension plan investment expense, including inflation
Retirement age	Various – Expected retirement ages are adjusted to more closely reflect actual experience
Mortality	Pub-2010 Disability Mortality Table, with generational mortality improvements projected after year 2012 using Scale MP-2021

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Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Schedule of Changes in the System's Total OPEB Liability and Related Ratios
September 30,
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019
Total OPEB liability:					
Service cost	$ 7,480	$ 13,425	$ 9,895	$ 9,424	$ 9,746
Interest	12,713	7,067	11,990	15,195	13,820
Experience gains	(8,328)	7,652	(3,056)	(30,004)	-
Changes of assumptions	(2,542)	(136,205)	100,078	63,631	-
Benefit payments	(20,803)	(18,017)	(16,731)	(16,137)	(20,173)
Net change in total OPEB liability	(11,480)	(126,078)	102,176	42,109	3,393
Total OPEB liability – beginning	462,528	588,606	486,430	444,321	440,928
Total OPEB liability – ending	$ 451,048	$ 462,528	$ 588,606	$ 486,430	$ 444,321
Covered employee payroll	$ 417,272	$ 432,158	$ 449,724	$ 514,871	$ 491,810
System's total OPEB liability as a percentage of covered payroll	108.09%	107.03%	130.88%	94.48%	90.34%

Notes to Schedule:

This schedule is presented as of the measurement date.

In an amendment approved by the Board on January 25, 2018, employees hired after June 1, 2018 are no longer eligible to participate in the OPEB.

Changes of assumptions – Change in discount rate from 4% in 2018 to 3.21% in 2019

Changes of assumptions – In 2020, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pri-2012 total dataset mortality table projected with Improvement Scale MP-2019 as of February 29, 2020. Additionally, the discount rate was changed to 2.50% and the medical trend assumption was updated from 6.50% grading uniformly to 4.75% over 7 years to 7.50% grading uniformly to 6.75% over 3 years and following the Getzen model thereafter.

Changes of assumptions – In 2021, amounts reported as changes of assumptions resulted primarily from changing the mortality improvement assumption to the Improvement Scale MP-2020. Additionally, the discount rate was changed to 1.21% and the medical trend assumption was updated from 7.50% grading uniformly to 6.75% over 3 years to 6.50% grading uniformly to 5.75% over 3 years and following the Getzen model thereafter.

Changes of assumptions – In 2022, amounts reported as changes of assumptions resulted primarily from changing the mortality improvement assumption to the Improvement Scale MP-2021. Additionally, the discount rate was changed to 2.83% and the medical trend assumption was updated from 6.50% grading uniformly to 5.75% over 3 years to 6.25% grading uniformly to 5.50% over 3 years and following the Getzen model thereafter.

Changes of assumptions – In 2023, amounts reported as changes of assumptions resulted primarily from a change in the discount rate to 4.87% and the medical trend assumption was updated to 6.50% grading uniformly to 5.20% over 3 years and following the Getzen model thereafter. Additionally, no further migration of existing retirees to the Plan is assumed (prior assumption was 50%).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

BOARD OF TRUSTEES

Compliance and Audit Committee

Thursday, February 15, 2024

Consideration of Acceptance of the Harris Health System Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2023

Representatives from the external audit firm FORVIS, LLP, will provide an overview of the results of the audit engagement for the Harris Health System Single Audit Report of Federal and State Award Programs for the Compliance and Audit Committee's consideration and approval.

A copy of the draft report is attached.

Management recommends the acceptance of the Harris Health System Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2023.

DocuSigned by:
Victoria Nikitin
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Victoria Nikitin
EVP - CFO

Harris County Hospital District d/b/a Harris Health System

Draft

Single Audit Reports

2/5/2024

September 30, 2023

Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
September 30, 2023

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Draft
2/5/2024

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Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2023

