HARRISHEALTH SYSTEM

BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 9, 2023
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**	**Dr. Arthur Bracey**	**1 min**
II.	**Approval of the Minutes of Previous Meeting**	**Dr. Arthur Bracey**	**1 min**
	• Budget and Finance Committee Meeting – November 10, 2022		
III.	**Financial Matters**	**Dr. Arthur Bracey**	**45 min**
	A. Consideration of Approval of the Harris Health System Annual Investment Policy – ***Ms. Victoria Nikitin***		*(5 min)*
	B. Consideration of Acceptance of the Harris Health System First Quarter Fiscal Year 2023 Investment Report – ***Ms. Victoria Nikitin***		*(10 min)*
	C. Consideration of Acceptance of the Harris Health System Fourth Quarter Calendar Year 2022 Pension Plan Report – ***Ms. Victoria Nikitin***		*(10 min)*
	D. Consideration of Acceptance of the Harris Health System December 2022 Quarterly Financial Report Subject to Audit – ***Ms. Victoria Nikitin***		*(10 min)*
	E. Update Regarding Harris Health Credit Rating – ***Ms. Victoria Nikitin***		*(10 min)*
IV.	**Executive Session**	**Dr. Arthur Bracey**	**10 min**
	A. Review of the 2022 Preliminary Financial Performance for the Twelve Months Ending December 31, 2022, Pursuant to Tex. Gov't Code Ann. §551.085 and Tex. Gov't Code Ann. §551.071, Including Consideration of Approval of the 2023 Capital Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc. and the 2023 Insurance Renewals Upon Return to Open Session – ***Ms. Lisa Wright, CEO and Ms. Anna Mateja, CFO, Community Health Choice***		

V.	**Reconvene**	**Dr. Arthur Bracey**	**1 min**
VI.	**Adjournment**	**Dr. Arthur Bracey**	**1 min**

BUDGET & FINANCE COMMITTEE

Victoria Nikitin, Executive Sponsor

Committee Members:

Lawrence Finder (Committee Chair)

Dr. Arthur Bracey (Ex-officio)

Dr. Ewan Johnson

Marcia Johnson

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
BUDGET & FINANCE COMMITTEE MEETING
Thursday, November 10, 2022
9:00 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Mr. Lawrence Finder, Chair, called the meeting to order at 9:06 a.m. It was noted there was a quorum present and the attendance was recorded. Mr. Finder announced 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 11, 2022		**Moved by Dr. Ewan Johnson, seconded by Dr. Arthur Bracey, and unanimously approved the minutes of the previous meeting.**
III. Financial Matters		
A. Consideration of Approval of Subsidy Payments to Community Health Choice, Inc. for the Health Insurance Marketplace Non-Federal Premium Payments for Eligible Harris Health Patients for Calendar Year 2023	Ms. Victoria Nikitin, Executive Vice President & Chief Financial Officer (CFO) introduced Ms. Pollie Martinez, Associate Administrator, Patient Access. Ms. Martinez stated that the projected cost of $3M for 2023 is substantially lower than previous year. This is attributed to Community Health Choice plan pricing that was much closer to the price of the Benchmark plan for Harris County than in 2022 and earlier years. Ms. Martinez shared that the benchmark plan is a term used to describe the second lowest cost Silver plan in our market arena. Additionally, Ms. Martinez noted that the Advance Premium Tax Credit (APTC) amount that was increased in 2021 as part of the American Rescue Act is being carried forward in year 2023. She explained that the APTC is a tax credit that is paid to the insurer on behalf of the patient to offset the cost of the premiums.	**Moved by Dr. Ewan Johnson, seconded by Professor Marcia Johnson, and unanimously accepted that the committee recommends that the Board approve item III.A.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Ms. Martinez noted that the addition of the subsidy program and the increase in Harris Health subsidized members has grown the commercial payor mix to roughly 16.5 percent of the overall payor mix, enhancing reimbursement for services, and easily covering the cost of the subsidy payments. In addition, the Community Health Choice Marketplace plans offer participating patients access to timely healthcare services anywhere in the contracted provider network for the plans, helping to mitigate the physical capacity limitations of existing Harris Health facilities and services. Dr. Bracey inquired regarding the commercial payor mix. Dr. Porsa, President and Chief Executive Officer, stated that Harris Health is providing subsidies to this group of patients however, that provides them access not only to Harris Health services but all community providers. He explained that if it happens that Harris Health patients, 150 percent of the federal poverty limit (FPL) and below, happen to raise the percentage of insured patients to higher number that will be a welcomed opportunity for Harris Health. Dr. Porsa stated that the goal is to expand access and the portion of patients who return to Harris Health is more than paying for the entire program. In addition, Dr. Porsa shared that although the patients can go elsewhere, this is bringing forth economic power to the community that would otherwise not have been afforded to the community. The committee discussed the commercial payor mix and its growth projections. An executive summary is available in the permanent record.	
B. Consideration of Acceptance of the Harris Health System September 2022 Financial Report Subject to Audit	Ms. Nikitin delivered a presentation of Harris Health System September 2022 Financial Report Subject to Audit. She noted that the fiscal year transition is required to align the related tax rate approval process in September—October 2022 with the new fiscal year October 2022—September 2023. In addition, this report will cover the stub period of March to September 2022. Ad valorem tax revenue was $477.1M less than budget due to the change in the accounting practice (revenue recognition) by Harris County and Harris Health System. Ms. Nikitin provided an overview of the funds received from the Comprehensive Hospital Increase Reimbursement Program (CHIRP) and Hospital Augmented Reimbursement Program (HARP). As a result, the System posted $237.6M in HARP revenues under Medicaid Supplemental programs. At September 30, total expenses of $1,241.6M were $73.0M or 5.6 percent less than budget.	**Moved by Dr. Ewan Johnson, seconded by Ms. Tijerina, and unanimously accepted that the committee recommends that the Board approve item III.B.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Ms. Nikitin noted due to the fiscal year transition, annual actuarial valuations were recorded for benefit plans (pension plan and post-employment health benefit) resulting in a net decrease of $38.8M favorable to budget. Other favorable trends were noted in purchased services and supplies. She reported an operating loss for the short fiscal year ended September 30 was $145.6M compared to budgeted income of $26.2M. Ms. Nikitin delivered a brief overview of Harris Health's performance ratios as of September 30, 2022. She shared that the System's capital expenditures is 174.9 percent for the current year compared to the prior year at 133 percent. The average age of plant (years) decreased from 12.9 to 10.7 for the current year. Mr. Finder inquired regarding unrestricted cash and cash on hand. Ms. Nikitin explained that the unrestricted cash can be used for operations or any purpose that the System sees a need. The committee discussed unrestricted cash, cash on hand and its regulatory requirements. The System has $822.8M in unrestricted cash, cash equivalents and investments, representing 146.8 days cash on hand. Harris Health has $114.9M in net accounts receivable, representing 62.0 days of outstanding patient accounts receivable at September 30, 2022. A copy of the Harris Health System September 2022 Financial Report is available in the permanent record.	
C. Consideration of Acceptance of the Harris Health System Second Quarter Stub Year 2022 Investment Report	Ms. Nikitin presented the Harris Health System Second Quarter Stub Year 2022 Investment Report. She shared that the interest rates are going up and that Harris Health is expecting a 4 percent return on its investment. A copy of the Harris Health System Second Quarter Stub Year 2022 Investment Report is available in the permanent record.	**Moved by Dr. Ewan Johnson, seconded by Dr. Arthur Bracey, and unanimously accepted that the committee recommends that the Board approve item III.C through III.D.**
D. Consideration of Acceptance of the Harris Health System Third Quarter Calendar Year 2022 Pension Plan Report	Ms. Nikitin presented the Harris Health System Third Quarter Calendar Year 2022 Pension Plan Report. A copy of the Third Quarter Calendar Year 2022 Pension Plan Report is available in the permanent record.	**Moved by Dr. Ewan Johnson, seconded by Dr. Arthur Bracey, and unanimously accepted that the committee recommends that the Board approve item III.C through III.D.**
IV. Executive Session	At 9:41 a.m., Mr. Finder stated that the Budget and Finance Committee would enter into Executive Session as permitted by law under Tex. Gov't Code Ann. §551.071 and Tex. Gov't Code Ann. §551.085.	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
A. Discussion Regarding the 2023 Operating Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc.; and Review of the 2022 Financial Performance for the Nine Months Ending September 30, 2022, Pursuant to Tex. Gov't Code Ann. §551.085 and Tex. Gov't Code Ann. §551.071, Including Consideration of Approval of the 2023 Operating Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc. Upon Return to Open Session	*The Harris Health Board of Trustees hereby approves the 2023 Operating Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc.*	**Moved by Dr. Ewan Johnson, seconded by Dr. Arthur Bracey, and unanimously accepted that the committee recommends that the Board approve item V.C.**
V. Reconvene	At 10:08 a.m., Mr. Finder reconvened the meeting in open session; he noted a quorum was present. He shared that the Board will take action on Item "A" of the Executive Session agenda.	
	Dr. Porsa is pleased to announce that Ms. Lisa Wright, President & Chief Executive Officer, Community Health Choice, was recognized by Modern Healthcare magazine as one of 2022's Top Diversity Leaders. Ms. Wright has expanded multi-language outreach and communications to prioritize cultural competency and also developed a road map to foster a workplace culture of belonging.	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
VI. Adjournment	Moved by Dr. Ewan Johnson, seconded by Dr. Arthur Bracey, and unanimously approved to adjourn the meeting. There being no further business, the meeting adjourned at 10:08 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 10, 2022.

Respectfully submitted,

Lawrence Finder, Chair

Recorded by Cherry Pierson

Thursday, November 10, 2022

Harris Health System Board of Trustees Board Meeting – Budget & 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 BOARD MEMBERS PRESENT	BUDGET & FINANCE COMMITTEE BOARD MEMBERS ABSENT	OTHER BOARD MEMBERS PRESENT
Mr. Lawrence Finder *(Chair)*		Ms. Alicia Reyes
Dr. Arthur Bracey *(Ex-Officio)*		Ms. Jennifer Tijerina
Dr. Ewan D. Johnson		Ms. Barbie Robinson
Ms. Marcia Johnson		

EXECUTIVE LEADERSHIP
Dr. Esmaeil Porsa, President & Chief Executive Officer
Ms. Lisa Wright, President & Chief Executive Officer, Community Health Choice, Inc.
Ms. Amy Smith, Senior Vice President, Transitions & Post-Acute Care
Ms. Anna Mateja, Chief Financial Officer, Community Health Choice, Inc.
Ms. Carolynn Jones, Executive Vice President & Chief Compliance and Risk Officer
Mr. DeWight Dopslauf, Purchasing Agent, Harris County Purchasing Office
Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office
Dr. Esperanza (Hope) Galvan, Senior Vice President, Chief Health Officer
Dr. Glorimar Medina-Rivera, Executive Vice President, Ben Taub Hospital
Dr. Hemant Roy, Vice Chair, Harris Health System & Ben Taub Hospital
Dr. Jackie Brock, Executive Vice President & Chief Nursing Executive
Dr. Jason Chung, Associate Chief Medical Officer & Senior Vice President, Medical Affairs and Utilization
Dr. Jennifer Small, Executive Vice President, Ambulatory Care Services
Ms. Kari McMichael, Vice President, Controller
Mr. Louis Smith, Senior Executive Vice President & Chief Operating Officer
Ms. Maria Cowles, Senior Vice President, Chief of Staff
Ms. Olga Llamas Rodriguez, Vice President, Community Engagement & Corporate Communications
Dr. Steven Brass, Executive Vice President & Chief Medical Executive

OTHERS PRESENT	
Antoinette Cotton	Julie Thompson
Daniel Smith	Matt Reeder
Danielle Zimmerman *(FORVIS)*	Matt Schlueter
Derek Curtis	Nicholas Bell
Ebon Swofford	Paul Lopez
Jennifer Zarate	Randy Manarang
Jerry Summers	Tai Nguyen

Thursday, February 09, 2023

Consideration of Approval of the Harris Health System Investment Policy

The Harris Health System Investment Policy is adopted annually by the Harris Health System Board of Trustees as the governing body pursuant to Chapter 2256 of the Texas Government Code, "Public Funds Investment Act." Harris County recently modified their policy to include the updates summarized below. The attached policy includes changes applicable to Harris Health and related to the sections addressed below. Administration has reviewed the policy and recommends the updates.

Section 5.02: Maturity:

The following changes were made to this section to be in alignment with the Harris County Investment Policy effective October 1, 2022: (a) updated the maximum maturity for the Debt Service Funds and the General Concentration Pool from three years to five years; and (b) renamed the "Custodial and Fiduciary Funds" the "Mobility & Infrastructure" funds and updated the maturity from three to five years.

Exhibit "C" Approved Broker/Dealers, Money Market Funds, and Investment Pools for the Investment of Harris Health and CHC Funds:

Updated the reference to Harris County's Investment Policy to the "most recently approved" rather than the specific date of the policy.

Administration recommends that the Board approve the updated Harris Health System Investment Policy to be effective March 1, 2023.

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Consideration of Acceptance of the Harris Health System First Quarter Fiscal 2023 Investment Report

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Attached for your review and acceptance is the First Quarter Fiscal Year 2023 Investment Report for the period October to December 2022.

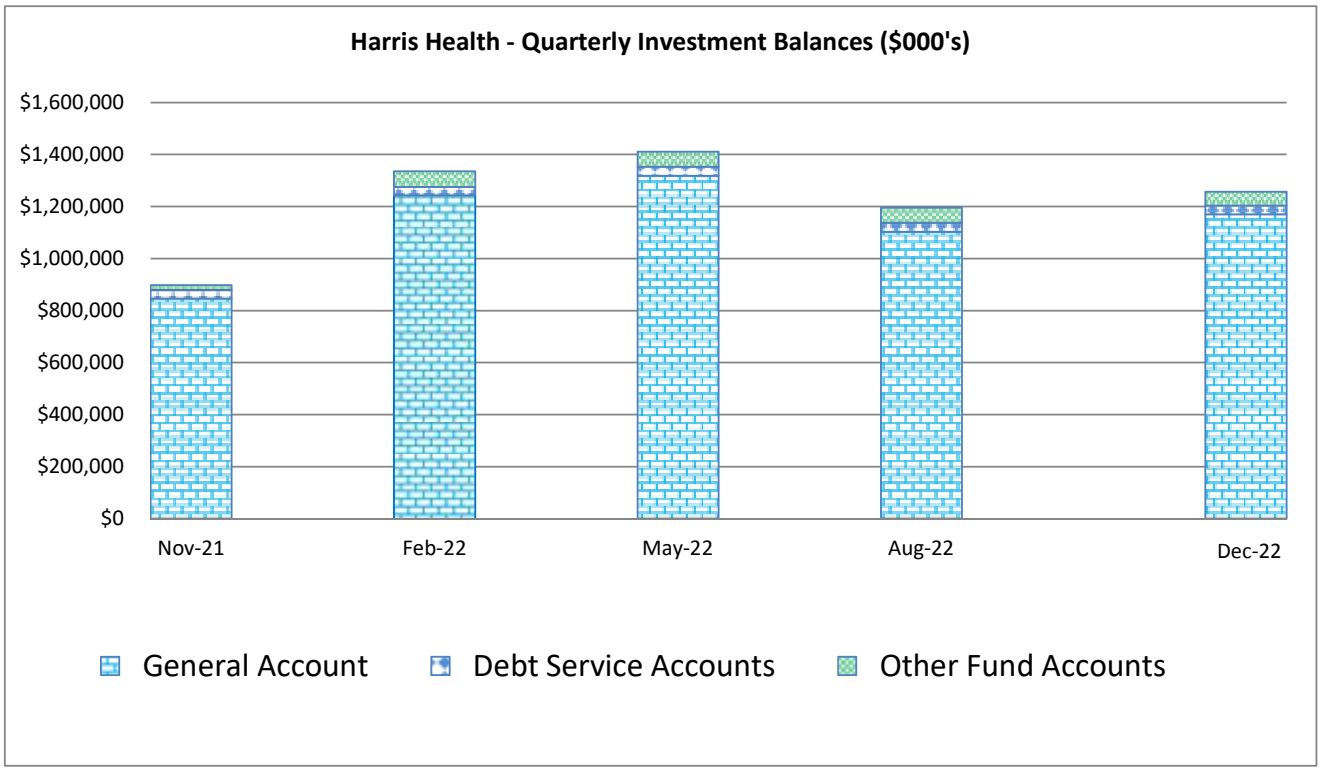
Administration recommends that the Board accept the First Quarter Investment Report for the period ended December 31, 2022.

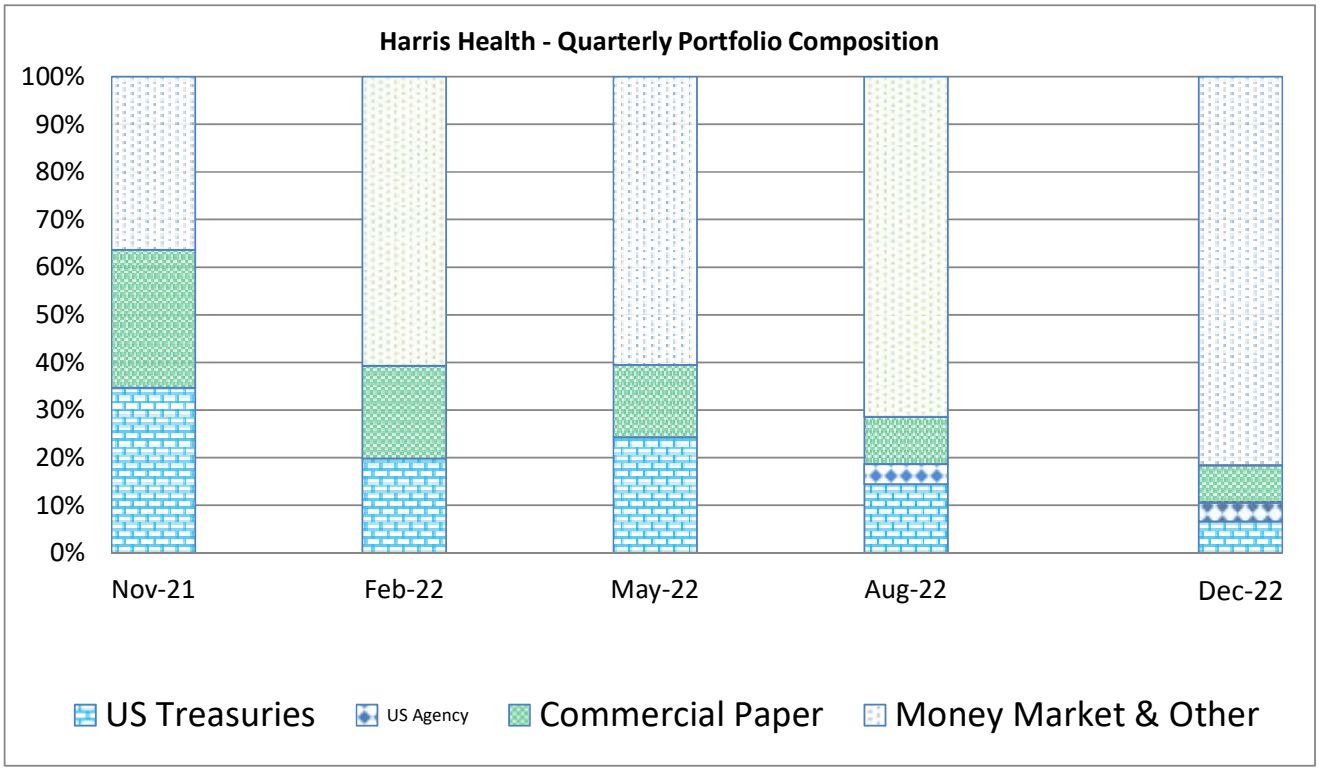
HARRIS COUNTY HOSPITAL DISTRICT
dba HARRIS HEALTH SYSTEM

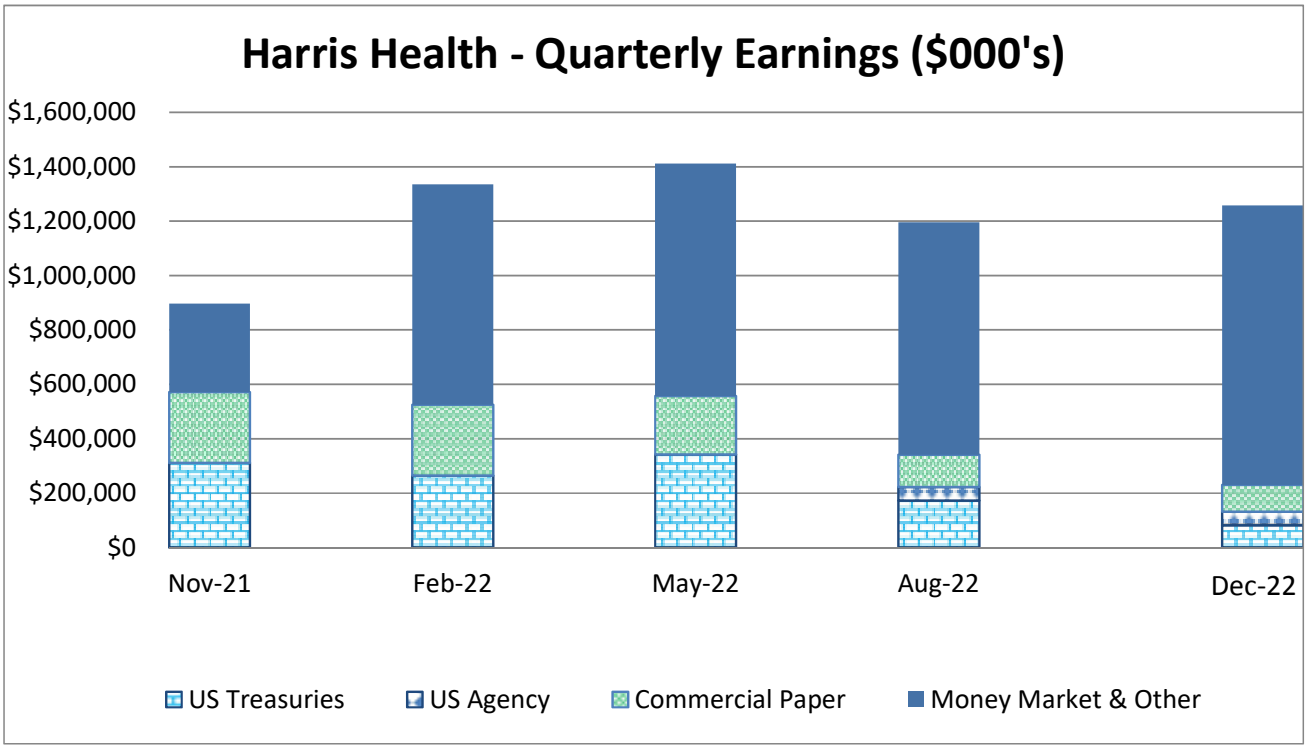
INVESTMENT REPORT
As of December 31, 2022

