

HARRIS HEALTH SYSTEM

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MINUTES OF THE BOARD OF TRUSTEES MEETING

Friday, December 15, 2017

Board Room – Administration Building

Members Present:

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

Members Absent:

Ms. Daisy Stiner, Secretary
Ms. Carol Graebner

Others Present:

Mr. George Masi, President & Chief Executive Officer
Dr. Ericka Brown, Senior Executive Vice President & Chief Operating Officer
Mr. Michael Norby, Executive Vice President & Chief Financial Officer
Dr. Parikshet Babber, Executive Vice President & Chief Medical Officer
Mr. Tim Tindle, Executive Vice President & Chief Information Officer
Dr. Nathan Deal, Executive Vice President & Administrator, Ben Taub Hospital
Ms. Tanya Stringer, Interim Executive Vice President & Administrator, Ambulatory Care Services
Mr. Christopher Okezie, Vice President, Operations, Lyndon B. Johnson Hospital
Dr. Jose Garcia, General Director, Affiliated Medical Services
Dr. David Robinson, Chair, Medical Executive Board
Dr. Tien Ko, Chief of Staff, Lyndon B. Johnson Hospital
Dr. Mohammad Zare, Chief of Staff, Ambulatory Care Services
Ms. Nicole Streeter, Vice President, Chief Governance Officer
Ms. Mercedes Leal, Attorney, Harris County Attorney's Office
Ms. Peggy Boice, Harris County Judge Ed Emmett's Office
Ms. Carole Lamont, Commissioner Steve Radack's Office
Mr. Paul Shanklin, Commissioner Jack Cagle's Office
Ms. Amber Weed, Commissioner Ellis's Office
Administrative Staff
Guests
(Sign-in Sheets attached to permanent record)

I. Call to Order and Record of Attendance

Ms. Anne Clutterbuck, Chair, called the meeting to order at 9:05 a.m., and noted that a quorum was present. The attendance was recorded.

II. Approval of General Surgery Core Privileges with the Addition of Robotics Surgery Privileges

Motion 17.12-145

Moved by Dr. Kimberly Monday, seconded by Dr. Ewan Johnson, and unanimously passed that the Board approve agenda item II.

Dr. David Robinson, Chair, Medical Executive Board (MEB), presented the recommendation for approval of general surgery core privileges with the addition of robotics surgery privileges. He stated that Lyndon B. Johnson Hospital (LBJ) received robotics surgical equipment in October 2017 and that the MEB approved privileges for residents who are trained in robotics surgery. Dr. Tien Ko, Chief of Staff, LBJ, stated that Harris Health was selected to participate in a program developed by Intuitive Surgical, Inc. which allows public health systems to train residents in robotics surgery. Mr. George Masi, President and Chief Executive Officer, explained that this pilot program will allow Harris Health to analyze how robotics surgery compares to laparoscopic surgery regarding patient outcomes. He stated that Dr. Ko will conduct a cost benefit analysis to determine whether Harris Health should continue utilizing this technology to train more residents in the future. A copy of the privileges is available in the permanent record.

III. Review and Discussion Regarding the Proposed Harris Health System FY2019 Operating and Capital Budget

Mr. Michael Norby, Executive Vice President, Chief Financial Officer, led the discussion regarding the Harris Health System Fiscal Year 2019 (FY2019) Operating and Capital Budget. He delivered an overview of the budget assumptions for FY2019. Federal reductions in the Medicaid Disproportionate Share Hospital (DSH) program are expected to decrease Harris Health's DSH revenue by \$10M. The Texas Health and Human Services Commission will implement the Uniform Hospital Rate Improvement Program (UHRIP), which is projected to increase Harris Health's net patient revenue by \$11M. Under the five-year extension of the Texas Medicaid 1115 Waiver (1115 Waiver) program, the Delivery System Reform Incentive Payment (DSRIP) and Uncompensated Care (UC) pools and the Network Access Improvement Program are expected to remain stable through FY2019. The DSRIP pool is expected to remain stable at \$3.1B for FY2018 and FY2019, decrease during the third and fourth years of the waiver extension, and then will be eliminated during the fifth year. Mr. Norby stated that the following issues may present uncertainties for Harris Health in FY2019: 1) the Centers for Medicare & Medicaid Services' activities related to the Community Benefit/Expense Alleviation program, and 2) the impact of any future repeal and replace legislation by the U.S. Congress upon the Affordable Care Act. He reported that Harris Health's budgetary drivers for the next three (3) fiscal years include: 1) the potential elimination of the Community Benefit program, which would increase Harris Health's costs by \$63M, 2) Health Insurance Marketplace (Marketplace) enrollment, 3) market competition for employee hiring and retention, and 4) increasing pharmaceutical costs.