Draft
2/5/2024

Federal Grantor/Passthrough Grantor/State Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Federal Awards					
U.S. Department of Health and Human Services					
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		1/1/22 to 12/31/22	$ 20,893,483	$ -
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI084352-02	9/30/22 to 9/29/23	668,879	-
Coordinated Services and Access to Research for	93.153	H12HA24800-10-00	8/1/22 to 7/31/23	363,764	-
Women, Infants, Children, and Youth	93.153	H12HA24800-11-00	8/1/23 to 7/31/24	43,780	-
Total-ALN 93.153				407,544	-
Health Center Program Cluster					
Health Center Program	93.224	H80CS00038-22-07	1/1/23 to 12/31/23	133,984	-
Health Center Program	93.224	H80CS00038-21-00	1/1/22 to 12/31/22	20,426	-
Health Center Program	93.224	H80CS00038-22-00	1/1/23 to 12/31/23	163,269	-
Health Center Program	93.224	H80CS00038-21-00	1/1/22 to 12/31/22	1,030,231	-
Health Center Program	93.224	H80CS00038-22-00	1/1/22 to 12/31/22	2,299,838	-
COVID-19 Health Center Program	93.224	H8FCS40542-01-00	4/1/21 to 3/31/24	1,160,454	-
Total-ALN 93.224				4,808,202	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00128-31	1/1/22 to 12/31/22	239,655	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA00128-32	1/1/23 to 12/31/23	684,416	-
Total-ALN 93.918				924,071	-
Maternal Opioid Misuse Model	93.687	HHS0008683000001	1/1/22 to 12/31/22	(93,457)	-
	93.687	HHS0008683000001	1/1/23 to 12/31/23	565,258	-
Total-ALN 93.687				471,801	-
Opioid STR	93.788	HHS001062800003	10/1/22 to 9/30/23	500,000	-
Total Direct U.S. Department of Health and Human Services				28,673,980	-
Passed Through Harris County Public Health Department:					
HIV Emergency Relief Project Grants	93.914	22GEN0578	3/1/22 to 2/28/23	4,082,144	-
HIV Emergency Relief Project Grants	93.914	22GEN0391	3/1/23 to 2/28/24	5,980,907	-
Total-ALN 93.914				10,063,051	-
Passed Through City of Houston:					
HIV Prevention Activities – Health Department Based	93.940	22-RTN-1809	1/1/22 to 12/31/22	56,404	-
HIV Prevention Activities – Health Department Based	93.940	21-RTN-1809	1/1/23 to 12/31/23	147,204	-
Passed Through Texas Department of State Health Services					
HIV Prevention Activities – Health Department Based	93.940	HHS000322300001	9/1/22 to 12/31/23	255,290	-
Total-ALN 93.940				458,898	-
Passed Through Texas A&M University Health Science Center					
Immunization Cooperative Agreements	93.268	HHS0001043100001	4/22/22 to 4/21/23	109,915	-
Passed Through Texas Health & Human Services Commission					
Cancer Prevention & Control Program for State, Territorial and Tribal Organizations (Fee-for-Service)	93.898	HHS 000734600039	9/1/22 to 8/31/23	348,657	-

The accompanying notes are an integral part of this Schedule.

Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2023

Federal Grantor/Passthrough Grantor/State Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Maternal and Child Health Block Grants to the State (Fee-for-Service)	93.994	HHS000136500015	9/1/22 to 8/31/23	$ 121,836	$ -
Passed Through Baylor College of Medicine					
Research and Development Cluster					
Minority Health and Health Disparities Research	93.307	5R01MD013715-04	1/1/22 to 12/31/22	46,676	-
Minority Health and Health Disparities Research	93.307	5R01MD013715-05	1/1/23 to 3/19/23	47,226	-
Passed Through Texas MD Anderson Cancer Center					
Minority Health and Health Disparities Research	93.307	5R01MD013715-05	3/20/23 to 12/31/23	105,496	-
Total ALN 93.307				199,398	-
Total U.S. Department of Health and Human Services				39,975,735	-
U.S. Department of Justice					
Passed Through the City of Houston					
Crime Victim Assistance	16.575	GA-07154-02	10/1/22 to 9/9/23	42,480	-
Total U.S. Department of Justice				42,480	-
Total Expenditures of Federal Awards				$ 40,018,215	$ -

Draft 2/5/2024

The accompanying notes are an integral part of this Schedule.

Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2023

Draft 2/5/2024

Federal Grantor/Passthrough Grantor/ State Grantor/Federal Program Title	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
State of Texas Awards				
Office of the Texas Governor				
Enhancement of a Community SAFE-Ready Facility	3942104	9/1/22 to 8/31/23	$ 31,761	$ -
	3942105	9/1/23 to 8/31/24	6,561	-
Total-Enhancement of a Community SAFE-Ready Facility			38,322	-
Total Office of the Texas Goverenor			38,322	-
Texas Department of State Health Services				
TB-Prevention and Control – Hospitals (Fee-for-Service)	HHS000454800001	9/1/22 to 8/31/23	32,760	-
	HHS000454800001	9/1/23 to 8/31/24	2,380	-
Total TB-Prevention and Control – Hospitals (Fee-for-Service)			35,140	-
Workplace Violence Against Nurses	HHS001024000002	9/1/22 to 2/29/24	56,582	-
Passed Through Houston Regional HIV/AIDS Resource Group				
AIDS Drug Assistance Program Eligibility	18HHS00SS-R	4/1/22 to 3/31/23	52,325	-
	18HHS00SS-R	4/1/23 to 8/31/24	62,500	-
	18HHS00SS-R	9/1/23 to 8/31/24	8,760	-
Total - AIDS Drug Assistance Program Eligibility			123,585	-
Total Texas Department of State Health Services			215,307	-
Texas Health and Human Services Commission				
ACS Epilepsy Program	HHS000701500003	9/1/22 to 8/31/23	136,270	-
	HHS000701500003	9/1/23 to 8/31/24	10,399	-
Total ACS Epilepsy Program			146,669	-
Title V Fee for Service Prenatal Medical and Dental Grant Program	HHS000136500015	9/1/22 to 8/31/23	48,467	-
Family Planning Grant Program (Fee-for-Service)	HHS000734600039	9/1/22 to 8/31/23	2,119,083	-
	HHS000734600039	9/1/23 to 8/31/24	481,398	-
Total Family Planning Grant Program			2,600,481	-
Healthy Texas Women's Grant Program	HHS000734600039	9/1/22 to 8/31/23	64,971	-
	HHS000734600039	9/1/23 to 8/31/24	4,450	-
Total Healthy Texas Women's Grant Program			69,421	-
Breast & Cervical Cancer Control Program (Fee-for-Service)	HHS000734600039	9/1/22 to 8/31/23	848,260	-
Total Texas Health and Human Services Commission			3,713,298	-

The accompanying notes are an integral part of this Schedule.

Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2023

Federal Grantor/Passthrough Grantor/ State Grantor/Federal Program Title	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Cancer Prevention and Research Institute of Texas				
Passed Through University of Texas MD Anderson Cancer Center				
Colorectal Screening and Follow-up Among an Urban Medically Underserved Population	PP210007	3/20/23 to 8/30/23	$ 95,121	$ -
	PP210007	8/31/23 to 8/30/24	17,383	-
Passed Through Baylor College of Medicine				
Colorectal Screening and Follow-up Among an Urban Medically Underserved Population	PP210007	8/31/22 to 3/19/23	123,219	-
Total Colorectal Screening and Follow-up Program			235,723	-
Passed Through University of Texas MD Anderson Cancer Center				
Expansion of Cancer Prevention Services to Rural and Medically Underserved Populations	PP220038	3/20/23 to 8/30/23	70,901	-
	PP220038	8/31/23 to 8/31/24	13,296	-
Passed Through Baylor College of Medicine				
Expansion of Cancer Prevention Services to Rural and Medically Underserved Populations	PP220038	8/31/22 to 3/19/23	54,331	-
Total Expansion of Cancer Prevention Services			138,528	-
Passed Through University of Texas MD Anderson Cancer Center				
Texas Clinical Trial Participation Program Award	RP210122	8/31/21 to 8/30/23	23,713	-
Passed Through Baylor College of Medicine				
Texas Clinical Trial Participation Program Award	RP210143	8/31/22 to 8/30/23	88,216	-
	RP210143	8/31/23 to 8/30/24	6,214	-
Total Texas Clinical Trial Participation Program Award			118,143	-
Passed Through Baylor College of Medicine				
Expanding a Community Network for Cancer Prevention to Increase HPV Vaccine Uptake and Tobacco Prevention in a Medically Underserved Pediatric Population	PP190051	8/31/21 to 8/30/23	5,316	-
Total Cancer Prevention and Research Institute of Texas			497,710	-
Total Expenditures of State Awards			4,464,637	-
Total Expenditures of Federal and State Awards			$ 44,482,852	$ -

Draft 2/5/2024

The accompanying notes are an integral part of this Schedule.