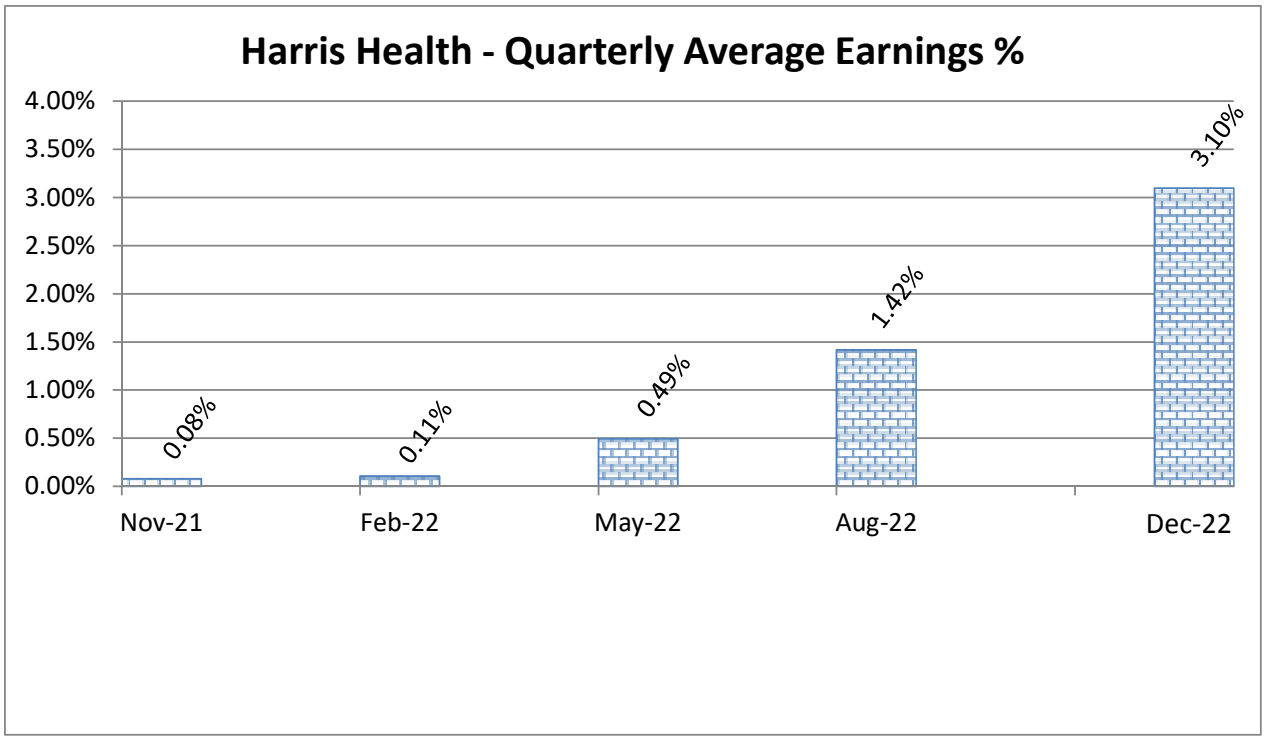
- Executive Summary Charts and Quarterly Trend Schedule for Harris Health System

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


Harris Health - Quarterly Investment Balances ($000's)
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Nov-21
Feb-22
May-22
Aug-22
Dec-22
General Account
Debt Service Accounts
Other Fund Accounts


Harris Health - Quarterly Portfolio Composition
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Nov-21
Feb-22
May-22
Aug-22
Dec-22
US Treasuries
US Agency
Commercial Paper
Money Market & Other


Harris Health - Quarterly Earnings ($000's)
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Nov-21
Feb-22
May-22
Aug-22
Dec-22
US Treasuries
US Agency
Commercial Paper
Money Market & Other


Harris Health - Quarterly Average Earnings %
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
0.08%
0.11%
0.49%
1.42%
3.10%
Nov-21
Feb-22
May-22
Aug-22
Dec-22

HARRIS HEALTH SYSTEM

QUARTERLY INVESTMENT REPORT
FIRST QUARTER 2022-2023

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.

Amy Perez	Diana Elizondo	Mark LaRue
Deputy Executive Director, OMB	Investment Manager	Financial Analyst

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Summary of Portfolio Balances & Characteristics

September 30, 2022 through December 31, 2022

HARRISHEALTH SYSTEM

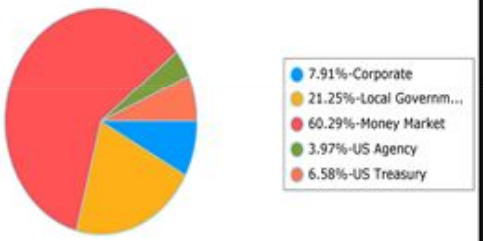
Book & Market Value Comparison

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	YTM @ Market	Duration	Days To Maturity
Beginning	918,330,320.65	919,035,794.78	-705,474.13	1.97	2.17	0.13	41
10/31/2022	1,390,689,585.81	1,391,601,126.83	-911,541.02	3.01	3.19	0.08	25
11/30/2022	1,314,869,285.29	1,315,626,191.90	-756,906.61	3.65	3.83	0.07	20
12/31/2022	1,256,572,180.66	1,258,369,106.78	-1,796,926.12	3.85	5.02	0.05	15
Average	**1,320,710,350.59**	**1,321,865,475.17**	**-1,155,124.58**	**3.50**	**4.01**	**0.07**	**20**

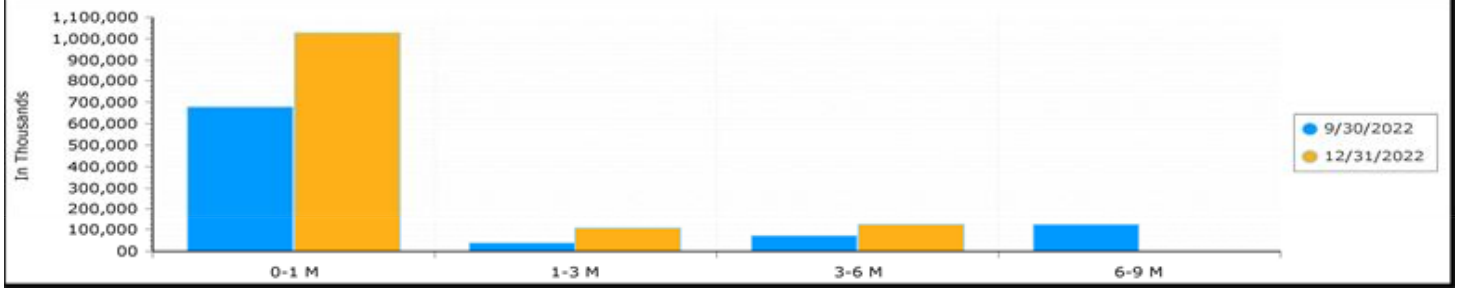
Quarterly Investment Income By Sector

	Ending BV + Accrued Interest	Investment Income-BV
Certificate of Deposit	$0.00	$0.00
Corporate	$99,494,243.06	$855,472.22
Local Government Investment Pool	$267,453,898.01	$2,560,621.39
Money Market	$758,642,437.05	$4,970,819.13
Municipal	$0.00	$0.00
US Agency	$50,541,666.66	$406,250.00
US Treasury	$82,915,441.64	$773,904.39
Total	**$1,259,047,686.42**	**$9,567,067.13**

Portfolio Distribution by Sector



Distribution By Maturity Range

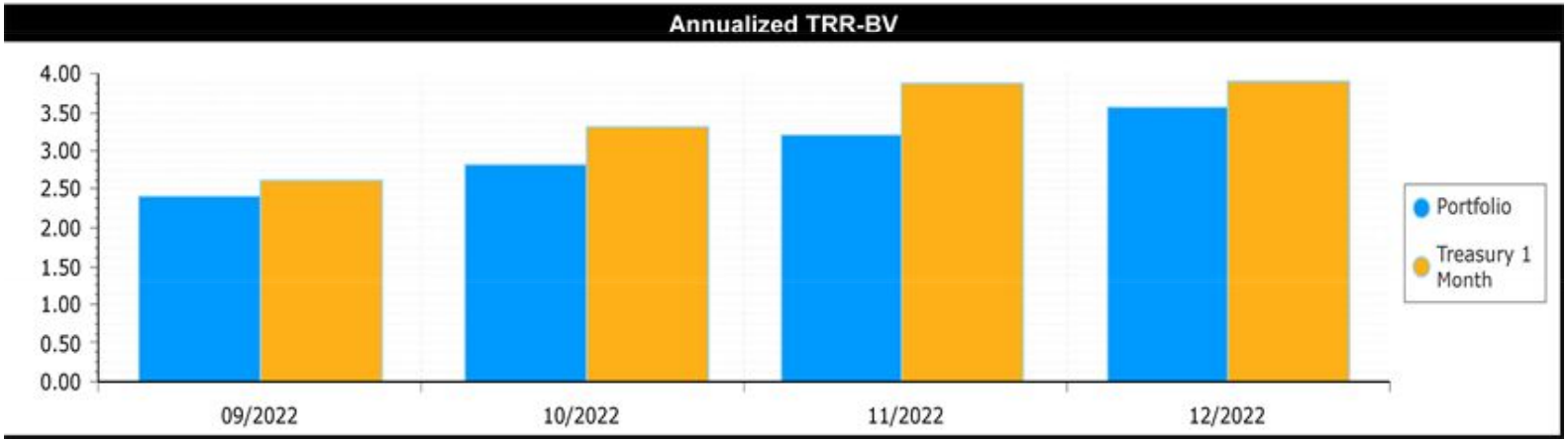


Total Rate of Return vs. Benchmark 1 Month Treasury

September 30, 2022 through December 31, 2022

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	1,195,683,780.33				1,145,388,906.90	0.20	2.40	2.61
10/31/2022	919,509,017.14	2,102,890.75	0.00	2,102,890.75	904,658,681.46	0.23	2.83	3.32
11/30/2022	1,391,871,960.17	3,605,442.96	0.00	3,605,442.96	1,372,955,205.93	0.26	3.20	3.87
12/31/2022	1,316,099,776.16	3,858,733.42	0.00	3,858,733.42	1,319,340,190.82	0.29	3.57	3.90
Total/Average	**1,209,160,251.16**	**9,567,067.13**	**0.00**	**9,567,067.13**	**1,198,984,692.74**	**0.78**	**3.20**	**3.70**



HARRISHEALTH SYSTEM

Summary of Current Portfolio Holdings & Quarterly Earnings

Begin Date: 9/30/2022, End Date: 12/31/2022

Description	CUSIP/Ticker	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	7,303.05	7,089.38	7,303.05	7,303.05	10.59	3.750	N/A
H9902 Hospital - Cadence General Funds DDA MM	D3837	756,441,942.53	357,597,008.76	756,441,942.53	756,441,942.53	4,035,528.13	3.750	N/A
LoneStar Gov | H9902 LGIP	LONESTARGH9902	0.00	209.28	0.00	0.00	0.05		N/A
LoneStar | H9902 LGIP	LONESTARH9902	119,054,302.59	117,907,738.57	119,054,302.59	119,054,302.59	1,146,354.69	4.482	N/A
H9902 Hospital - Cadence General Funds MMF MM	M3837	0.00	0.00	0.00	0.00	862,675.96		N/A
H9902 Hospital - HRA Sweep MMF MM	M3845	73,901.69	120,156.45	73,901.69	73,901.69	776.63	4.100	N/A
H9902 Hospital - Cigna Health Benefits MMF MM	M3944	0.00	3,929,916.63	0.00	0.00	24,442.28		N/A
H9902 Hospital - FSA Plan MMF MM	M3951	997,991.79	601,178.06	997,991.79	997,991.79	6,734.53	4.100	N/A
H9902 Hospital - Donations Sweep MM	M5899	162,654.82	123,463.37	162,654.82	162,654.82	1,199.54	4.100	N/A
TexasCLASS | H9902 LGIP	TXCLASSH9902	95,589,328.34	94,678,350.05	95,589,328.34	95,589,328.34	910,978.29	4.521	N/A
T-Bill 0 10/6/2022	912796M89	0.00	19,996,100.00	0.00	0.00	2,004.17		10/6/2022
T-Bill 0 11/17/2022	912796W62	0.00	39,858,840.00	0.00	0.00	96,000.00		11/17/2022
MUFG BK CP 0 1/31/2023	62478YNX2	35,000,000.00	34,539,575.00	34,481,076.35	34,908,076.39	272,805.55	3.092	1/31/2023
SANTANDER BK UK DISC CP 0 1/31/2023	80285QNX4	40,000,000.00	39,454,800.00	39,409,666.80	39,881,166.67	352,666.67	3.502	1/31/2023
FHLB 3.25 4/20/2023-22	3130AT4Y0	50,000,000.00	49,867,950.00	49,881,000.00	50,000,000.00	406,250.00	3.250	4/20/2023
MUFG BK CP 0 4/28/2023	62479MRU9	25,000,000.00	24,354,375.00	24,395,000.00	24,705,000.00	230,000.00	3.689	4/28/2023
T-Note 1.625 4/30/2023	912828R28	50,000,000.00	49,310,550.00	49,536,000.00	49,743,441.36	402,052.24	3.206	4/30/2023
Sub Total/Average H9902 Hospital - General Fund		**1,172,327,424.81**	**832,347,300.55**	**1,170,030,167.96**	**1,171,565,109.23**	**8,750,479.32**	**3.814**	
H9906 Hospital - SPFC								
H9906 Hospital - SPFC Money Market MM	M3936	51,024.72	45,651.81	51,024.72	51,024.72	420.25	4.100	N/A
TexasCLASS | H9906 LGIP	TXCLASSH9906	887,769.98	879,309.45	887,769.98	887,769.98	8,460.53	4.521	N/A
Sub Total/Average H9906 Hospital - SPFC		**938,794.70**	**924,961.26**	**938,794.70**	**938,794.70**	**8,880.78**	**4.498**	
H9917 Hospital - Debt Service 2010								
H9917 Hospital - Series 2010 DS Sweep MMF MM	M3993	119,443.47	29,361.88	119,443.47	119,443.47	7,057.90	4.100	N/A
TexasCLASS | H9917 LGIP	TXCLASSH9917	20,512.46	20,316.97	20,512.46	20,512.46	195.49	4.521	N/A
T-Bill 0 10/6/2022	912796M89	0.00	6,398,752.00	0.00	0.00	1,218.88		10/6/2022
T-Bill 0 2/14/2023	912796ZU6	6,400,000.00	0.00	6,317,706.50	6,368,209.60	51,571.09	4.082	2/14/2023
Sub Total/Average H9917 Hospital - Debt Service 2010		**6,539,955.93**	**6,448,430.85**	**6,457,662.43**	**6,508,165.53**	**60,043.36**	**4.084**	
H9918 Hospital - Debt Service Reserve 2010								
H9918 Hospital - Series 2010 DSR Sweep MMF MM	M4017	128,175.13	43,610.83	128,175.13	128,175.13	6,752.79	4.100	N/A
TexasCLASS | H9918 LGIP	TXCLASSH9918	22,850.19	22,632.45	22,850.19	22,850.19	217.74	4.521	N/A
T-Bill 0 10/6/2022	912796M89	0.00	5,998,830.00	0.00	0.00	1,142.70		10/6/2022
T-Bill 0 2/14/2023	912796ZU6	6,000,000.00	0.00	5,922,849.84	5,970,196.50	48,347.90	4.082	2/14/2023
Sub Total/Average H9918 Hospital - Debt Service Reserve 2010		**6,151,025.32**	**6,065,073.28**	**6,073,875.16**	**6,121,221.82**	**56,461.13**	**4.084**	
H9920 Hospital - Debt Service 2016 Rev & Ref								
H9920 Hospital - Series 2016 DS Sweep MMF MM	M4009	211,509.03	67,794.22	211,509.03	211,509.03	11,426.11	4.100	N/A
TexasCLASS | H9920 LGIP	TXCLASSH9920	23,931.28	23,703.24	23,931.28	23,931.28	228.04	4.521	N/A
T-Bill 0 10/6/2022	912796M89	0.00	10,198,011.00	0.00	0.00	1,942.59		10/6/2022

Description	CUSIP/Ticker	Ending Face Amount/Shares	Beginning MV	Ending MV	Ending BV	Investment Income-BV	Ending YTM @ Cost	Maturity Date
T-Bill 0 2/14/2023	912796ZU6	10,200,000.00	0.00	10,068,844.73	10,149,334.05	82,191.43	4.082	2/14/2023
Sub Total/Average H9920 Hospital - Debt Service 2016 Rev & Ref		**10,435,440.31**	**10,289,508.46**	**10,304,285.04**	**10,384,774.36**	**95,788.17**	**4.084**	
H9921 Hospital - Debt Service Reserve 2016 Rev &am								
H9921 Hospital - Series 2016 DSR Sweep MMF MM	M4033	269,679.30	119,981.21	269,679.30	269,679.30	12,293.04	4.100	N/A
T-Bill 0 10/6/2022	912796M89	0.00	10,597,933.00	0.00	0.00	2,018.77		10/6/2022
T-Bill 0 2/14/2023	912796ZU6	10,600,000.00	0.00	10,463,701.38	10,547,347.15	85,414.62	4.082	2/14/2023
Sub Total/Average H9921 Hospital - Debt Service Reserve 2016 Rev &am		**10,869,679.30**	**10,717,914.21**	**10,733,380.68**	**10,817,026.45**	**99,726.43**	**4.083**	
H9924 Hospital - Capital Assets Series 2020								
H9924 Hospital - Capital Assets Ser 2020 Sweep MMF	M6228	164,141.75	161,547.84	164,141.75	164,141.75	1,378.20	4.100	N/A
TexasCLASS | H9924 LGIP	TXCLASSH9924	6,092,253.43	6,034,193.52	6,092,253.43	6,092,253.43	58,059.91	4.521	N/A
Sub Total/Average H9924 Hospital - Capital Assets Series 2020		**6,256,395.18**	**6,195,741.36**	**6,256,395.18**	**6,256,395.18**	**59,438.11**	**4.510**	
H9925 Hospital - Capital Gift Proceeds								
H9925 Hospital - Capital Gift Proceeds Sweep MM	M1367	14,669.77	14,567.59	14,669.77	14,669.77	123.18	4.100	N/A
TexasCLASS | H9925 LGIP	TXCLASSH9925	45,762,949.74	45,326,823.09	45,762,949.74	45,762,949.74	436,126.65	4.521	N/A
Sub Total/Average H9925 Hospital - Capital Gift Proceeds		**45,777,619.51**	**45,341,390.68**	**45,777,619.51**	**45,777,619.51**	**436,249.83**	**4.521**	
Total / Average		**1,259,296,335.06**	**918,330,320.65**	**1,256,572,180.66**	**1,258,369,106.78**	**9,567,067.13**	**3.851**	

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Consideration of Acceptance of the Harris Health System Fourth Quarter Calendar Year 2022 Pension Plan Report

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Attached for your review and acceptance is the Fourth Quarter Calendar Year 2022 Pension Plan Report for the period October–December 2022.

Administration recommends that the Board accept the Fourth Quarter Pension Plan Report for the period ended December 31, 2022.