Mr. Norby stated that although Hurricane Harvey caused a decline in Harris Health's volumes overall, he projects that inpatient and specialty clinic volumes will increase during FY2019. He noted that the majority of the bed conversions at Ben Taub and LBJ are complete, which will help stabilize inpatient volume. Limited bed availability and emergency

room capacity are expected to restrict increases in emergency room visits. Primary clinic volumes are expected to remain steady, and Harris Health will evaluate how to optimize primary care access in Harris County. The number of births at Harris Health declined in 2017 and is not expected to increase in 2018 due to capacity limitations and the availability of alternative options in the Harris County community. Significant discussion ensued regarding the limits on Harris Health's bed and operating room capacities and the optimal utilization of patient beds.

Mr. Norby reported that net patient revenue is projected to increase by \$97M in FY2019 due to an allocation of \$52M to Harris Health under the federal Medicare DSH program, in addition to the revenue expected from the UHRIP program and Marketplace enrollment. Harris Health currently has 7,300 patients enrolled in Marketplace insurance plans and 1,700 patients who were initially denied coverage due to documentation issues but are expected to be approved for enrollment once they provide additional information. Projected net revenues under the DSH and UC programs will decrease as a result of declining federal Medicaid DSH allocations. The current property tax rate of \$0.17 per \$100 of property valuation is expected to remain the same in FY2019. Mr. Norby anticipated that property values will increase by 1%, which is less than normal due to the negative impact of Hurricane Harvey on property values.

Mr. Norby stated that the implementation of Government Accounting Standards Board Statement No. 75 will cause post-employment health benefit (PEHB) costs to increase by \$35M in FY2019, unless Harris Health modifies the PEHB plan to mitigate costs. He estimated that salary expenses will result in a 4% budget increase but that there will be no net growth regarding full-time equivalents. Mr. Norby stated that Harris Health will implement utilization management and other measures to mitigate the projected inflationary increases regarding medical supplies and that the Drug Recovery Program will offset projected increases regarding pharmaceutical costs. Harris Health's net expenses will increase by approximately \$10M annually due to the assignment of all non-Affiliated Medical Services (AMS) contracts and 10% of AMS physician services to Harris Health in November 2017. Mr. Norby anticipated that Harris Health will achieve a 1% positive margin for FY2018. He stated that the margin for FY2019 is projected to be either a loss or gain of \$33M, subject to whether the Board approves modifications to the PEHB plan. Harris Health's days cash on hand is expected to decrease to 199 by February 2018 due to a capital infusion of \$60M from Harris Health to Community Health Choice, Inc. If Harris Health modifies the PEHB plan, days cash on hand is expected to improve to slightly above 200 days for FY2019. Harris Health's proposed capital budget is estimated to be \$75M for FY2019. Discussion ensued. Dr. Kimberly Monday inquired regarding how patient volume ranks at LBJ as compared to that of other Level III trauma facilities around the country. Mr. Christopher Okezie, Vice President, Operations, LBJ, stated that he will provide this information. Ms. Linda Morales requested a copy of the most recent modifications regarding the Harris Health employee merit program. Mr. Omar Reid, Senior Vice President, Human Resources, responded that he will provide this information.

Mr. Norby stated that he will present a finalized budget narrative for Board approval during the Special Called Board meeting scheduled for January 11, 2018. He also stated that he will present the Board with proposed modifications regarding the PEHB plan at that time. A copy of the budget assumptions is available in the permanent record.

IV. Adjournment

Moved by Mr. Lawrence Finder, seconded by Dr. Kimberly Monday, and unanimously accepted to adjourn the meeting.

There being no further business, the meeting adjourned at 10:35 a.m.

I certify that the foregoing are the Minutes of the meeting of the Board of Trustees of the Harris County Hospital District d/b/a Harris Health System held at the Administration Building in Houston, Texas on December 15, 2017.

Respectfully submitted,



Anne Clutterbuck, Chair
Board of Trustees



Daisy Stiner, Secretary
Board of Trustees

Recorded by Kenya Shields