Harris County Hospital District, d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2023

Draft
2/5/2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Harris County Hospital District d/b/a Harris Health System (the System) under programs of the federal and state of Texas governments for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Grant Management Standards* (TxGMS). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position or cash flows of the System.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The System has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The System did not have any federal or state loan programs during the year ended September 30, 2023.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Harris County Hospital District
d/b/a Harris Health System
Houston, Texas

Draft

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of Harris County Hospital District d/b/a Harris Health System (System), a component unit of Harris County, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February __, 2024, which includes reference to other auditors who audited the financial statements of Harris County Hospital District Foundation and an other matter paragraph regarding the omission of required supplementary information. The financial statements of the Harris County Hospital District Foundation, Community Health Choice, Inc. and Community Health Choice Texas, Inc., the discretely presented component units included in the System's financial statements, were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these discretely presented component units.

2/5/2024

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Draft

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

2/5/2024

Dallas, Texas
February __, 2024

Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *Texas Grant Management Standards*

Independent Auditor's Report

Draft

Board of Trustees
Harris County Hospital District
d/b/a Harris Health System
Houston, Texas

Report on Compliance for Each Major Federal and State Program

2/5/2024

Opinion on Each Major Federal and State Program

We have audited Harris County Hospital District d/b/a Harris Health System's (System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Texas Grant Management Standards* (TxGMS) that could have a direct and material effect on each of the System's major federal and state programs for the year ended September 30, 2023. The System's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and TxGMS. Our responsibilities under those standards, the Uniform Guidance and TxGMS are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal and state program as a whole.

Draft 2/5/2024

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or

state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Draft

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and TxGMS. Accordingly, this report is not suitable for any other purpose.

2/5/2024

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and TxGMS

We have audited the financial statements of the business type activities and the aggregate discretely presented component units of the System as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements. We issued our report thereon dated February __, 2024, which contained unmodified opinions on those financial statements and reference to other auditors and an other matter paragraph regarding omission of required supplementary information. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and TxGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Dallas, Texas
February __, 2024

Harris County Hospital District, d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Draft
2/5/2024

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal and state awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for major federal and state award programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Any audit findings disclosed that are required to be reported by TxGMS? ☐ Yes ☒ No

8. Identification of major federal and state programs:

Cluster/Program	Assistance Listing Number
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution [Federal]	93.498
Family Planning Grant Program [State]	State
Breast & Cervical Cancer Control Program (Fee-for-Service) [State]	State

Harris County Hospital District,
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

9. The threshold used to distinguish between Type A and Type B federal programs: $1,200,546.

10. The threshold used to distinguish between Type A and Type B state programs: $750,000.

11. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Draft

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

2/5/2024

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Section IV – State Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Harris County Hospital District,
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2023

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Draft

2/5/2024

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 15, 2024

Executive Session

Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Compliance with Medicare, Medicaid, HIPAA and Other Federal and State Health Care Program Requirements, Including Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Possible Action Upon Return to Open Session.

Carolynn Jones, JD, CHC
Executive Vice President, Chief Compliance & Risk Officer

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Thursday, February 15, 2024

Executive Session

Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Harris Health System's Cybersecurity Review, Pursuant to Tex. Gov't Code Ann. §418.183, Tex. Gov't Code Ann. §551.089, Tex. Gov't Code Ann. §551.074 and Tex. Health & Safety Code Ann. §161.032.

Carolynn Jones, JD, CHC
Executive Vice President, Chief Compliance & Risk Officer

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 15, 2024

Executive Session

Presentation Regarding Harris County Auditor's Report Related to Correctional Health Pharmacy, Nursing, and Infection Prevention Assessment Follow-up. This Assessment was Performed Under Attorney-client Privilege and the Results are Not Subject to Disclosure Under Chapter 552 of the Government Code. Tex. Health & Safety Code Ann. §161.032.

Errika Perkins

Errika Perkins
Chief Assistant County Auditor, Harris County Auditor's Office

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Thursday, February 15, 2024

Executive Session

Presentation Regarding Harris County Auditor's Report Related to Details of Past-due High-priority Management Action Plans (MAPs), Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, and Tex. Gov't Code Ann. §418.183.

Errika Perkins
Errika Perkins
Chief Assistant County Auditor, Harris County Auditor's Office

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