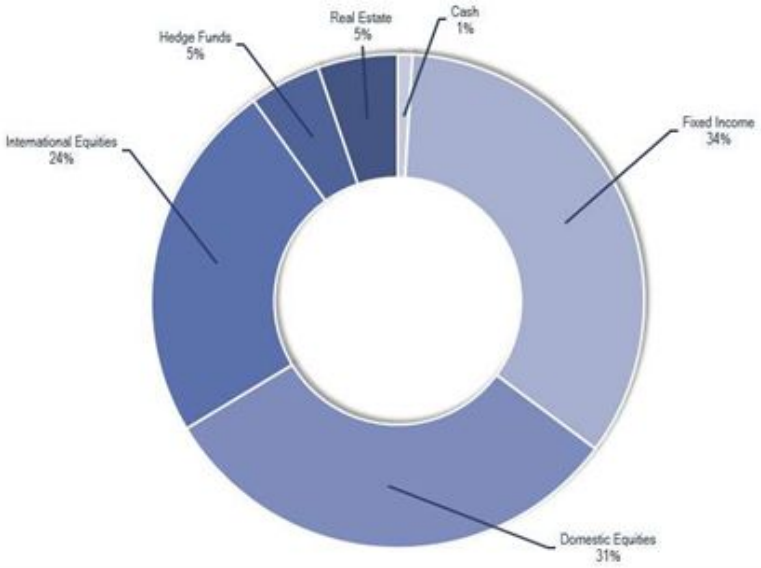
Pension Plan Summary

HARRISHEALTH SYSTEM

For the Quarter Ended and Year to Date December 31, 2022

	YEAR-TO-DATE	QUARTERLY				YEAR-TO-DATE
	12/31/21	03/31/22	06/30/22	09/30/22	12/31/22	12/31/22
Investment Return	**9.7%**	-5.9%	-11.4%	-4.8%	5.6%	**-16.3%**
Market Value of Assets (in millions)	**$ 966.4**	$ 911.6	$ 808.9	$ 776.2	$ 821.2	**$ 821.2**
Employer Contributions (in millions)	**$ 57.0**	$ 14.7	$ 9.9	$ 20.2	$ 15.2	**$ 60.0**
Benefit Payments (in millions)	**$ 53.3**	$ 13.8	$ 14.1	$ 14.2	$ 14.4	**$ 56.6**
Funded Ratio	**86.2%**	80.8%	71.3%	68.0%	71.6%	**71.6%**

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 $45.0 million this quarter and decreased $145.2 million since the beginning of the calendar year. Investment return was 5.6% for the quarter ended December 31, 2022, due to the following market conditions:

- In the final quarter of 2022, equity markets rebounded as high-interest rate concerns abated. Volatility fell throughout the quarter, albeit still well above its 20-year average, and yields trended higher with major central banks indicating continued support for aggressive monetary policy to control rising inflation.
- Global equities showed considerable strength as a relief rally took hold, with fundamentals holding up relatively well and valuations rising as sentiment turned more positive on signs of receding inflation risk and greater monetary policy certainty. While the rally was broad-based, stocks with resilient fundamentals did particularly well. Regionally, non-U.S. equities, both developed and emerging markets, bested U.S. equities, helped by more market-friendly central bank activity, a declining dollar, and a reopening China.
- Global fixed income markets ended the year on a mixed note in the final quarter. Government bond yields edged higher during the fourth quarter, while credit spreads tightened on improved risk sentiment. These conditions resulted in investment grade and high yield credit generating positive returns and outperforming government bonds over the quarter.

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Consideration of Acceptance of the Harris Health System December 2022 Quarterly Financial Report Subject to Audit

Attached for your review and consideration is the December 2022 Financial Report for the quarter and three months fiscal year-to-date ended December 31, 2022.

Administration recommends that the Board accept the financial report for the period ended December 31, 2022, subject to final audit.

HARRISHEALTH SYSTEM

Financial Statements

As of December 31, 2022

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HARRISHEALTH SYSTEM

Operating income for the quarter ended December 31, 2022 was $55.0 million compared to budgeted income of $10.9 million.

Total quarterly net revenue for December of $598.6 million was $26.0 million or 4.5% more than budget. Improved investment returns contributed $9.2 million to the positive variance. Medicaid Supplemental programs were $13.8 million greater than expected primarily due to the updated Hospital Augmented Reimbursement Program projections received from the State.

Total quarterly expenses of $543.6 million were $18.1 million or 3.2% less than budget. Staff costs were $12.0 million under budget as a result of a reduction in contract labor utilization and decreases in benefits expense. Physician services were $7.3 million less than projected mostly due to the unfilled faculty vacancies and prior period adjustments.

For the first quarter, total patient days and average daily census increased 5.7% compared to budget. Inpatient case mix index, a measure of patient acuity, was 2.7% lower while length of stay was 4.7% higher than budget. Emergency room visits were 1.0% higher than planned for the quarter. Total clinic visits, including telehealth, were 4.8% higher compared to budget. Births were up 21.1%.

Total cash receipts for the quarter were $889.7 million. The System has $1,151.7 million in unrestricted cash, cash equivalents and investments, representing 200.4 days cash on hand. Harris Health System has $146.4 million in net accounts receivable, representing 73.0 days of outstanding patient accounts receivable at December 31, 2022. The December balance sheet reflects a combined net receivable position of $162.9 million under the various Medicaid Supplemental programs.

Income Statement

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 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	$ 184.7	$ 182.9	1.0%	$ 184.7	$ 182.9	1.0%	$ 199.0	-7.2%
Medicaid Supplemental Programs	166.9	153.1	9.0%	166.9	153.1	9.0%	92.9	79.7%
Other Operating Revenue	29.1	27.6	5.6%	29.1	27.6	5.6%	7.1	311.2%
Total Operating Revenue	**$ 380.7**	**$ 363.6**	**4.7%**	**$ 380.7**	**$ 363.6**	**4.7%**	**$ 298.9**	**27.3%**
Net Ad Valorem Taxes	207.8	207.8	0.0%	207.8	207.8	0.0%	201.5	3.1%
Net Tobacco Settlement Revenue	-	-	0.0%	-	-	0.0%	-	0.0%
Capital Gifts & Grants	-	-	0.0%	-	-	0.0%	-	0.0%
Interest Income & Other	10.1	1.3	711.7%	10.1	1.3	711.7%	17.2	-41.0%
Total Nonoperating Revenue	**$ 218.0**	**$ 209.0**	**4.3%**	**$ 218.0**	**$ 209.0**	**4.3%**	**$ 218.7**	**-0.3%**
Total Net Revenue	**$ 598.6**	**$ 572.6**	**4.5%**	**$ 598.6**	**$ 572.6**	**4.5%**	**$ 517.6**	**15.7%**
EXPENSE								
Salaries and Wages	$ 215.8	$ 220.8	2.2%	$ 215.8	$ 220.8	2.2%	$ 207.5	-4.0%
Employee Benefits	66.1	73.2	9.6%	66.1	73.2	9.6%	68.8	3.9%
Total Labor Cost	**$ 282.0**	**$ 293.9**	**4.1%**	**$ 282.0**	**$ 293.9**	**4.1%**	**$ 276.4**	**-2.0%**
Supply Expenses	72.9	69.9	-4.2%	72.9	69.9	-4.2%	71.6	-1.8%
Physician Services	100.6	107.9	6.8%	100.6	107.9	6.8%	89.2	-12.7%
Purchased Services	66.5	66.9	0.5%	66.5	66.9	0.5%	71.9	7.5%
Depreciation & Interest	21.6	23.0	6.2%	21.6	23.0	6.2%	18.4	-17.0%
Total Operating Expense	**$ 543.6**	**$ 561.7**	**3.2%**	**$ 543.6**	**$ 561.7**	**3.2%**	**$ 527.6**	**-3.0%**
Operating Income (Loss)	**$ 55.0**	**$ 10.9**		**$ 55.0**	**$ 10.9**		**$ (10.0)**	
Total Margin %	**9.2%**	**1.9%**		**9.2%**	**1.9%**		**-1.9%**	

Balance Sheet

HARRISHEALTH SYSTEM

the Quarter Ended December 31, 2022 (In $ Millions)

	CURRENT YEAR	PRIOR YEAR
CURRENT ASSETS		
Cash, Cash Equivalents and Short Term Investments	$ 1,151.7	$ 1,005.0
Net Patient Accounts Receivable	146.4	90.7
Net Ad Valorem Taxes, Current Portion	(2.9)	434.3
Other Current Assets	260.2	150.6
Total Current Assets	**$ 1,555.4**	**$ 1,680.6**
CAPITAL ASSETS		
Plant, Property, & Equipment, Net of Accumulated Depreciation	$ 415.1	$ 438.4
Construction in Progress	181.0	103.3
Right of Use Assets	44.9	-
Total Capital Assets	**$ 640.9**	**$ 541.7**
ASSETS LIMITED AS TO USE & RESTRICTED ASSETS		
Debt Service & Capital Asset Funds	$ 40.1	$ 50.4
LPPF Restricted Cash	24.7	29.7
Capital Gift Proceeds	45.8	-
Other - Restricted	1.0	1.0
Total Assets Limited As to Use & Restricted Assets	**$ 111.6**	**$ 81.2**
Other Assets	30.4	12.0
Deferred Outflows of Resources	188.5	179.3
Total Assets & Deferred Outflows of Resources	**$ 2,526.9**	**$ 2,494.8**
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 186.3	$ 187.8
Employee Compensation & Related Liabilities	132.6	117.3
Estimated Third-Party Payor Settlements	14.9	13.5
Current Portion Long-Term Debt and Capital Leases	20.3	12.3
Total Current Liabilities	**$ 354.0**	**$ 330.8**
Long-Term Debt	331.5	307.8
Net Pension & Post Employment Benefits Liability	598.2	737.7
Other Long-Term Liabilities	8.0	24.1
Deferred Inflows of Resources	218.7	112.4
Total Liabilities	**$ 1,510.4**	**$ 1,512.9**
Total Net Assets	**$ 1,016.5**	**$ 981.9**
Total Liabilities & Net Assets	**$ 2,526.9**	**$ 2,494.8**

Cash Flow Summary

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2022 (In $ Millions)

	QUARTER-TO-DATE		YEAR-TO-DATE	
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR
CASH RECEIPTS				
Collections on Patient Accounts	$ 156.9	$ 208.2	$ 156.9	$ 208.2
Medicaid Supplemental Programs	462.0	228.8	462.0	228.8
Net Ad Valorem Taxes	204.0	221.6	204.0	221.6
Tobacco Settlement	-	-	-	-
Other Revenue	66.8	39.7	66.8	39.7
Total Cash Receipts	**$ 889.7**	**$ 698.3**	**$ 889.7**	**$ 698.3**
CASH DISBURSEMENTS				
Salaries. Wages and Benefits	$ 313.1	$ 268.2	$ 313.1	$ 268.2
Supplies	73.8	69.5	73.8	69.5
Physician Services	96.4	90.7	96.4	90.7
Purchased Services	52.5	50.5	52.5	50.5
Capital Expenditures	32.5	25.9	32.5	25.9
Debt and Interest Payments	0.9	0.9	0.9	0.9
Other Uses	(8.5)	40.3	(8.5)	40.3
Total Cash Disbursements	**$ 560.8**	**$ 545.9**	**$ 560.8**	**$ 545.9**
Net Change	**$ 328.9**	**$ 152.4**	**$ 328.9**	**$ 152.4**

Unrestricted Cash, Cash Equivalents and Investments - September 30, 2022	$ 822.8
Net Change	328.9
Unrestricted Cash, Cash Equivalents and Investments - November 30, 2022	**$ 1,151.7**

Performance Ratios

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2022

	QUARTER-TO-DATE		YEAR-TO-DATE		
	CURRENT YEAR	CURRENT BUDGET	CURRENT YEAR	CURRENT BUDGET	PRIOR YEAR
OPERATING HEALTH INDICATORS					
Operating Margin %	9.2%	1.9%	9.2%	1.9%	-1.9%
Run Rate per Day (In$ Millions)	$ 5.7	$ 5.9	$ 5.7	$ 5.9	$ 5.6
Salary, Wages & Benefit per APD	$ 2,265	$ 2,568	$ 2,265	$ 2,568	$ 2,488
Supply Cost per APD	$ 586	$ 611	$ 586	$ 611	$ 645
Physician Services per APD	$ 808	$ 943	$ 808	$ 943	$ 803
Total Expense per APD	**$ 4,367**	**$ 4,908**	**$ 4,367**	**$ 4,908**	**$ 4,749**
Overtime as a % of Total Salaries	3.7%	1.6%	3.7%	1.6%	3.1%
Contract as a % of Total Salaries	5.8%	7.2%	5.8%	7.2%	7.1%
Full-time Equivalent Employees	9,866	10,168	9,866	10,168	9,271
FINANCIAL HEALTH INDICATORS					
Quick Ratio			4.3		5.0
Unrestricted Cash (In $ Millions)			$ 1,151.7	$ 610.4	$ 1,005.0
Days Cash on Hand			200.4	107.6	180.4
Days Revenue in Accounts Receivable			73.0	53.7	41.9
Days in Accounts Payable			44.6		37.6
Capital Expenditures/Depreciation & Amortization			174.8%		164.3%
Average Age of Plant(years)			11.1		12.4

Harris Health System Key Indicators

Statistical Highlights

HARRISHEALTH SYSTEM

As of the Quarter Ended December 31, 2022

	QUARTER-TO-DATE			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
Adjusted Patient Days	124,480	114,445	8.8%	124,480	114,445	8.8%	111,089	12.1%
Outpatient % of Adjusted Volume	60.1%	62.1%	-3.2%	60.1%	62.1%	-3.2%	63.0%	-4.7%
Primary Care Clinic Visits	131,474	120,974	8.7%	131,474	120,974	8.7%	118,050	11.4%
Specialty Clinic Visits	60,377	57,990	4.1%	60,377	57,990	4.1%	57,377	5.2%
Telehealth Clinic Visits	32,466	35,045	-7.4%	32,466	35,045	-7.4%	46,887	-30.8%
Total Clinic Visits	**224,317**	**214,009**	**4.8%**	**224,317**	**214,009**	**4.8%**	**222,314**	**0.9%**
Emergency Room Visits - Outpatient	32,891	33,248	-1.1%	32,891	33,248	-1.1%	31,001	6.1%
Emergency Room Visits - Admitted	5,410	4,677	15.7%	5,410	4,677	15.7%	4,098	32.0%
Total Emergency Room Visits	**38,301**	**37,925**	**1.0%**	**38,301**	**37,925**	**1.0%**	**35,099**	**9.1%**
Surgery Cases - Outpatient	2,565	3,181	-19.4%	2,565	3,181	-19.4%	2,292	11.9%
Surgery Cases - Inpatient	2,375	2,680	-11.4%	2,375	2,680	-11.4%	2,163	9.8%
Total Surgery Cases	**4,940**	**5,861**	**-15.7%**	**4,940**	**5,861**	**-15.7%**	**4,455**	**10.9%**
Total Outpatient Visits	**366,093**	**364,095**	**0.5%**	**366,093**	**364,095**	**0.5%**	**371,733**	**-1.5%**
Inpatient Cases (Discharges)	8,292	7,584	9.3%	8,292	7,584	9.3%	6,773	22.4%
Outpatient Observation Cases	2,419	3,595	-32.7%	2,419	3,595	-32.7%	3,449	-29.9%
Total Cases Occupying Patient Beds	**10,711**	**11,179**	**-4.2%**	**10,711**	**11,179**	**-4.2%**	**10,222**	**4.8%**
Births	1,507	1,244	21.1%	1,507	1,244	21.1%	1,371	9.9%
Inpatient Days	49,666	43,366	14.5%	49,666	43,366	14.5%	41,053	21.0%
Outpatient Observation Days	7,687	10,905	-29.5%	7,687	10,905	-29.5%	10,592	-27.4%
Total Patient Days	**57,353**	**54,271**	**5.7%**	**57,353**	**54,271**	**5.7%**	**51,645**	**11.1%**
Average Daily Census	623.4	589.9	5.7%	623.4	589.9	5.7%	561.4	11.1%
Average Operating Beds	681	681	0.0%	681	681	0.0%	677	0.6%
Bed Occupancy %	91.5%	86.6%	5.7%	91.5%	86.6%	5.7%	82.9%	10.4%
Inpatient Average Length of Stay	5.99	5.72	4.7%	5.99	5.72	4.7%	6.06	-1.2%
Inpatient Case Mix Index (CMI)	1.661	1.706	-2.7%	1.661	1.706	-2.7%	1.797	-7.6%
Payor Mix (% of Charges)								
Charity & Self Pay	46.6%	46.7%	-0.3%	46.6%	46.7%	-0.2%	46.7%	-0.3%
Medicaid & Medicaid Managed	22.9%	22.7%	1.1%	22.9%	22.7%	1.1%	21.0%	9.5%
Medicare & Medicare Managed	10.8%	11.0%	-1.5%	10.8%	11.0%	-1.5%	12.0%	-9.6%
Commercial & Other	19.6%	19.5%	0.7%	19.6%	19.5%	0.7%	20.3%	-3.4%
Total Unduplicated Patients - Rolling 12				**241,493**			**261,095**	**-7.5%**
Total New Patient - Rolling 12				**84,727**			**82,647**	**2.5%**

Harris Health System

Statistical Highlights

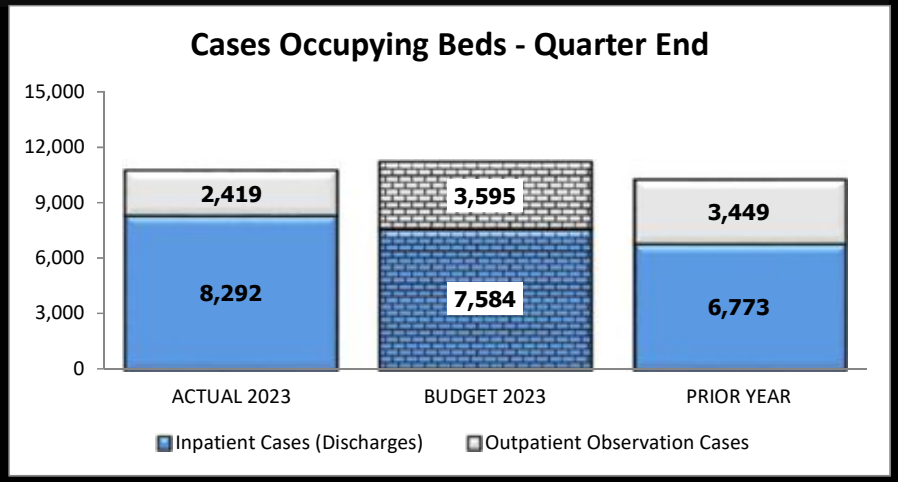
As of the Quarter Ended December 31, 2022

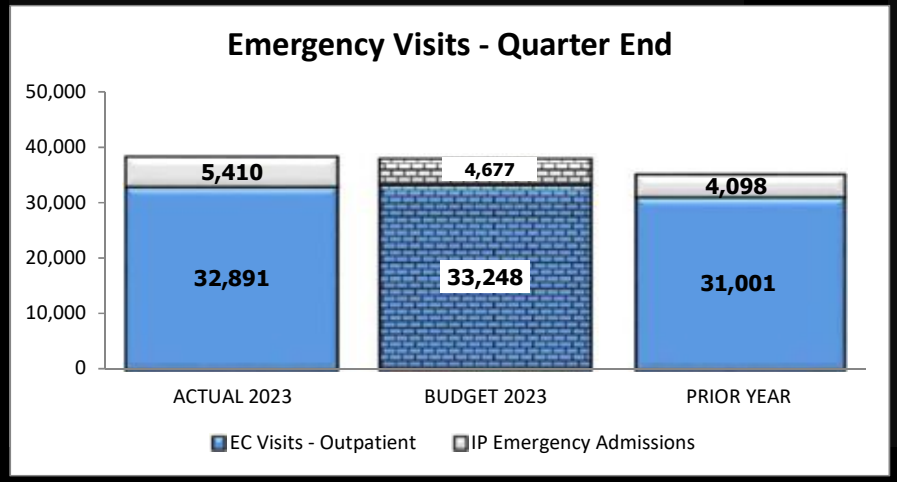
Cases Occupying Beds - Q1		
Actual	Budget	Prior Year
10,711	11,179	10,222

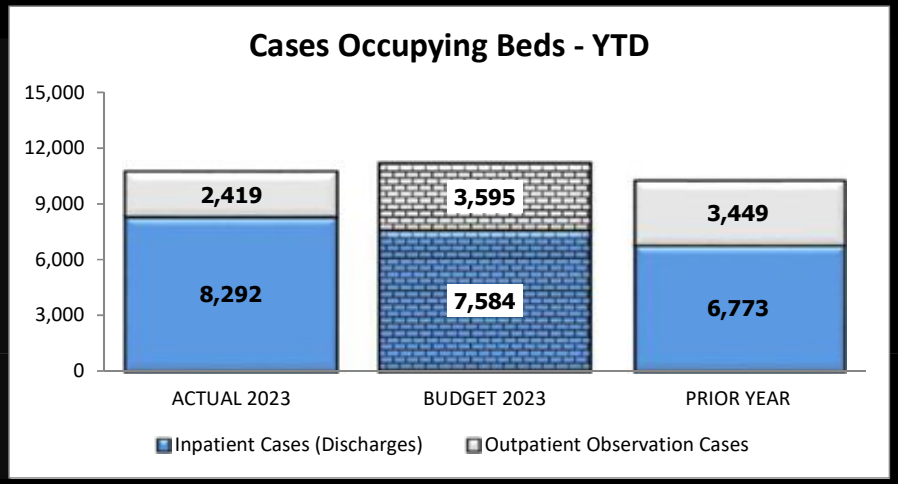
Cases Occupying Beds - YTD		
Actual	Budget	Prior Year
10,711	11,179	10,222

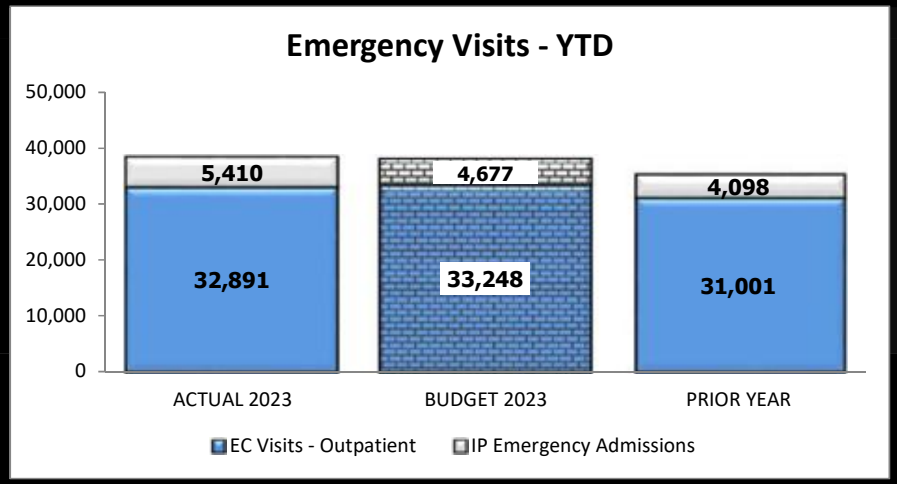
Emergency Visits - Q1		
Actual	Budget	Prior Year
38,301	37,925	35,099

Emergency Visits - YTD		
Actual	Budget	Prior Year
38,301	37,925	35,099









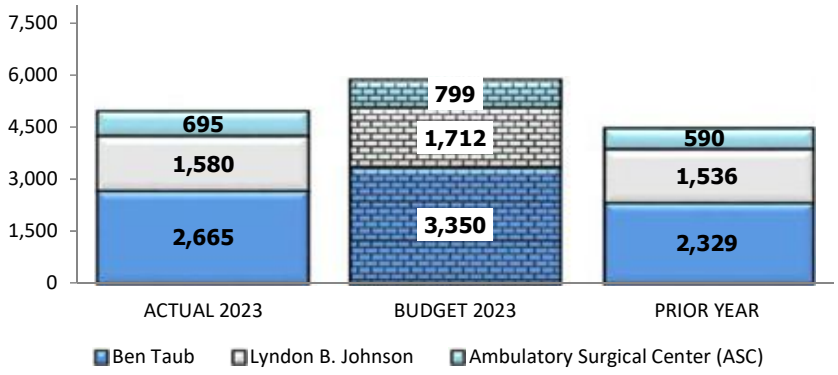
Harris Health System

Statistical Highlights

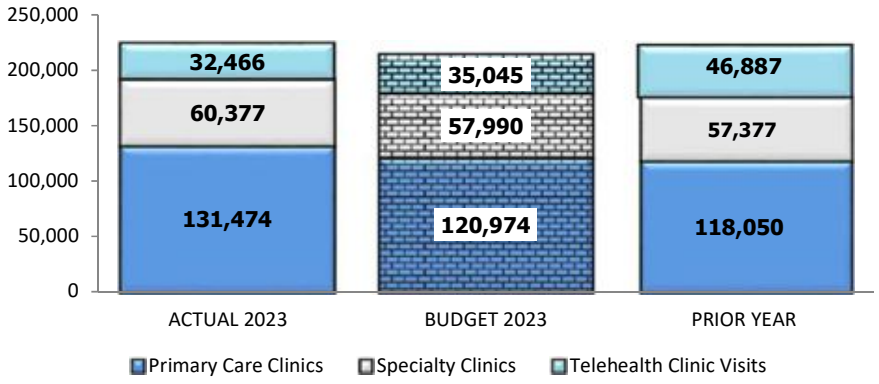
As of the Quarter Ended December 31, 2022

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
4,940	5,861	4,455	4,940	5,861	4,455	224,317	214,009	222,314	224,317	214,009	222,314

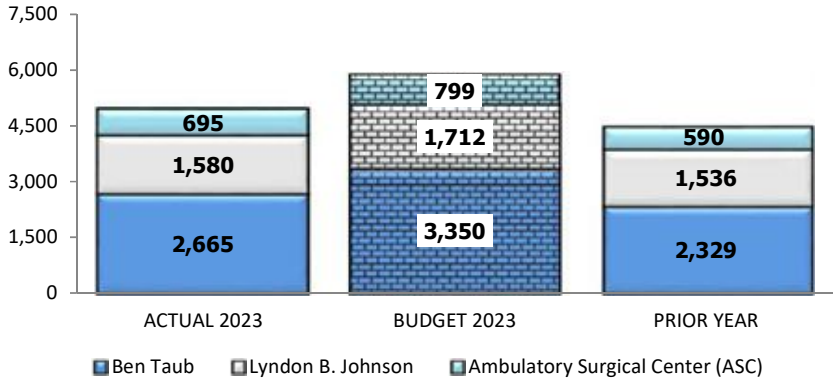
Surgery Cases - Quarter End



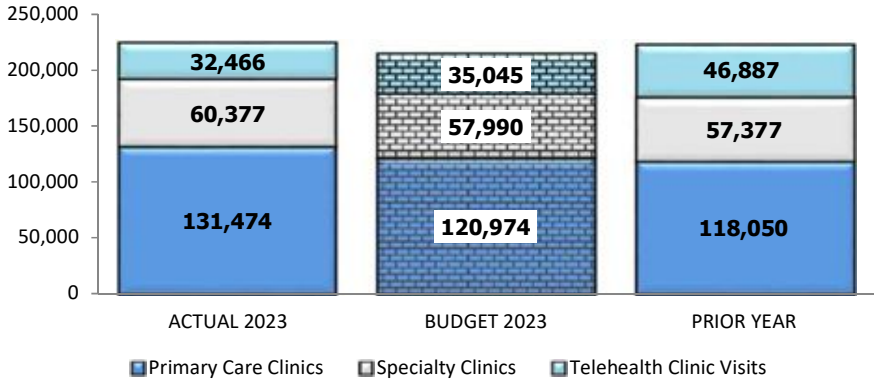
Clinic Visits - Quarter End



Surgery Cases - YTD



Clinic Visits - YTD



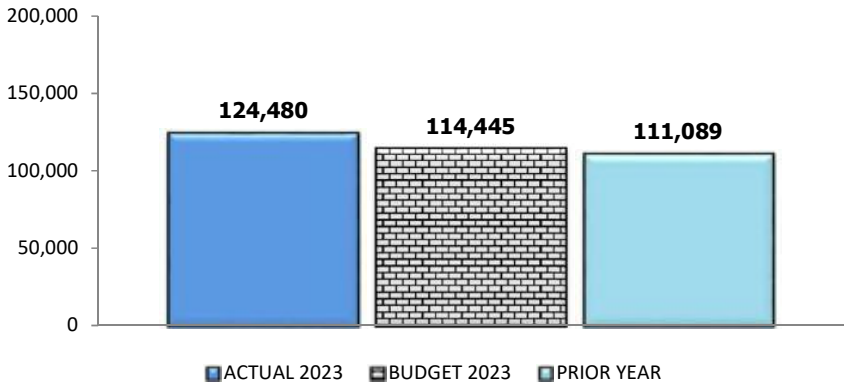
Harris Health System

Statistical Highlights

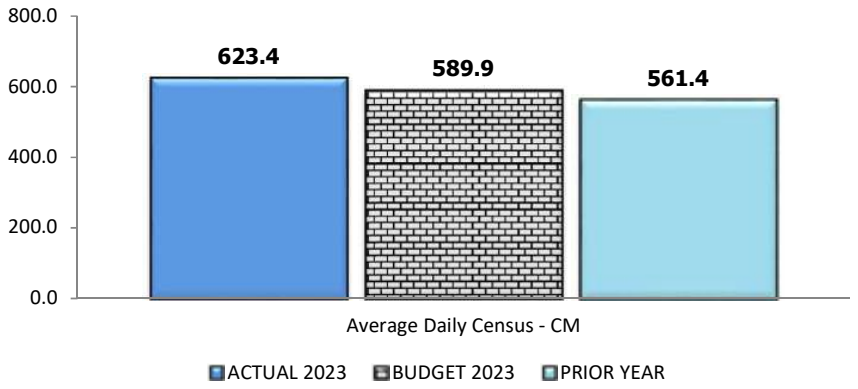
As of the Quarter Ended December 31, 2022

Adjusted Patient Days - Q1	Adjusted Patient Days - YTD	Average Daily Census - Q1	Average Daily Census - YTD
124,480	124,480	623.4	623.4

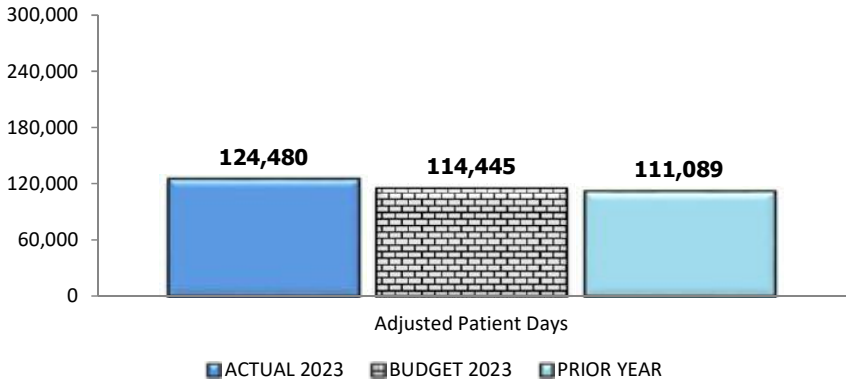
Adjusted Patient Days - Quarter End



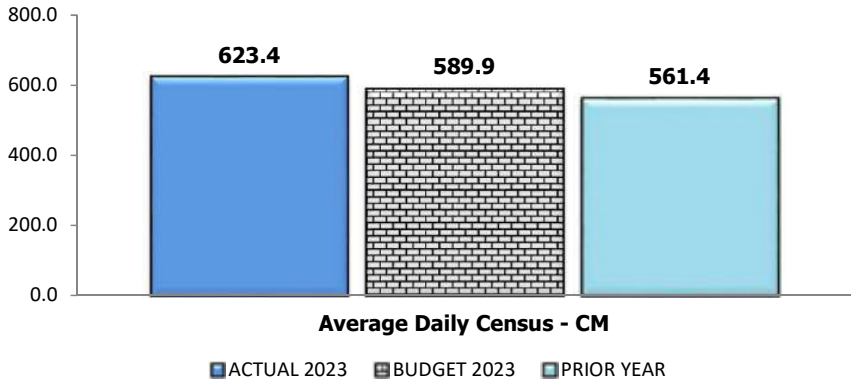
Average Daily Census - Quarter End



Adjusted Patient Days - YTD



Average Daily Census - YTD



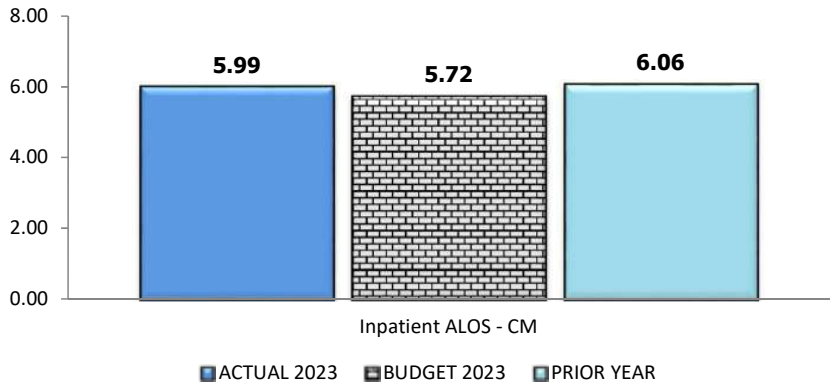
Harris Health System

Statistical Highlights

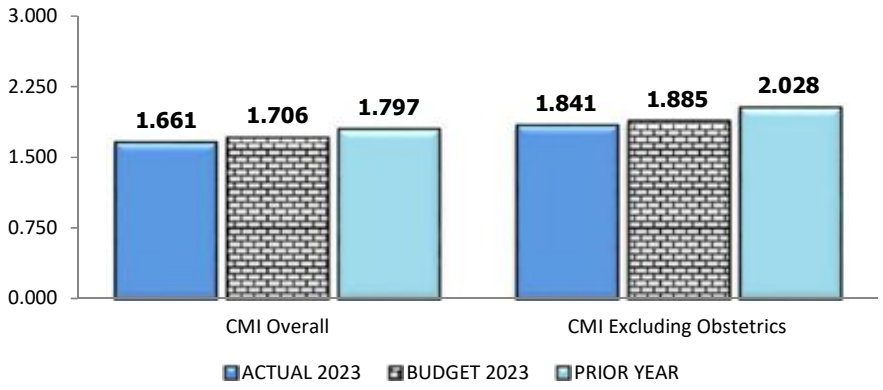
As of the Quarter Ended December 31, 2022

Inpatient ALOS - Q1	Inpatient ALOS - YTD	Case Mix Index - Q1		Case Mix Index (CMI) - YTD	
		Overall	Excl. Obstetrics	Overall	Excl. Obstetrics
5.99	5.99	1.661	1.841	1.661	1.841

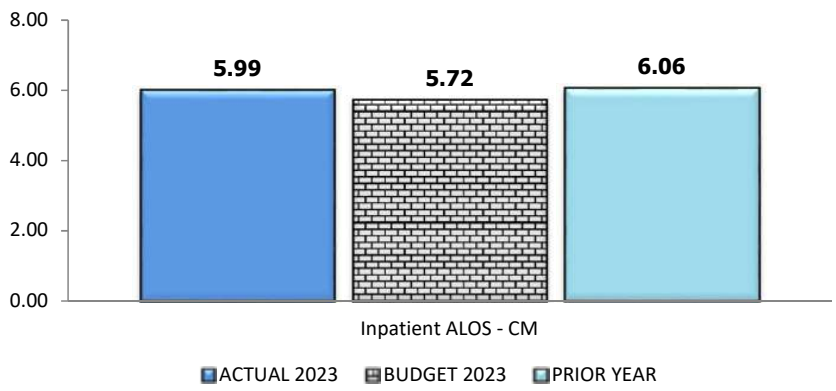
Inpatient ALOS - Quarter End



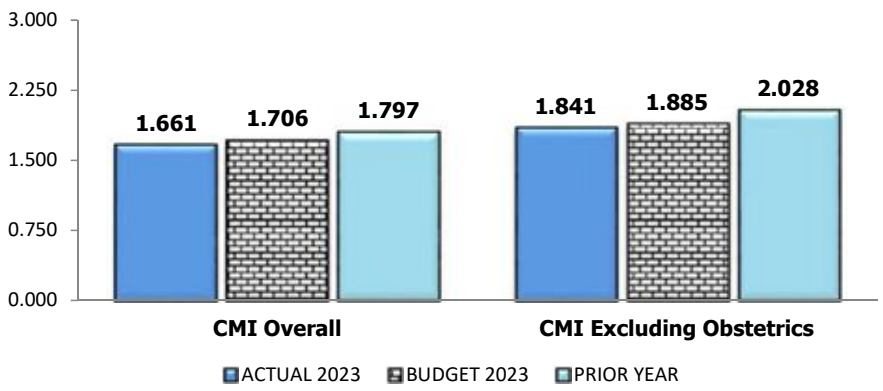
Case Mix Index - Quarter End



Inpatient ALOS - YTD



Case Mix Index - YTD

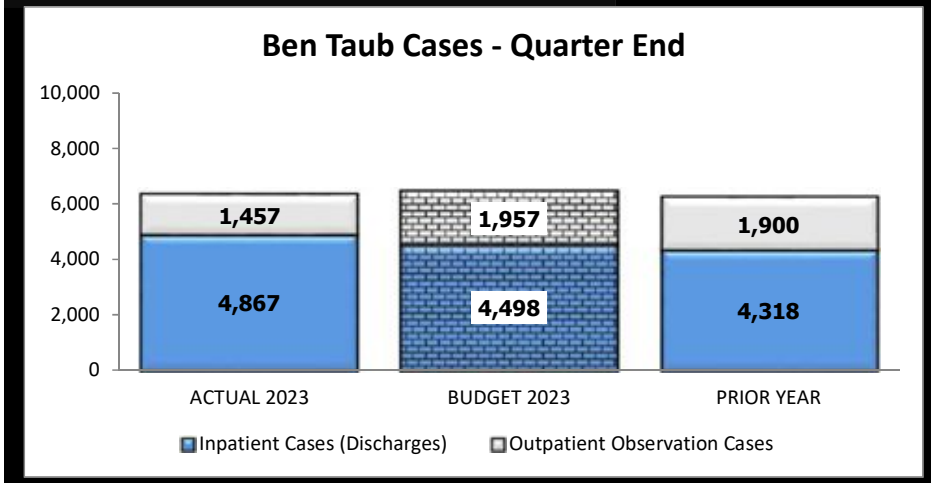


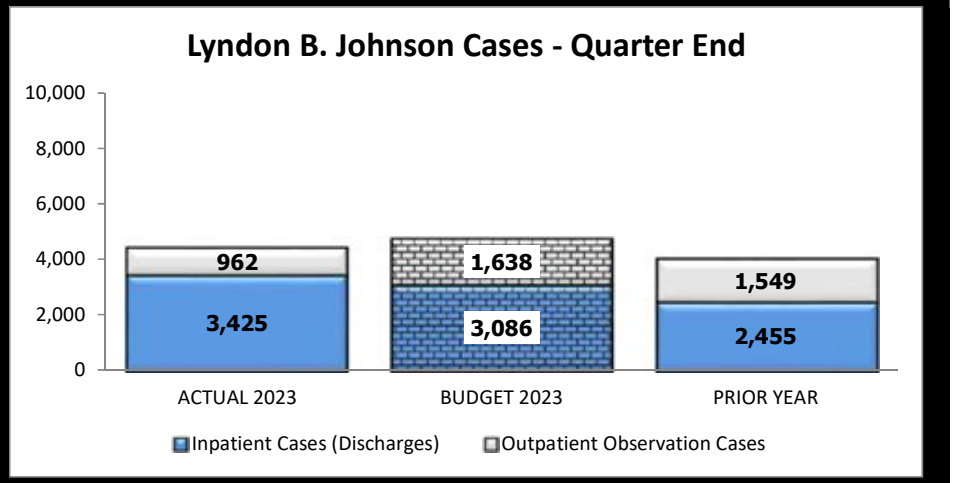
Harris Health System

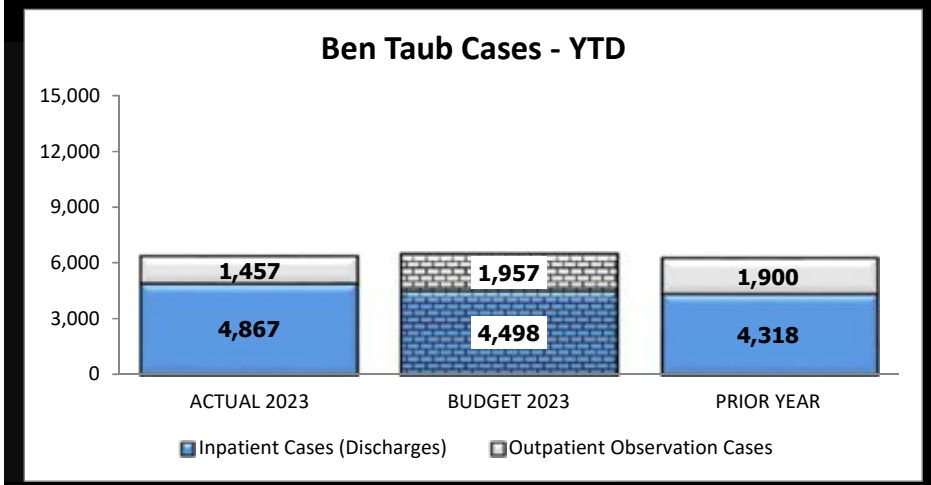
Statistical Highlights - Cases Occupying Beds

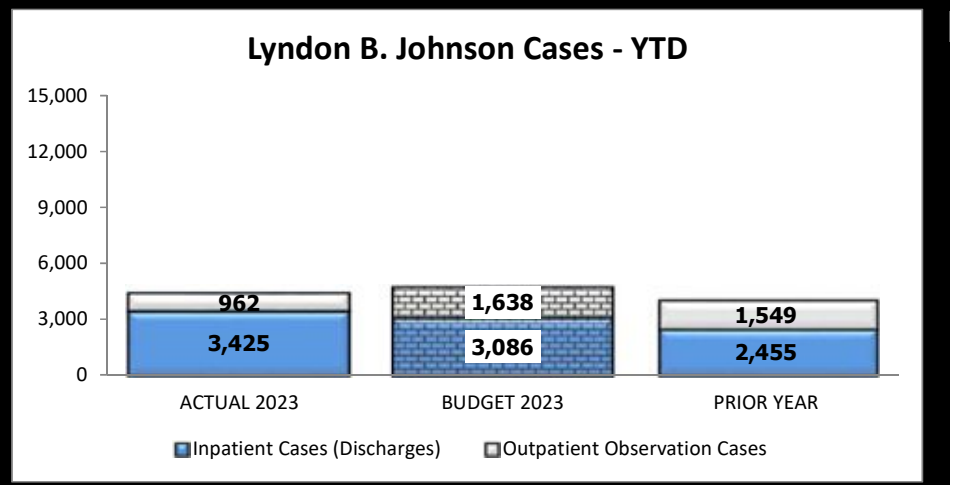
As of the Quarter Ended December 31, 2022

BT Cases Occupying Beds - Q1			BT Cases Occupying Beds - YTD			LBJ Cases Occupying Beds - Q1			LBJ Cases Occupying Beds - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
6,324	6,455	6,218	6,324	6,455	6,218	4,387	4,724	4,004	4,387	4,724	4,004









Harris Health System

Statistical Highlights - Surgery Cases

As of the Quarter Ended December 31, 2022

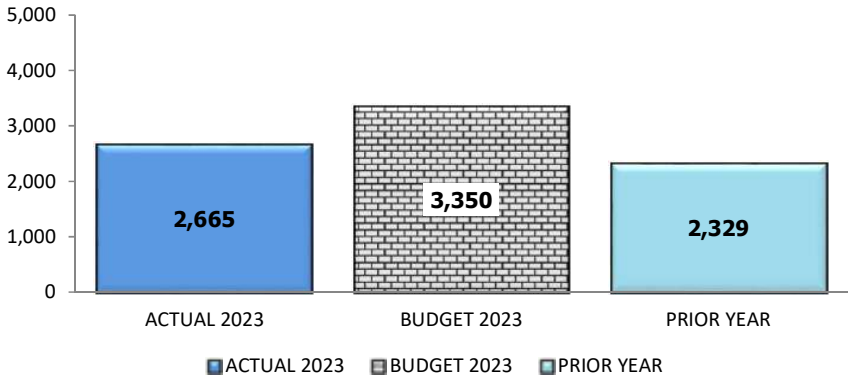
BT Surgery Cases - Q1		
Actual	Budget	Prior Year
2,665	3,350	2,329

BT Surgery Cases - YTD		
Actual	Budget	Prior Year
2,665	3,350	2,329

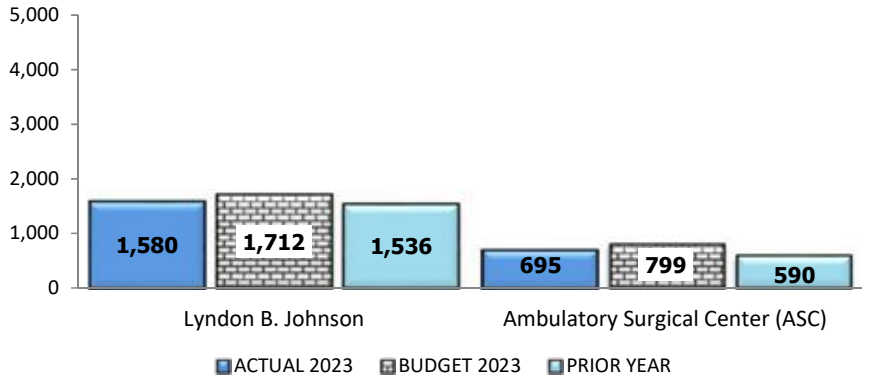
LBJ Surgery Cases - Q1		
Actual	Budget	Prior Year
2,275	2,511	2,126

LBJ Surgery Cases - YTD		
Actual	Budget	Prior Year
2,275	2,511	2,126

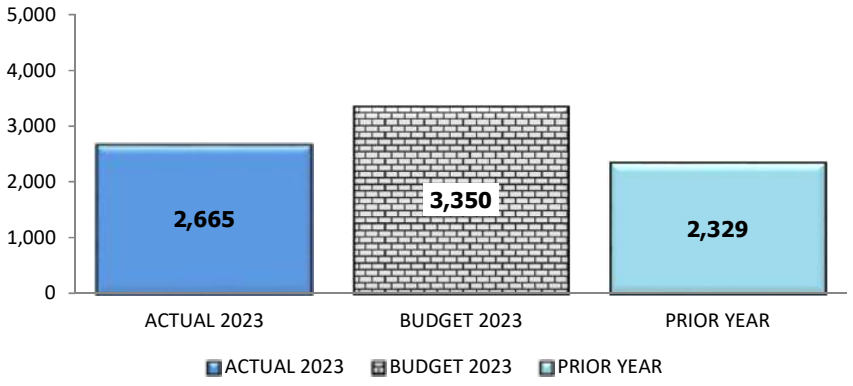
Ben Taub OR Cases - Quarter End



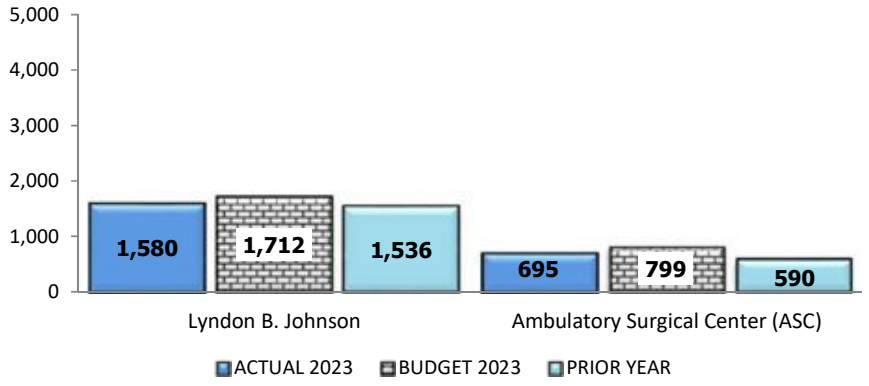
Lyndon B. Johnson OR Cases - Quarter End



Ben Taub OR Cases - YTD



Lyndon B. Johnson OR Cases - YTD



Harris Health System

Statistical Highlights - Emergency Room Visits

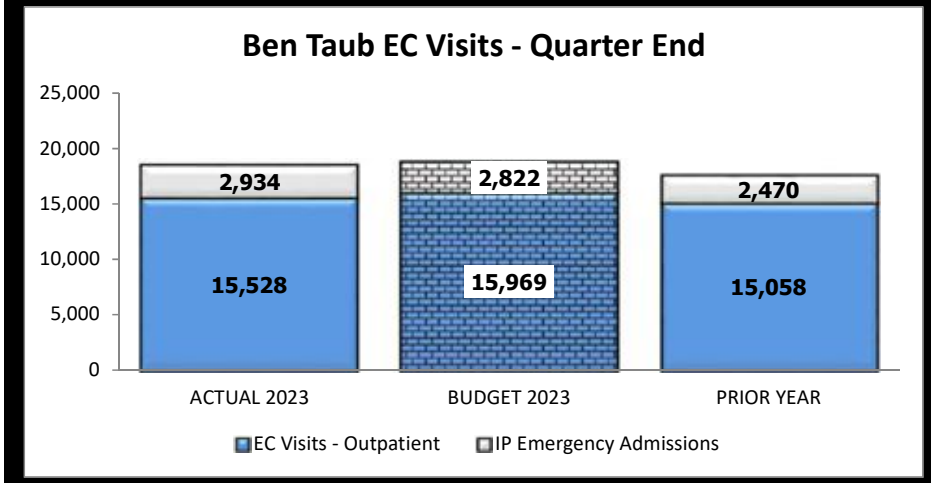
As of the Quarter Ended December 31, 2022

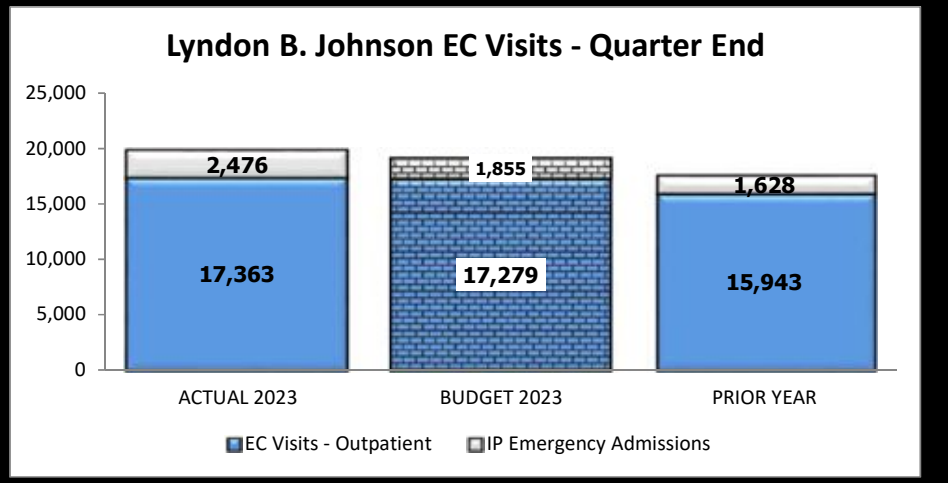
BT Emergency Visits - Q1		
Actual	Budget	Prior Year
18,462	18,791	17,528

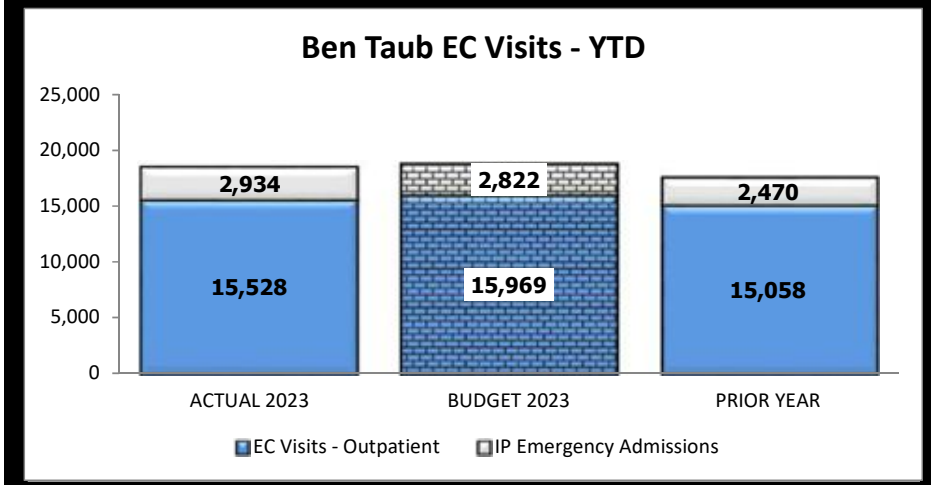
BT Emergency Visits - YTD		
Actual	Budget	Prior Year
18,462	18,791	17,528

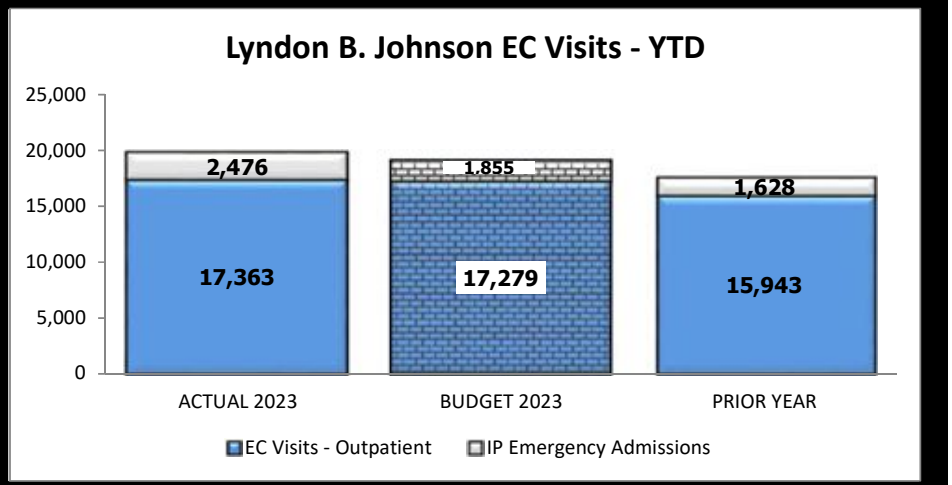
LBJ Emergency Visits - Q1		
Actual	Budget	Prior Year
19,839	19,134	17,571

LBJ Emergency Visits - YTD		
Actual	Budget	Prior Year
19,839	19,134	17,571







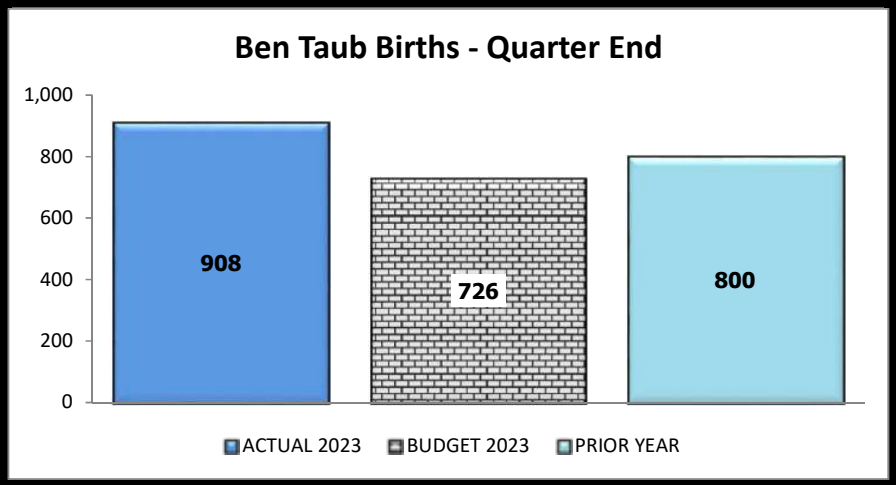


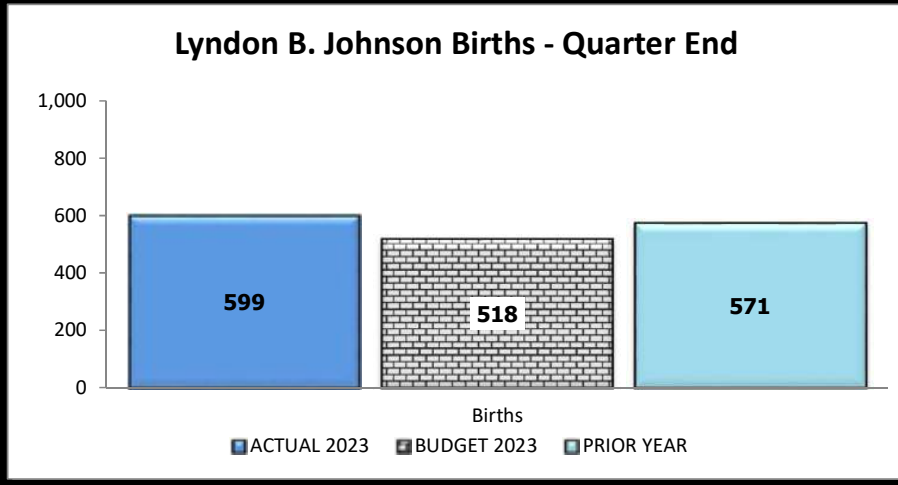
Harris Health System

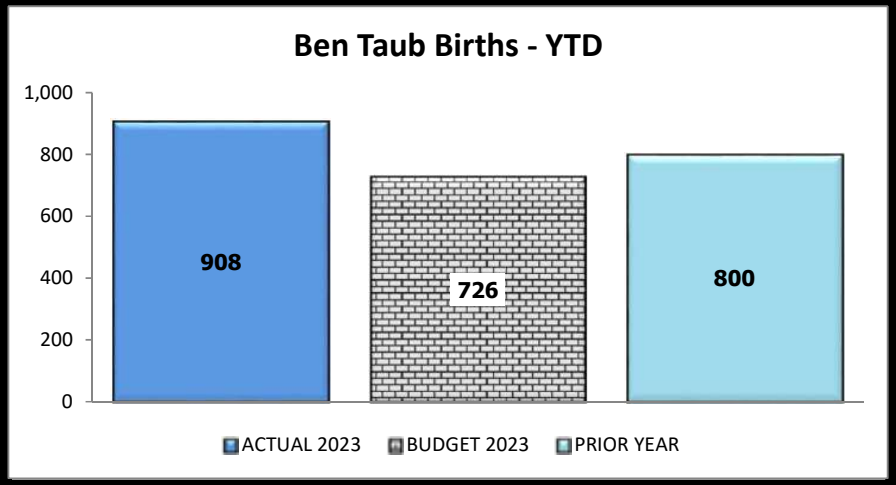
Statistical Highlights - Births

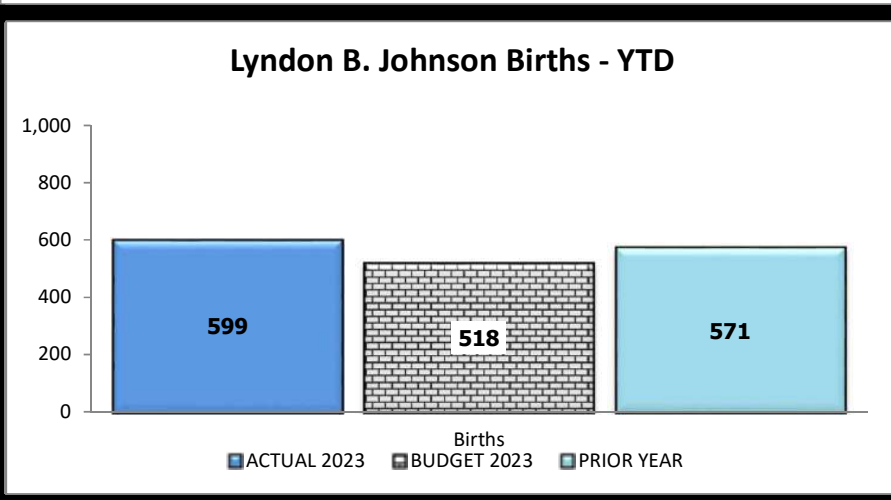
As of the Quarter Ended December 31, 2022

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
908	726	800	908	726	800	599	518	571	599	518	571









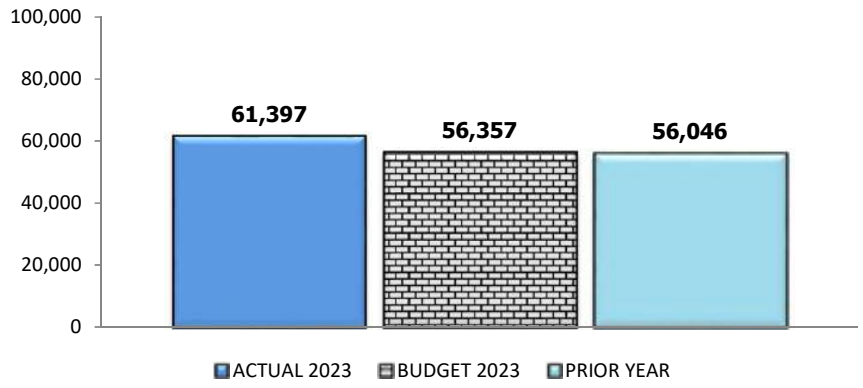
Harris Health System

Statistical Highlights - Adjusted Patient Days

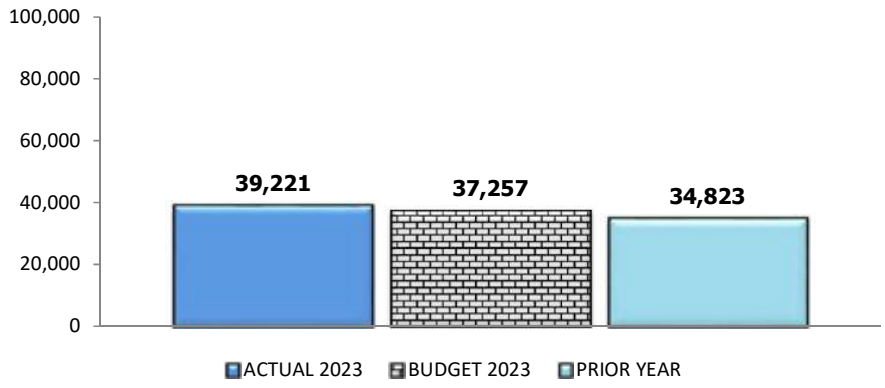
As of the Quarter Ended December 31, 2022

BT Adjusted Patient Days - Q1	BT Adjusted Patient Days - YTD	LBJ Adjusted Patient Days - Q1	LBJ Adjusted Patient Days - YTD
61,397	61,397	39,221	39,221

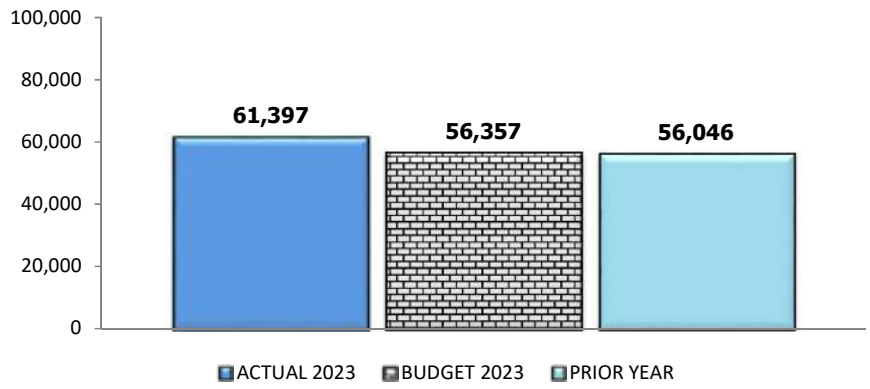
Ben Taub APD - Quarter End



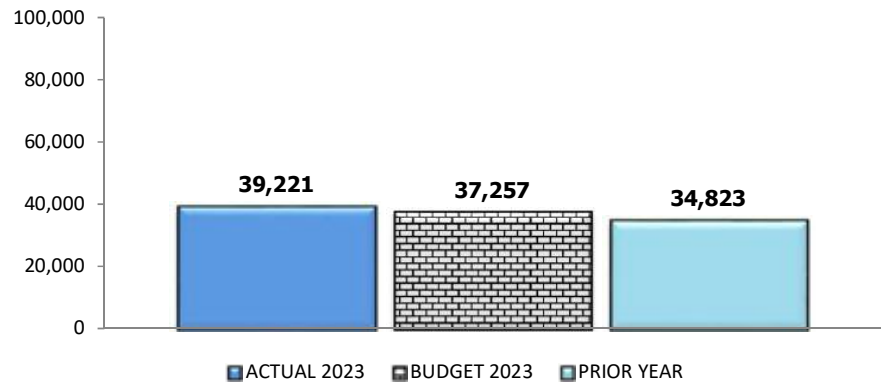
Lyndon B. Johnson APD - Quarter End



Ben Taub APD - YTD



Lyndon B. Johnson APD - YTD



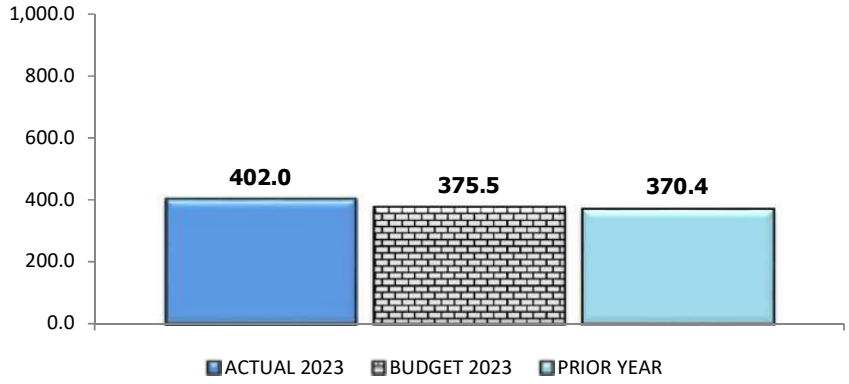
Harris Health System

Statistical Highlights - Average Daily Census (ADC)

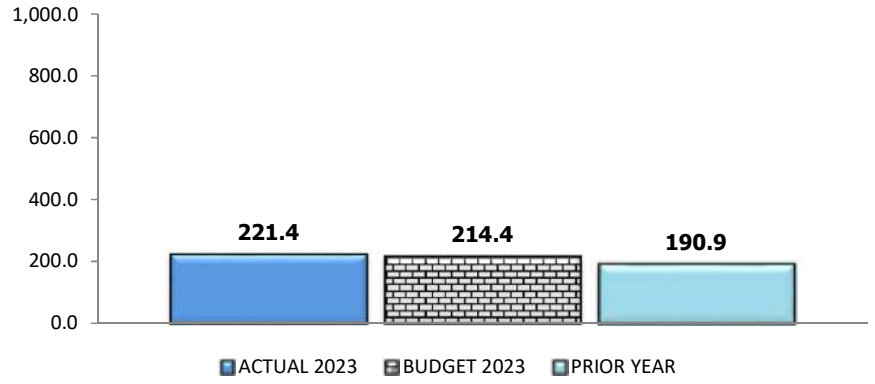
As of the Quarter Ended December 31, 2022

BT Average Daily Census - Q1	BT Average Daily Census - YTD	LBJ Average Daily Census - YTD	LBJ Average Daily Census - YTD
402.0	402.0	221.4	221.4

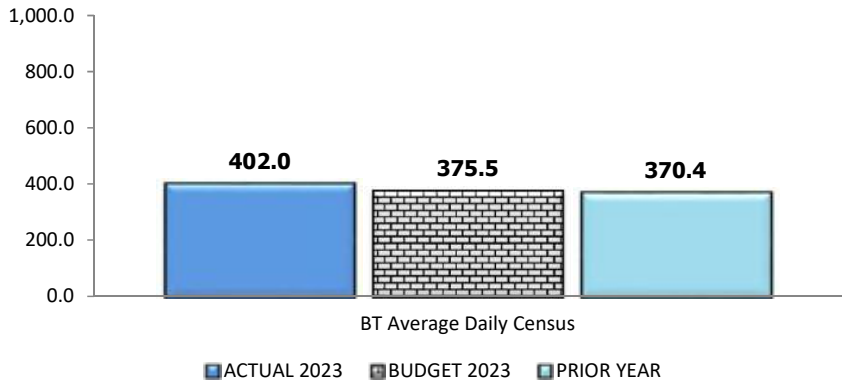
Ben Taub ADC - Quarter End



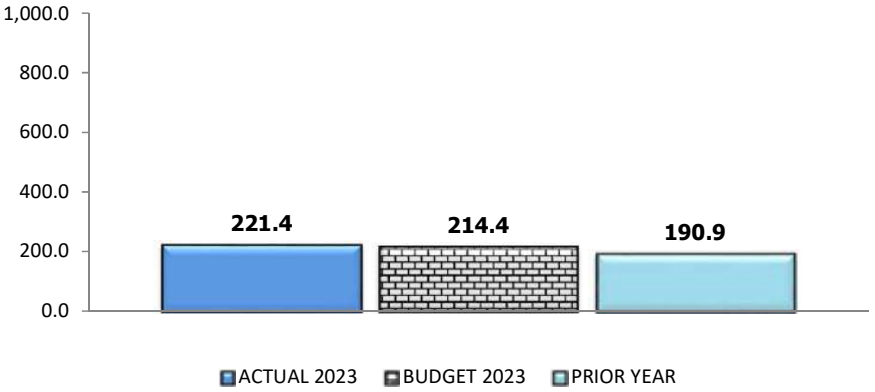
Lyndon B. Johnson ADC - Quarter End



Ben Taub ADC - YTD



Lyndon B. Johnson ADC - YTD



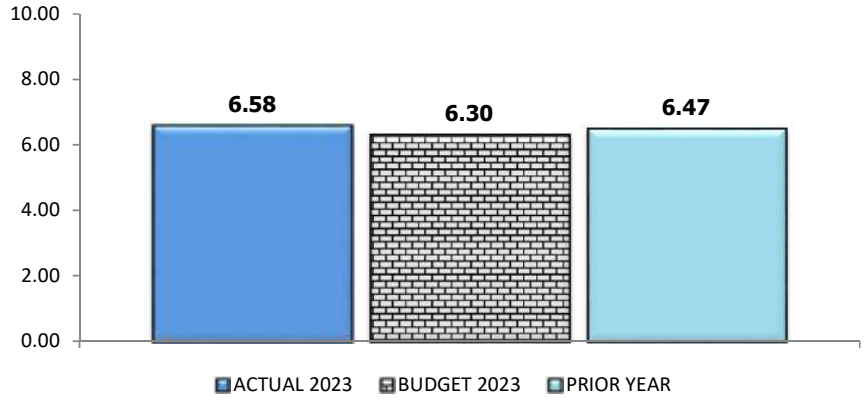
Harris Health System

Statistical Highlights - Inpatient Average Length of Stay (ALOS)

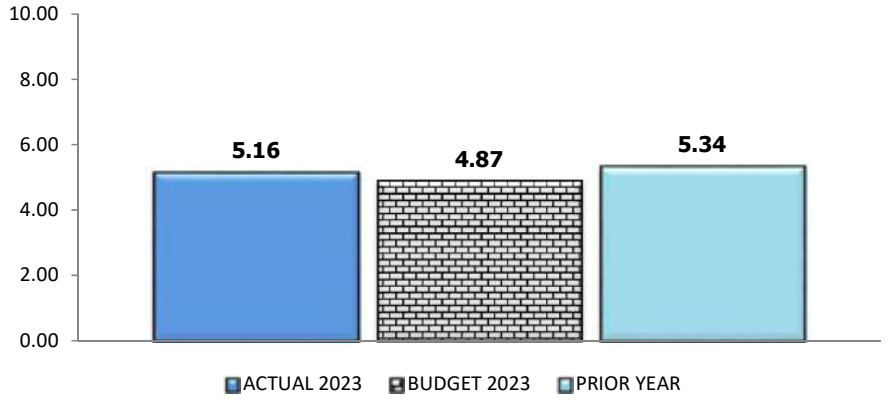
As of the Quarter Ended December 31, 2022

BT Inpatient ALOS - Q1	BT Inpatient ALOS - YTD	LBJ Inpatient ALOS - Q1	LBJ Inpatient ALOS - YTD
6.58	6.58	5.16	5.16

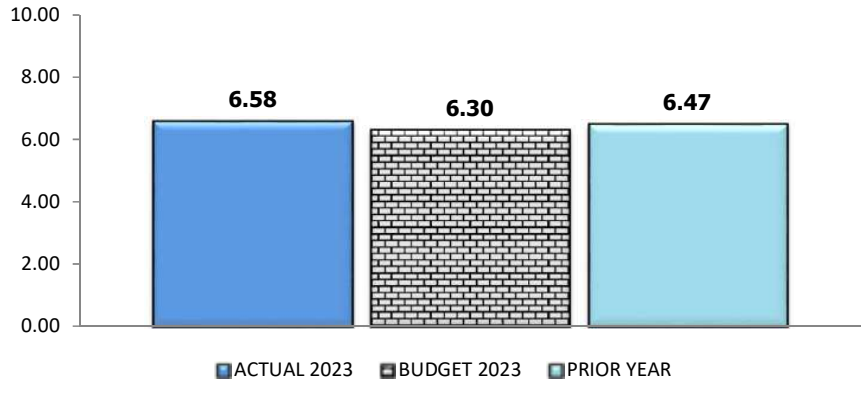
Ben Taub ALOS - Quarter End



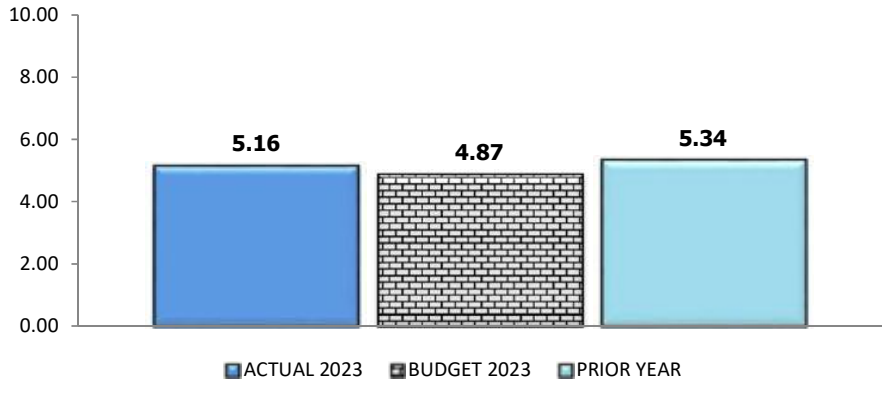
Lyndon B. Johnson ALOS - Quarter End



Ben Taub ALOS - YTD



Lyndon B. Johnson ALOS - YTD



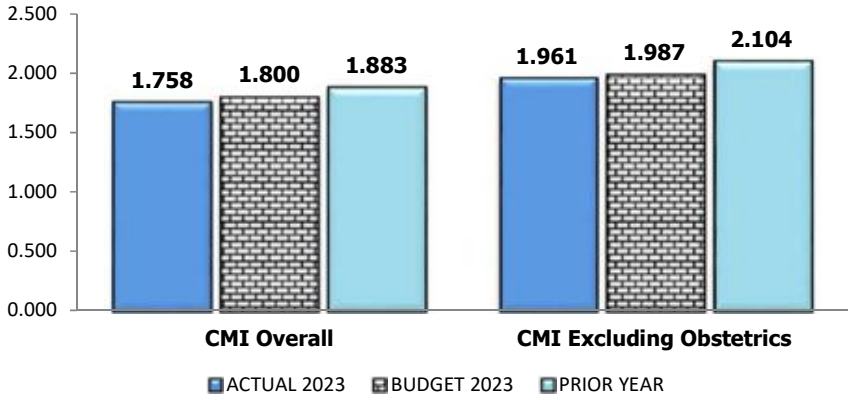
Harris Health System

Statistical Highlights - Case Mix Index (CMI)

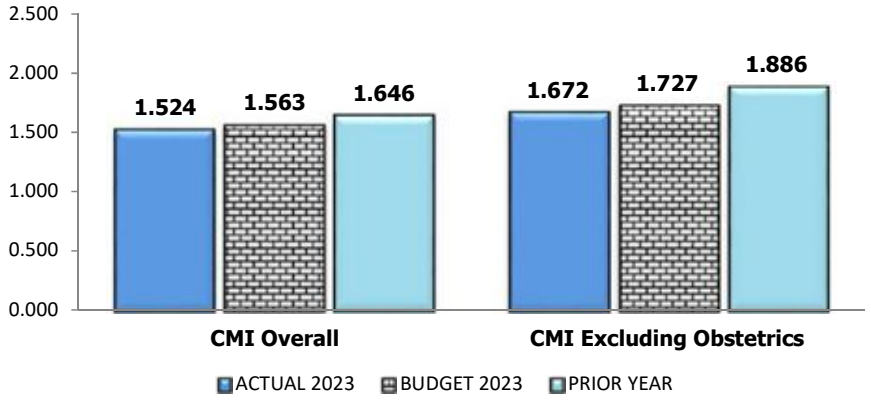
As of the Quarter Ended December 31, 2022

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
1.758	1.961	1.758	1.961	1.524	1.672	1.524	1.672

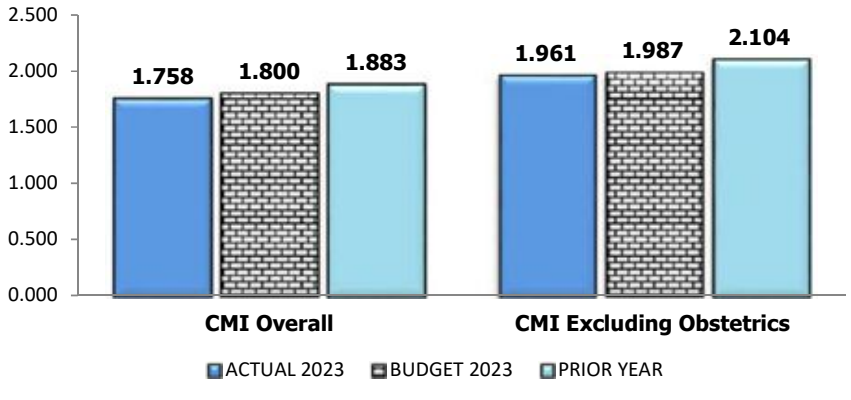
Ben Taub CMI - Quarter End



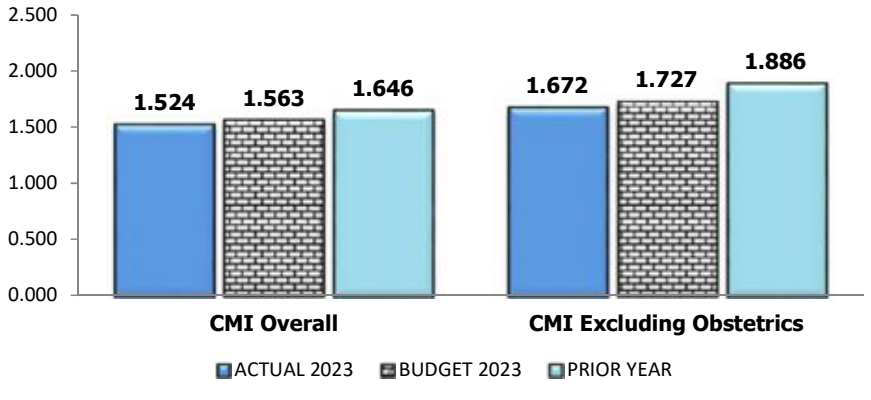
Lyndon B. Johnson CMI - Quarter End



Ben Taub CMI - YTD



Lyndon B. Johnson CMI - YTD



BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH SYSTEM

Thursday, February 9, 2023

Executive Session

Review of the 2022 Preliminary Financial Performance for the Twelve Months Ending December 31, 2022, Pursuant to Tex. Gov't Code Ann. §551.085 and Tex. Gov't Code Ann. §551.071, Including Consideration of Approval of the 2023 Capital Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc. and the 2023 Insurance Renewals Upon Return to Open Session.

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HARRISHEALTH SYSTEM

BOARD OF TRUSTEES

Compliance and Audit Committee

Thursday, February 9, 2023
10:00 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. Barbie Robinson**	**1 min**
II.	**Approval of the Minutes of Previous Meeting** • Compliance and Audit Committee Meeting – August 11, 2022 • Compliance and Audit Committee Meeting – November 10, 2022		**2 min**
III.	**Presentation Regarding the Harris Health System Independent Auditor's Report and Overview for the Stub Year Ended September 30, 2022** ***– Ms. Victoria Nikitin and Mr. Chris Clark, FORVIS***		**10 min**
IV.	**Consideration of Acceptance of the Harris Health System Independent Auditor's Report and Financial Statements for the Stub Year Ended September 30, 2022 –** ***Ms. Victoria Nikitin***		**2 min**
V.	**Consideration of Acceptance of the Harris Health System Single Audit Report of Federal and State Award Programs for the Stub Year Ended September 30, 2022 –** ***Ms. Victoria Nikitin***		**5 min**
VI.	**Consideration of Approval of Proposed Revisions to Harris Health System's Code of Conduct – Ms. Carolynn Jones**		**3 min**
VII.	**Presentation Regarding the Harris Health System Internal Audit Update** ***– Mr. Michael Post, County Auditor, Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director***		**10 min**

VIII. Executive Session — **Ms. Barbie Robinson** — **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 Texas Health & Safety Code §161.032, and Possible Action Regarding this Matter Upon Return to Open Session ***– Ms. Carolynn Jones*** *(15 min)*

B. Report by the Senior Vice President, Chief Cyber & Information Security Officer, Regarding Harris Health System's Cybersecurity Review, Pursuant to Tex. Gov't Code §418.183, Tex. Gov't Code §551.089, and Tex. Health & Safety Code §161.032 ***– Mr. Jeffrey Vinson*** *(10 min)*

C. Discussion Regarding Harris County Internal Audit Report on Outstanding High-priority Management Action Plans, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Gov't Code §418.183 and Tex. Gov't Code §551.089 ***– Mr. Michael Post, County Auditor, Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director*** *(10 min)*

D. Discussion Regarding Harris County Internal Audit Report on Harris Health's Correctional Health Mental Health Services, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007 and Tex. Occ. Code Ann. §151.002 ***– Mr. Michael Post, County Auditor, Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director*** *(10 min)*

E. Discussion Regarding Harris County Internal Audit Report on the Engagement to Facilitate Harris Health's Implementation of Recommendations from Alvarez and Marsal's Gap Assessment, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007, and Tex. Occ. Code Ann. §151.002 ***– Mr. Michael Post, County Auditor, Ms. Errika Perkins, Chief Assistant County Auditor and Ms. Sharon Brantley Smith, Audit Director*** *(10 min)*

IX. Reconvene — **Ms. Barbie Robinson** — **1 min**

X. Adjournment — **Ms. Barbie Robinson** — **1 min**

COMPLIANCE & AUDIT COMMITTEE

Carolynn Jones, Executive Sponsor

Committee Members:

Barbie Robinson (Committee Chair)

Dr. Arthur Bracey (Ex-officio)

Carol Paret

Lawrence Finder

Jennifer Tijerina

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
COMPLIANCE & AUDIT COMMITTEE MEETING

Thursday, August 11, 2022

10:30 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Ms. Marcia Johnson, Presiding Chair, called the meeting to order at 10:42 a.m. It was noted there was a quorum present and the attendance was recorded. Ms. Johnson 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 Committee Meeting – May 12, 2022		**Moved by Dr. Arthur Bracey, seconded by Mr. Lawrence Finder, and unanimously approved the minutes of the previous meeting.**
III. Presentation of Harris Health System Internal Audit Annual Status Update	Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office, presented the Harris Health System Internal Audit Status Update. She provided an overview of the audit results and audit plan status. She shared that the provider credentialing audit focused on processes and data for the period January 2021 through December 2021. The audit included testing of fifty (50) credentialing files which included fifteen (15) initial appointments, twenty-five (25) reappointments, and ten (10) temporary privileges. Ms. Perkins noted that there are opportunities to improve the overall provider credentialing function by updating the Credentialing Procedures Manual for consistency and alignment with the Medical Staff Bylaws and the State's guidelines. Additionally, she shared that there was noncompliance regarding proper credentialing documentation, approvals, and privileging requirements, which indicates a need to strengthen processes and controls. All management action plans (MAPs) are scheduled to be complete by December 31, 2022. Ms. Perkins presented the Business Continuity and Disaster Recovery Planning project.	**As reported.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	The project objective was to evaluate processes and controls for business continuity and disaster recovery for the period April 2020 – February 2022. Ms. Perkins stated that the scope did not include testing for security of IT hardware during the event of a disaster, testing of disaster recovery alternate sites, or testing for protecting backup data in transit. She noted that business continuity and disaster recovery processes are not continually guided by a Business Impact Analysis, which would specify the data recovery needs for essential hospital functions and evaluate whether the processes are adequate to meet the needs. Additionally, Ms. Perkins stated that there is an opportunity to integrate the Information Security department into the Hospital Incident Command System to facilitate the development and implementation of Emergency Operations Plans (EOP) for cyberattacks. She shared that there is also an opportunity to improve controls to ensure recommendations for EOP improvements are implemented based on disaster events and exercises, and that information for certain key functions and decision-making is complete and accurate. All management action plans are scheduled to be complete by April 30, 2023. Ms. Perkins shared the audit results of the Alvarez & Marsal (A&M) recommendation project. She stated that all management corrective action plans have been identified. 71 percent or 194/272 of validations have been completed, with 29 percent or 78/272 validations still in progress. Ms. Perkins provided an overview of several noteworthy highlights and presented the status of the audit plan. Ms. Perkins discussed the follow-up on the management action plans (MAPs). She noted that there is one (1) high-priority past due MAPs and approximately five (5) outstanding MAPs which will be validated as the due date approaches. A copy of the presentation is available in the permanent record.	
IV. Executive Session	At 10:52 a.m., Professor Johnson stated that the Compliance and Audit Committee of the Board of Trustees will now go into Executive Session for Items 'A through E' as permitted by law under Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Occ. Code Ann. §160.007, Tex. Gov't Code §418.183 and Tex. Gov't Code §551.089.	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
A. Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Compliance with Medicare, Medicaid, HIPAA, Other Federal and State Healthcare Program Requirements, and an Update on the Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Possible Action Regarding This Matter Upon Return to Open Session		**No Action Taken.**
B. Discussion Regarding Harris County Internal Audit Report on Business Continuity and Disaster Recovery Planning, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Gov't Code §418.183 and Tex. Gov't Code §551.089		**No Action Taken.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
C. Discussion Regarding Harris County Internal Audit Report on Provider Credentialing, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007 and Tex. Occ. Code Ann. §151.002		**No Action Taken.**
D. Discussion Regarding Harris County Internal Audit Report on Outstanding High-Priority Management Action Plan, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Possible Action Regarding this Matter Upon Return to Open Session		**No Action Taken.**
E. Discussion Regarding Harris County Internal Audit Report on the Engagement to Facilitate Harris Health's Implementation of		**No Action Taken.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
Recommendations from Alvarez and Marsal's Gap Assessment, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007, and Tex. Occ. Code Ann. §151.002		
V. Reconvene	At 11:30 a.m., Professor Johnson reconvened the meeting in open session where no action was taken in Executive Session; she noted that a quorum was present.	
VI. Adjournment	Moved by Dr. Ewan Johnson, seconded by Mr. Lawrence Finder, and unanimously approved to adjourn the meeting. There being no further business, the meeting adjourned at 11:30 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 August 11, 2022.

Respectfully submitted,

Marcia Johnson, Chair

Recorded by Cherry Pierson

Thursday, August 11, 2022

Harris Health System Board of Trustees Board Meeting – Compliance & 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 BOARD MEMBERS PRESENT	COMPLIANCE & AUDIT COMMITTEE BOARD MEMBERS ABSENT	OTHER BOARD MEMBERS PRESENT
Ms. Marcia Johnson *(Chair)*		Ms. Alicia Reyes
Dr. Arthur Bracey *(Ex-Officio)*		Ms. Barbie Robinson
Mr. Lawrence Finder		Dr. Ewan D. Johnson
Ms. Jennifer Tijerina		

EXECUTIVE LEADERSHIP
Dr. Esmaeil Porsa, President & Chief Executive Officer
Ms. Carolynn Jones, Executive Vice President & Chief Compliance and Risk Officer
Ms. Debbi Garbade, Vice President, Patient Safety Risk & Management
Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office
Dr. Glorimar Medina-Rivera, Executive Vice President, Ben Taub Hospital
Dr. Jackie Brock, Executive Vice President & Chief Nursing Executive
Dr. Jennifer Small, Executive Vice President, Ambulatory Care Services
Ms. Kari McMichael, Vice President, Controller
Mr. Louis Smith, Senior Executive Vice President & Chief Operating Officer
Ms. Maria Cowles, Senior Vice President, Chief of Staff
Dr. Matasha Russell, Chief Medical Officer, Ambulatory Care Services
Mr. Michael Hill, Executive Vice President, Chief Strategy & Integration Officer
Ms. Olga Llamas Rodriguez, Vice President, Community Engagement & Corporate Communications
Mr. Omar Reid, Senior Vice President, Human Resources
Ms. Patricia Darnauer, Executive Vice President, Lyndon B. Johnson Hospital
Mr. R. King Hillier, Vice President, Public Policy & Government Relations
Dr. Sandeep Markan, Chief of Staff, Ben Taub Hospital
Ms. Sara Thomas, Vice President Legal Affairs/Managing Attorney, Harris County Attorney's Office
Ms. Sharon Brantley Smith, Assistant County Auditor, Harris County Auditor's Office
Dr. Steven Brass, Executive Vice President & Chief Medical Executive
Dr. Tien Ko, Chief of Staff, Lyndon B. Johnson Hospital
Ms. Victoria Nikitin, Senior Vice President, Finance

OTHERS PRESENT	
Adriana Barron	Jason Chung, MD
Anthony Williams	Jennifer Zarate
Antoinette Cotton	Jerry Summers
Bruce Tran *(Harris County Auditor's Office)*	Matthew Schlueter
Cherry Pierson	Nicholas Bell
Daniel Smith	Paul Lopez
David Attard	Randy Manarang
Derek Curtis	Tai Nguyen
DeWight Dopslauf	Teong Chai
Ebon Swofford	Veronica Kasdorf *(Harris County Auditor's Office)*
Elizabeth Winn	Vivian Ho-Nguyen
Jack Adger	

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
COMPLIANCE & AUDIT COMMITTEE MEETING
Thursday, November 10, 2022
10:00 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Ms. Barbie Robinson, Presiding Chair, called the meeting to order at 10:15 a.m. It was noted there was a quorum present and the attendance was recorded. Ms. Robinson 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. Presentation of the Harris Health System Independent Auditor's Pre-audit Communication for the Stub Year Ended September 30, 2022	Ms. Danielle Zimmerman, Managing Director, Forvis, delivered a presentation regarding Harris Health System Independent Auditor's Pre-audit Communication for the Stub Year Ended September 30, 2022. She shared that BKD CPA & Advisors merged with the Dixon Hughes Goodman, rebranding the combined firm as Forvis. She reported that Forvis has approximately 6,100 healthcare clients and approximately 1,000 team members that exclusively work on healthcare initiatives. Ms. Zimmerman delivered a brief overview of the attest services provided to Harris Health System including the Financial Statement Audit, Uniformed Grant Compliance Audit, as well the Statutory Audits for Health Maintenance Organizations (HMOs). She reported that audits performed in the spring, following the fiscal year end, will include the Benefit Plan Audit (401K Plan) and the Pension Plan Audit. Ms. Zimmerman touched upon the high risks areas and key disclosures of which the auditors spent time reviewing the value of patient accounts receivables based on collection trends, third-party payer settlements, and net pension liability. She reported that there were risk-associated with COVID funding as it relates to its program rules and ensuring that the revenue recognition is appropriate. She also noted that there was significant time spent reviewing the Medicaid supplemental funding.	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Additionally, Ms. Zimmerman introduced the Forvis engagement team, their roles and responsibilities as well as the proposed timeline for their audit review as listed below: • Planning – August 2022 • Risk Assessment – August – September 2022 • Fieldwork, Testing and Audit Procedures – November – December 2022 • Delivery and Review of Draft Financial Statements, Auditors' Reports and Management Letter – December 2022 • Presentation to the Board of Trustees and Final Reports – January 2023 Ms. Zimmerman stated that the drafts will be submitted to Executive Leadership and the Compliance and Audit Committee. The Compliance and Audit Committee presentation is slated for February 2023. A copy of the presentation is available in the permanent record.	
III. Presentation of the Harris Health System Internal Audit Annual Status Update	Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office, delivered a presentation of the Harris Health System Internal Audit Annual Status Update. Ms. Perkins shared an overview of Harris County Auditors' mission and goals as well as the audit team and reporting structure. She noted that the audit team has over 86 years of experience and is strongly encouraged to maintain certifications to ensure that they aware of best practices in the healthcare industry. Ms. Perkins presented the Post-engagement survey summary results, reporting an average client response rate of 33 percent. She discussed an alternative method used to assess quality of service provided to Harris Health is through a Quality assessment review. Harris County Auditors' standard requires a Quality assessment review every five (5 years). The next review will be conducted in 2026. Ms. Perkins provided an overview of the Stub-year audit plan status from March 1 - September 20, 2022. She shared that there were five (5) audits completed in the areas of physician credentialing, business continuity and disaster recovery planning, cybersecurity training compliance, telemedicine audit, and management action plan follow-up. She also noted four (4) in progress audits as of October 2022, and four (4) additional audits to carryforward to fiscal year (FY) 2022.	**As reported.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Based upon the recommendations provided by the Alvarez & Marsal (A&M) gap assessment, 211 validations of management action plans were completed and of the 211 validations, approximately sixty-one (61) are in progress for completion. Ms. Perkins provided the committee with a review of the telemedicine audit. The telemedicine audit focused on procedures and data for the period June 1, 2021 through May 31, 2022. In addition, Ms. Perkins shared the results of the Cybersecurity Training Compliance Assessment. She reported that 98 percent of Harris Health employees completed the training by the August 31, 2022 deadline. As a result of Information Security's continued monitoring and follow-up, an additional 105 employees completed the cybersecurity training after the August deadline. Ms. Perkins discussed the follow-up on management action plans (MAPs). She noted that at this time, there are no high-priority past due MAPs and approximately twelve (12) outstanding MAPs which will be validated as the due date approaches. Ms. Perkins concluded by presenting the OIG Medicare telehealth data briefing and its recommendations based upon findings. Committee discussion ensued regarding the A&M and internal audit recommendations, validations, and corrective action plans. Mr. Lawrence Finder inquired regarding internal audit self-assessments. Ms. Perkins shared that the County's internal audit functions are specific to internal audit standards. She explained that the auditors' have two options: 1) to outsource to external agency, or 2) perform an internal validation however some external body has to validate the checklist. She reported that in 2021, an independent party was hired to perform an audit of the services provided by the county auditors. A copy of the presentation is available in the permanent record.	
IV. Consideration of Approval of Harris Health System Internal Audit Charter	Ms. Perkins, presented the Harris Health System Internal Audit Charter. She noted that the revisions made were mainly naming references and acronyms. She also shared that Harris Health Independent Auditors (HHIA) shall disclose any impairment of independence or objectivity, in fact or appearance, any possible conflicts. A copy of the Harris Health Internal Audit Charter is available in the permanent record.	**Moved by Dr. Arthur Bracey, seconded by Mr. Lawrence Finder, and unanimously accepted that the committee recommends that the Board approve item IV.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
V. Executive Session	At 10:39 a.m., Ms. Robinson stated that the Compliance & Audit Committee would go into Executive Session for Items A through D as permitted by law under Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Occ. Code Ann. §160.007, Tex. Gov't Code §418.183 and Tex. Gov't Code §551.089.	
A. Report by the Executive Vice President, Chief Compliance and Risk Officer, Regarding Compliance with Medicare, Medicaid, HIPAA, Other Federal and State Healthcare Program Requirements, and an Update on the Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032, and Possible Action Regarding this Matter Upon Return to Open Session, Including Consideration of Approval for Compliance and Accreditation's Audit Plans for FY23 and Enterprise Risk Management Plan Upon Return to Open Session	*The Harris Health Board of Trustees hereby approves Compliance and Accreditation's Audit Plans for FY23 and Harris Health Enterprise Risk Management Plan as discussed in Executive Session.*	**Moved by Ms. Jennifer Tijerina seconded by Mr. Lawrence Finder, and unanimously accepted that the committee recommends that the Board approve item V.A.**
B. Discussion Regarding Harris County Internal Audit Report on FY2023 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 §418.183 and Tex. Gov't Code	*The Harris Health Board of Trustees hereby approves the FY2023 Internal Audit Plan as presented in Executive Session.*	**Moved by Mr. Lawrence Finder, seconded by Ms. Jennifer Tijerina, and unanimously accepted that the committee recommends that the Board approve item V.B.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
§551.089, Including Consideration of Approval of FY2023 Internal Audit Plan Upon Return to Open Session		
C. Discussion Regarding Harris County Internal Audit Report on Telemedicine, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007 and Tex. Occ. Code Ann. §151.002		**No Action Taken.**
D. Discussion Regarding Harris County Internal Audit Report on the Engagement to Facilitate Harris Health's Implementation of Recommendations from Alvarez and Marsal's Gap Assessment, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007, and Tex. Occ. Code Ann. §151.002		**No Action Taken.**
VI. Reconvene	At 11:28 a.m., Ms. Barbie Robinson reconvened the meeting in open session and noted that a quorum was present. She shared that the Committee will take action on items "A and B" of the Executive Session agenda.	
VII. Adjournment	Moved by Mr. Lawrence Finder, seconded by Ms. Jennifer Tijerina, and unanimously approved to adjourn the meeting. There being no further business, the meeting adjourned at 11:30 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 10, 2022.

Respectfully submitted,

Barbie Robinson, Presiding Chair

Recorded by Cherry Pierson

Thursday, November 10, 2022

Harris Health System Board of Trustees Board Meeting – Compliance & 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 BOARD MEMBERS PRESENT	COMPLIANCE & AUDIT COMMITTEE BOARD MEMBERS ABSENT	OTHER BOARD MEMBERS PRESENT
Ms. Barbie Robinson *(Chair)*		Ms. Alicia Reyes
Dr. Arthur Bracey *(Ex-Officio)*		Dr. Ewan D. Johnson
Mr. Lawrence Finder		
Ms. Jennifer Tijerina		

EXECUTIVE LEADERSHIP
Dr. Esmaeil Porsa, President & Chief Executive Officer
Ms. Lisa Wright, President & Chief Executive Officer, Community Health Choice, Inc.
Ms. Amy Smith, Senior Vice President, Transitions & Post-Acute Care
Ms. Anna Mateja, Chief Financial Officer, Community Health Choice, Inc.
Ms. Carolynn Jones, Executive Vice President & Chief Compliance and Risk Officer
Ms. Errika Perkins, Chief Assistant County Auditor, Harris County Auditor's Office
Dr. Glorimar Medina-Rivera, Executive Vice President, Ben Taub Hospital
Dr. Jackie Brock, Executive Vice President & Chief Nursing Executive
Dr. Jennifer Small, Executive Vice President, Ambulatory Care Services
Mr. Louis Smith, Senior Executive Vice President & Chief Operating Officer
Ms. Maria Cowles, Senior Vice President, Chief of Staff
Dr. Matasha Russell, Chief Medical Officer, Ambulatory Care Services
Ms. Olga Llamas Rodriguez, Vice President, Community Engagement & Corporate Communications
Mr. Omar Reid, Senior Vice President, Human Resources
Ms. Patricia Darnauer, Executive Vice President, Lyndon B. Johnson Hospital
Mr. R. King Hillier, Vice President, Public Policy & Government Relations
Mr. Ron Fuschillo, Senior Vice President & Chief Information Officer
Dr. Sandeep Markan, Chief of Staff, Ben Taub Hospital
Ms. Sara Thomas, Vice President Legal Affairs/Managing Attorney, Harris County Attorney's Office
Ms. Sharon Brantley Smith, Assistant County Auditor, Harris County Auditor's Office
Dr. Steven Brass, Executive Vice President & Chief Medical Executive
Dr. Tien Ko, Chief of Staff, Lyndon B. Johnson Hospital
Ms. Victoria Nikitin, Senior Vice President, Finance

OTHERS PRESENT	
Antoinette Cotton	Matt Reeder
Cherry Pierson	Matt Schlueter
Daniel Smith	Nicholas Bell
Danielle Zimmerman *(FORVIS)*	Paul Lopez
Ebon Swofford	Randy Manarang
Jennifer Zarate	Tai Nguyen
Jerry Summers	Tina Strawn

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Presentation of the Harris Health System Independent Auditor's Report and Overview for the Stub Year Ended September 30, 2022

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 Budget and Finance Committee's consideration and approval.

A copy of the presentation is attached.

FORVIS

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

Seven-Month Period Ended September 30, 2022

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
- 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

FORVIS

Risk Area	Comments
Management Override of Controls	No matters are reportable.
Revenue Recognition	No matters are reportable.
Information Technology	BKD 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 related receivables	• No adjustment was required.
• Accrual for malpractice, workers' compensation and employee health insurance claims	• No adjustment was required.
• Net pension liability	• No pension expense recognized in the seven-month period ending September 30, 2022 due to the change in year end.
• Other post-employment benefit liability	• No OPEB expense recognized in the seven-month period ending September 30, 2022 due to the change in year end.
• Reserve for CHC and CHCT medical claims liability	• No adjustment was required.
• Recognition of Provider Relief Funding	• No adjustment was required.
Implementation of GASB 87, *Leases*	Resulted in recognition of lease assets and lease liabilities that were not previously required to be recorded on the balance sheet. No adjustment was required.

STATEMENTS OF NET POSITION (IN THOUSANDS)

	2/28/2019	2/29/2020	2/28/2021	2/28/2022	9/30/2022
Current Assets					
Cash and short-term investments	$ 740,988	$ 905,565	$ 1,090,584	$ 1,232,924	$ 822,808
Property taxes receivable, net	31,049	32,872	33,449	24,820	-
Patient accounts receivable, net	78,814	77,348	114,312	127,653	114,899
Other current assets	117,262	166,610	368,241	363,682	666,377
	968,113	1,182,395	1,606,586	1,749,079	1,604,084
Noncurrent Cash and Investments	95,174	56,182	47,037	84,787	78,375
Capital Assets, Net	466,296	492,450	526,484	560,291	586,683
Lease Assets, Net	-	-	-	-	47,888
Other Assets	342	4,928	6,597	9,441	11,180
Deferred Outflows of Resources	77,628	106,691	187,543	160,212	195,717
	$ 1,607,553	$ 1,842,646	$ 2,374,247	$ 2,563,810	$ 2,523,927
Current Liabilities	$ 156,635	$ 275,524	$ 371,417	$ 314,517	$ 394,213
Postemployment Health Benefit Liability	444,321	470,007	572,176	445,471	445,471
Net Pension Liability	279,900	224,938	162,134	155,191	155,191
Long-term Debt	325,363	325,319	341,287	320,877	308,580
Lease Liabilities	-	-	-	-	40,335
Deferred Inflows of Resources	-	55,313	112,442	218,695	218,695
Net Position	401,334	491,545	814,791	1,109,059	961,442
	$ 1,607,553	$ 1,842,646	$ 2,374,247	$ 2,563,810	$ 2,523,927

FORVIS

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

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

	2/28/2019	2/29/2020	2/28/2021	2/28/2022	9/30/2022
Net patient service revenue	$ 477,758	$ 591,357	$ 695,234	$ 822,096	$ 396,517
Medicaid supplemental programs revenue	194,478	290,557	563,923	561,109	583,321
Other revenue	27,147	32,938	34,168	42,552	61,422
	699,383	914,852	1,293,325	1,425,757	1,041,260
Expenses					
Salaries and employee benefits	760,390	837,609	894,277	1,052,089	631,301
Supplies and other	616,352	717,313	826,853	922,249	556,908
Depreciation	53,349	54,650	59,751	61,159	42,402
	1,430,091	1,609,572	1,780,881	2,035,497	1,230,611
Operating Loss	(730,708)	(694,720)	(487,556)	(609,740)	(189,351)
Property tax revenue, net	739,022	767,515	780,713	814,846	-
Provider Relief Fund revenue	-	-	22,134	34,027	20,893
Capital grants from the Foundation	-	-	-	45,900	-
Other revenue (expense)	16,175	17,416	7,955	9,235	20,841
Change in Net Position	$ 24,489	$ 90,211	$ 323,246	$ 294,268	$ (147,617)

FORVIS

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

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 FY21. FY22 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 FY21. FY22 audit will be performed later in 2023
- 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

FORVIS

Thank you!

forvis.com

FORVIS

Assurance / Tax / Advisory

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Consideration of Acceptance of the Harris Health System Independent Auditor's Report and Financial Statements for the Stub Year Ended September 30, 2022

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 Budget and Finance 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 Stub Year Ended September 30, 2022.

DRAFT

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, 2022

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
September 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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 seven-months ended September 30, 2022 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the seven-months 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 5.0 percent of total assets, 11.1 percent of net position, and 0.2 percent of revenues of the aggregate discretely presented component units as of and for the seven-months ended September 30, 2022. 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.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, on March 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of 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 __, 2023

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position
September 30, 2022
(In thousands)

Assets and Deferred Outflows of Resources	Harris Health System	Component Units: Foundation February 28, 2022	Component Units: Community Health Choice, Inc. December 31, 2021	Component Units: Community Health Choice Texas, Inc. December 31, 2021
Current Assets				
Cash and cash equivalents	$ 565,426	$ 165	$ 44,217	$ 383,980
Short-term investments	257,382	-	-	-
Accounts receivable – net of allowance for uncollectible accounts of $44,138	114,899	-	-	-
Inventories	10,669	-	-	-
Medicaid supplemental programs receivable	481,352	-	-	-
Prepaid expenses and other current assets	29,409	3,899	228,480	82,305
Estimated third-party payor settlements	56,571	-	-	-
Due from Community Health Choice, Inc.	9,465	-	-	63,833
Restricted cash and cash equivalents - Local Provider Participation Fund	71,007	-	-	-
Current portion of assets limited as to use or restricted	7,904	-	-	-
Total current assets	1,604,084	4,064	272,697	530,118
Assets Limited as to Use or Restricted – Net of Current Portion				
Debt service	25,790	-	-	-
Capital gift proceeds	45,341	-	-	-
Series 2020 capital asset fund	6,196	-	-	-
Other	1,048	33,677	3,325	100
Total assets limited as to use or restricted – net	78,375	33,677	3,325	100

See notes to the consolidated financial statements

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2022
(In thousands)

Assets and Deferred Outflows of Resources (Continued)	Harris Health System	Component Units: Foundation February 28, 2022	Component Units: Community Health Choice, Inc. December 31, 2021	Component Units: Community Health Choice Texas, Inc. December 31, 2021
Capital Assets				
Land and improvements	$ 47,449	$ -	$ -	$ -
Buildings and fixed equipment	729,395	-	-	-
Major movable equipment	439,439	-	-	-
Less accumulated depreciation	(801,364)	-	-	-
Total depreciable capital assets – net	414,919	-	-	-
Construction in progress	171,764	-	-	-
Capital assets – net	586,683	-	-	-
Lease Assets, Net	47,888	-	-	-
Other Assets				
Ad valorem taxes receivable – net of current portion and allowance for uncollectible taxes of $49,748	3,140	-	-	-
Long-term investments	-	-	-	6,223
Other assets	8,040	4,874	-	-
Total other assets	11,180	4,874	-	6,223
Total assets	2,328,210	42,615	276,022	536,441
Deferred Outflows of Resources				
Derivative financial instrument	385	-	-	-
Resources related to pension	72,781	-	-	-
Resources related to OPEB	115,371	-	-	-
Loss on refunding revenue bonds	7,180	-	-	-
Total deferred outflows of resources	195,717	-	-	-
Total assets and deferred outflows of resources	$ 2,523,927	$ 42,615	$ 276,022	$ 536,441

See notes to the consolidated financial statements

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2022
(In thousands)

Liabilities, Deferred Inflows of Resources and Net Position	Harris Health System	Component Units: Foundation February 28, 2022	Component Units: Community Health Choice, Inc. December 31, 2021	Component Units: Community Health Choice Texas, Inc. December 31, 2021
Current Liabilities				
Accounts payable and accrued liabilities	$ 149,543	$ 145	$ 19,889	$ 14,351
Interest payable	1,076	-	-	-
Employee compensation and related benefit liabilities	49,608	-	-	-
Postemployment health benefit liability	17,057	-	-	-
Compensated absences	57,781	-	-	-
Intergovernmental transfer obligation	84,885	-	-	-
Medical claims liability	-	-	73,503	228,466
Premium deficiency reserve	-	-	13,226	843
Experience rebate payable	-	-	-	33,797
Liabilities related to the Affordable Care Act	-	-	11,320	-
Due to Harris Health System	-	-	12,659	-
Due to Community Health Choice Texas, Inc.	-	-	63,833	-
Estimated third-party payor settlements	13,537	-	-	-
Current portion of long-term debt	12,495	-	-	-
Current portion of lease liabilities	8,231	-	-	-
Total current liabilities	394,213	145	194,430	277,457
Other Long-Term Liabilities				
Postemployment health benefit liability	445,471	-	-	-
Net pension liability	155,191	-	-	-
Lease liabilities	40,335	-	-	-
Borrowing payable	7,762	-	-	-
Derivative liability	385	-	-	-
Long-Term Debt				
Series 2010 refunding revenue bonds	77,325	-	-	-
Series 2016 refunding revenue bonds - including premium of $9,834	144,784	-	-	-
Series 2016 certificates of obligation - including premium of $4,132	51,537	-	-	-
Series 2020 certificates of obligation - including premium of $3,222	26,787	-	-	-
Total liabilities	1,343,790	145	194,430	277,457

See notes to the consolidated financial statements

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Net Position (Continued)
September 30, 2022
(In thousands)

Liabilities, Deferred Inflows of Resources and Net Position (Continued)	Harris Health System	Component Units: Foundation February 28, 2022	Component Units: Community Health Choice, Inc. December 31, 2021	Component Units: Community Health Choice Texas, Inc. December 31, 2021
Deferred Inflows of Resources				
Resources related to pension	88,153	-	-	-
Resources related to OPEB	130,542	-	-	-
Total deferred inflows of resources	218,695	-	-	-
Commitments and Contingencies				
Net Position				
Net investment in capital assets	263,716	-	-	-
Restricted for debt service	33,553	-	-	-
Restricted for purchase of capital assets	45,341	-	-	-
Restricted – other	930	38,110	3,325	100
Unrestricted	617,902	4,360	78,267	258,884
Total net position	961,442	42,470	81,592	258,984
Total liabilities, deferred inflows of resources and net position	$ 2,523,927	$ 42,615	$ 276,022	$ 536,441

See notes to the consolidated financial statements

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
Seven-months Ended September 30, 2022
(In thousands)

		Component Units		
	Harris Health System	Foundation February 28, 2022	Community Health Choice, Inc. December 31, 2021	Community Health Choice Texas, Inc. December 31, 2021
Operating Revenues				
Net patient service revenue	$ 396,517	$ -	$ -	$ -
Medicaid supplemental programs revenue	583,321	-	-	-
Premium revenue	-	-	794,445	1,381,057
Other operating revenues	61,422	5,257	494	-
Total operating revenues	1,041,260	5,257	794,939	1,381,057
Operating Expenses				
Salaries, wages, and benefits	631,301	497	15,006	59,807
Pharmaceuticals and supplies	162,785	1	2,241	8,223
Physician services	242,500	-	-	-
Medical claims expense	-	-	728,983	1,209,353
Other purchased services	151,623	4,194	63,153	60,568
Depreciation and amortization	42,402	-	-	-
Total operating expenses	1,230,611	4,692	809,383	1,337,953
Operating Income (Loss)	(189,351)	565	(14,444)	43,104
Nonoperating Revenues (Expenses)				
Ad valorem tax revenues – net	2,237	-	-	-
Tobacco settlement revenues	16,745	-	-	-
Investment income	8,990	7,843	6	88
Interest expense	(6,938)	-	(1,154)	-
Capital grants to Harris Health System	-	(45,900)	-	-
Provider Relief Fund revenue	20,893	-	-	-
Other, net	(193)	(182)	-	1,154
Total nonoperating revenues (expenses) – net	41,734	(38,239)	(1,148)	1,242
Changes in Net Position	(147,617)	(37,674)	(15,592)	44,346
Net Position – Beginning of Period	1,109,059	80,144	97,184	214,638
Net Position – End of Period	$ 961,442	$ 42,470	$ 81,592	$ 258,984

See notes to the consolidated financial statements

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Cash Flows
Seven-months Ended September 30, 2022
(In thousands)

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 391,794
Receipts from Medicaid supplemental programs	359,389
Receipts from incentive programs and grants	4,786
Receipts from other revenues	60,325
Payments to suppliers	(549,437)
Payments to employees and for employee benefits	(677,833)
Net cash used in operating activities	(410,976)
Cash Flows from Noncapital Financing Activities	
Contributions and other – net	7
Ad valorem taxes – net	25,822
Receipt of Provider Relief Funds	20,453
Interest paid	(475)
Tobacco settlement revenues	16,745
Net cash provided by noncapital financing activities	62,552
Cash Flows from Capital and Related Financing Activities	
Acquisitions and construction of capital assets	(61,959)
Interest paid on long-term debt and leases payable	(7,078)
Principal paid on long-term debt and leases payable	(6,645)
Net cash used in capital and related financing activities	(75,682)
Cash Flows from Investing Activities	
Receipts of investment income – including realized gains and losses	6,818
Decrease in cash equivalents included in assets limited as to use or restricted	59,077
Purchases of investment securities	(550,574)
Proceeds from sale and maturities of investment securities	765,360
Net cash provided by investing activities	280,681
Net Decrease in Cash and Cash Equivalents	(143,425)
Cash and Cash Equivalents - Beginning of Period	708,851
Cash and Cash Equivalents - End of Period	$ 565,426

See notes to the consolidated financial statements 9

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Statement of Cash Flows (Continued)
Seven-months Ended September 30, 2022
(In thousands)

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (189,351)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	42,402
Changes in operating assets and liabilities:	
Increase in accounts receivable	12,754
Increase in inventories	230
Decrease in Medicaid supplemental program receivable	(222,289)
Increase in prepaid expenses and other assets	3,243
Decrease in estimated third-party payor settlements	(18,033)
Increase in accounts payable and accrued liabilities	7,705
Decrease in employee compensation and related benefit liabilities	(2,543)
Increase in compensated absences	2,093
Decrease in Medicaid supplemental programs revenue received in advance	(1,643)
Decrease in estimated third-party payor settlements	(30)
Decrease in deferred outflows of resources - pension	(35,053)
Decrease in deferred outflows of resources - OPEB	(10,461)
Total adjustments	(221,625)
Net cash used in operating activities	$ (410,976)
Supplemental Disclosures of Noncash Operating, Financing and Investing Activities	
Unrealized loss on investments	$ 100
Amounts related to acquisition of capital assets in accounts payable and accrued liabilities	30,745
Lease obligation incurred for lease assets	4,863

See notes to the consolidated financial statements *10*

Harris County Hospital District
d/b/a Harris Health System
A Component Unit of Harris County, Texas
Notes to Financial Statements
September 30, 2022

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 18 primary care health clinics including the nation's first free-standing HIV/AIDS treatment center; three large multi-specialty clinics; five same day clinics; a free-standing dental center; a dialysis center; a geriatric assessment center; six 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).

Community Health Choice, Inc. and Community Health Choice Texas, Inc. (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. Community Health Choice, Inc. was incorporated on May 8, 1996, licensed by the Texas Department of Insurance on February 27, 1997, and as of December 31, 2021, 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 85,005 enrollees as of December 31, 2021, and Community Health Choice Texas, Inc. is the Medicaid Managed Care HMO with 369,520 enrollees as of December 31, 2021. 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 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.

Effective March 1, 2022, the System changed its reporting year end from February 28 to September 30. The accompanying statement of revenues, expenses and changes in net position of the System reflects its activities for the seven-month period ended September 30, 2022. The financial statements of the Foundation are as of and for the year ended February 28, 2022. The financial statements of the HMOs are as of and for the year ended December 31, 2021. These periods 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 are prepared on the accrual basis of accounting.

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 and lease 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, construction or improvement of the capital 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.

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. 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 $1.7 million for the seven-month period ended September 30, 2022 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 $14 million for the seven-month period ended September 30, 2022, which is included as expense and revenue in the System’s financial statements.

The System supports the Foundation with payments for goods and services of approximately $322 thousand for the seven-month period ended September 30, 2022, 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 $662 thousand for the seven-month period ended September 30, 2022.

Cash, Cash Equivalents and Short-term 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 short-term 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* 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 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 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 thousand of payments over the lease term.

Capital and Lease Asset Impairment

The System evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease 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 seven-month period ended September 30, 2022.

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.

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 percent or at the time of termination are payable at 75.0 percent. Changes in the System's liability for compensated absences for the seven-month period ended September 30, 2022 are as follows (in thousands).

Beginning of Period Liability	Claims and Change in Estimates	Claim Payments	End of Period Liability
$ 55,688	$ 49,797	$ 47,704	$ 57,781

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 $44 million as of September 30, 2022. 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.

Retroactive adjustments under third-party reimbursement agreements are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods 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.

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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 seven-month period ended September 30, 2022 (in thousands):

Charges foregone, based on established rates	$	620,538
Cost of foregone charges, estimated		456,830

Premium Revenue

Premium revenue is recognized as revenue by the HMOs during the coverage period of the subscriber agreement. For the primary Medicaid business, 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, 2021, the HMOs fiscal year-end.

Medical Claims Expense

The HMOs arrange for comprehensive health care services to its members primarily through fee-for-service arrangements. The HMOs compensate hospitals on either a discounted fee for service or per diem basis and compensates physicians and other providers primarily on a discounted fee for service basis.

Medical claims expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the end of December and are presented on a discounted basis. The reserves for unpaid medical claims expenses are actuarially estimated based on claims experience and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for medical claims expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

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, 2021, the HMOs fiscal year-end, the HMOs recognized premium deficiency reserve for the Health Insurance Marketplace business of $14 million. As of December 31, 2021, the HMOs recorded an experience rebate liability of $34 million.

Changes in the HMO's aggregate liability for medical claims in for the year ended December 31, 2021 is as follows (in thousands):

Liability at December 31, 2020	Medical Claims and Change in Estimates	Claim Payments	Liability at December 31, 2021
$ 208,406	$ 1,943,317	$ 1,849,754	$ 301,969

In the fiscal year ended December 31, 2021, the HMOs in aggregate paid $1,673 million in claims related to the current fiscal year and $177 million in claims related to the prior fiscal year.

The HMOs are a party to a reinsurance agreement to limit its losses on individual claims. Under the terms of the agreement, the reinsurer reimburses the HMOs approximately 90.0 percent, subject to certain limitations as specified in the contract, of the cost of each member's annual inpatient hospital services. For the Medicaid and Children's Health Insurance Program (CHIP) business, the recovery is based on costs in excess of a $1 million deductible, up to a limitation of $5 million per member per agreement period. The HMOs also carry coverage for the health insurance marketplace business for which the reinsurer reimburses approximately 90.0 percent of each member's annual inpatient hospital services in excess of a $750 thousand deductible, up to a limitation of $5 million per member per agreement period.

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

The HMOs participate in the federally facilitated health insurance exchange in 10 southeast Texas counties. The exchange was created pursuant to the ACA under regulations established by the U.S. Department of Health and Human Services (HHS). Under these rules, HHS pays the HMO a portion of the policy premium, in the form of Advanced Premium Tax Credit (APTC), and part of the health care costs, in the form of Cost Sharing Reduction (CSR), for low income individual exchange members. HHS also administers certain risk management programs as detailed below.

The HMOs recognize premiums received from its exchange members and APTC received from HHS as premium revenue when earned and CSR offsets health care costs when incurred. For 2021, the HMOs recognized $435 million and $11 million of APTC and CSR, respectively.

The risk adjustment data validation program was implemented to ensure the integrity and accuracy of risk adjustment transfer amounts. Prior year submission data is audited and adjustments to the receivable or payable transfer amounts are made.

Subject to this program, the HMOs have recorded a liability of approximately $11 million at December 31, 2021, which is included as liabilities related to the Affordable Care Act within current liabilities in the accompanying statement of net position.

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. 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. The HMOs issues individual plans and is therefore subject to the risk adjustment. At December 31, 2021, the HMOs recorded a risk adjustment receivable of $169 million, which is included in prepaid expenses and other current assets in the accompanying statement of net position.

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 period 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.

Revenue from the calendar year 2021 tax levy was recognized by the System in the fiscal year ended February 28, 2022. Revenue from the calendar year 2022 tax levy will be recognized by the System in the fiscal year ending September 30, 2023 as this is the period for which the taxes were levied. Revenue recognized in the seven-month period ended September 30, 2022 represents the difference between estimated ad valorem taxes receivable due at February 28, 2022 and actual amounts collected subsequent to that date.

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 periods without restriction. The System recognizes all funds received from the settlement as nonoperating revenue in the period funds are allocated.

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 March 1, 2022, the System adopted GASB Statement No. 87, *Leases*, (GASB 87) using a retrospective method adoption to all leases in place and not yet completed at the beginning of the earliest period presented, which was March 1, 2022. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset. Adoption of GASB 87 had no effect on beginning net position at March 1, 2022.

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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:

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, 2017.

In conjunction with the change in fiscal year end, the System also changed its Medicare and Medicaid reporting year end to September 30, effective for the seven-month period ended September 30, 2022.

Cash received from the Medicare program accounted for approximately 47.7 percent of the System's total cash collections for net patient service revenue for the seven-month period ended September 30, 2022. Cash received from the Medicaid program (including managed Medicaid) accounted for approximately 25.1 percent of the System's total cash collections for net patient service revenue for the seven-month period ended September 30, 2022. Cash received from the Medicaid program in the seven-month period ended September 30, 2022 was impacted by the approval of the Comprehensive Hospital Rate Increase Program (CHIRP) in March 2022, which was retroactive to September 1, 2021. See further discussion of CHIRP in *Note 4*.

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.

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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 percent 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 allows 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 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 provides incentive payments for health care 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. One of the new directed payment programs is CHIRP, which added a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP also provides for a rate increase similar to UHRIP but also provides for a rate enhancement above the UHRIP rate, based upon a percentage of estimated average commercial reimbursement. Participating hospitals may opt into this second component. The UHRIP program transitioned to the CHIRP program on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2023. The System also participates in other Medicaid Supplemental Payment Programs including the Network Access Improvement Program (NAIP), and the Graduate Medical Education (GME) program.

During the seven-month period ended September 30, 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 for the 2022 program revenue was recognized in the seven-month period ended September 30, 2022 due to the timing of program approval.

The System recognizes all funds received under these programs as operating revenues in the period 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 period they become known. The System recorded no material adjustments for the period ended September 30, 2022 for prior years' programs. The System's financial statements reflect receivables of $481 million at September 30, 2022 related to the 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, 2022, the System held $71 million in LPPF funds which is reported as restricted cash in the statement of net position. At September 30, 2022 the System had $85 million in intergovernmental transfer liability of which $71 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 percent 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 with a remaining maturity of one year or less at the time of acquisition and 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. 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, 2022.

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The components of assets limited as to use or restricted at fair value at September 30, 2022 are as follows (in thousands):

Description of Assets	Total	Restricted Debt Service	Series 2020 Capital Asset Fund	Restricted For Capital Asset Purchases	Restricted Cash and Cash Equivalents LPPF	Other
Money market mutual funds	$ 71,612	$ 260	$ 162	$ 14	$ 71,007	$ 169
Investment pools	52,307	67	6,034	45,327	-	879
United States Treasury obligations	33,225	33,225	-	-	-	-
Cash	142	-	-	-	-	142
	157,286	33,552	6,196	45,341	71,007	1,190
Less funds required for current liabilities	(78,911)	(7,762)	-	-	(71,007)	(142)
	$ 78,375	$ 25,790	$ 6,196	$ 45,341	$ -	$ 1,048

Foundation – Assets limited as to use of $34 million at February 28, 2022 are restricted subject to donor-imposed stipulations that will be met by actions of the Foundation or the passage of time.

HMOs – Assets limited as to use aggregating $3 million at December 31, 2021, are restricted as to use and are pledged to satisfy insolvency and other reserves, as required by the Texas Department of Insurance.

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 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.

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The System's investment policy is to be reviewed and approved annually by the Board of Trustees 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 percent 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 fair value and maturity amount of the System's cash equivalents, assets limited as to use and investments as of September 30, 2022, 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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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P/Moody's
Investment Pools					
Texas CLASS - Pool (Corporate)	$ 146,985	23.27 %	$ 146,985	0.003	AAAm
Lone Star - Pool (Corporate)	117,908	18.66	117,908	0.003	AAAm
United States Treasury obligations	142,391	22.54	143,200	0.247	Aaa/AA+
Federal Agency	49,868	7.89	50,000	0.555	Aaa/AA+
Commercial paper					
Mitsubishi UFG Financial Group	58,894	9.32	60,000	0.444	A-1/P-1
Santander BK UK PLC	39,455	6.25	40,000	0.342	A-1/P-1
Money market mutual funds	76,264	12.07	76,264	0.003	AAAm/Aaa-mf
Total cash equivalents, assets limited as to use and investments	$ 631,765	100.00 %	$ 634,357	0.164	

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 percent 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 percent 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 percent of the overall portfolio in the time deposits, including certificates of deposit, of a single issuer. As of September 30, 2022, 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, 2021, 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
Certificates of deposit	$ 3,325	6.99 %	$ 3,325	0.429	AAA
Money market mutual funds	44,217	93.01	44,217	0.003	AAA
	$ 47,542	100.00 %	$ 47,542	0.216	

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, 2021, 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/Moody's
Municipal bonds	$ 6,223	1.59 %	$ 6,107	0.332	AAA/AA+/Aaa/AA
Certificates of deposit	100	0.03	100	0.132	AAA
Money market mutual funds	383,980	98.38	383,980	0.003	AAA
	$ 390,303	100.00 %	$ 390,187	0.156	

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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.

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, 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				
Commercial paper	$ -	$ 98,349	$ -	$ 98,349
United States Treasury obligations	142,391	-	-	142,391
Federal Agency notes	49,868	-	-	49,868
Money market mutual funds	76,264	-	-	76,264
Total cash equivalents, assets limited as to use and investments by fair value	$ 268,523	$ 98,349	$ -	$ 366,872
Liabilities				
Derivative financial instrument	$ -	$ 385	$ -	$ 385

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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, 2021 (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	$ 44,217	$ -	$ -	$ 44,217
Total investments and cash equivalents by fair value level	$ 44,217	$ -	$ -	$ 44,217

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, 2021 (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				
Municipal bonds	$ -	$ 6,223	$ -	$ 6,223
Money market mutual funds	383,980	-	-	383,980
Total investments and cash equivalents by fair value level	$ 383,980	$ 6,223	$ -	$ 390,203

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Note 7: Capital and Lease Assets

The System's capital assets activity for the seven-month period ended September 30, 2022, consists of the following (in thousands):

	2022			
	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Land and improvements	$ 47,316	$ 133	$ -	$ 47,449
Buildings and fixed equipment	728,992	479	(76)	729,395
Major movable equipment	446,786	20,531	(27,878)	439,439
Total historical cost	1,223,094	21,143	(27,954)	1,216,283
Less accumulated depreciation:				
Land and improvements	(15,989)	(519)	-	(16,508)
Buildings and fixed equipment	(439,675)	(15,136)	64	(454,747)
Major moveable equipment	(336,890)	(20,779)	27,560	(330,109)
Total accumulated depreciation	(792,554)	(36,434)	27,624	(801,364)
Construction in progress	129,751	42,013	-	171,764
Capital assets - net	$ 560,291	$ 26,722	$ (330)	$ 586,683

The System's lease assets activity for the seven-month period ended September 30, 2022, consists of the following (in thousands):

	2022			
	Beginning Balance (As Restated)	Additions/ Transfers	Retirements	Ending Balance
Buildings	$ 43,183	$ 2,704	$ -	$ 45,887
Equipment	5,811	2,159	(11)	7,959
Total lease assets	48,994	4,863	(11)	53,846
Less accumulated amortization:				
Buildings	-	(3,861)	-	(3,861)
Equipment	-	(2,108)	11	(2,097)
Total accumulated amortization	-	(5,969)	11	(5,958)
Lease assets, net	$ 48,994	$ (1,106)	$ -	$ 47,888

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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.

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 have 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 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 $7 million at September 30, 2022. Principal amounts of total defeased indebtedness outstanding at September 30, 2022 is $60 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 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 percent, or (iii) 7.5 percent 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 percent per annum of the outstanding principal amount of the bonds. No amounts were outstanding on the letter of credit as of September 30, 2022. 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.

Compliance

The System is in compliance with its debt covenants at September 30, 2022.

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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 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 percent.

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 $(385) thousand at September 30, 2022 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.

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, 2022.

Credit Risk – The risk of a change in the credit quality or credit rating of the System and/or its counterparty. At September 30, 2022, the swap counterparty was rated A- by Standard & Poor's, A2 by Moody's Investor Services, and BBB+ by Fitch. At September 30, 2022, 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, 2022, 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, 2022, termination of the original swap agreement would create a liability of $8 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 period ended September 30, 2022, 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 debt service requirements to maturity as of September 30, 2022 are as follows (in thousands):

	Principal	Interest	Swaps, Net	Total
Years ending September 30:				
2023	$ 7,080	$ 9,079	$ (432)	$ 15,727
2024	7,400	8,796	(412)	15,784
2025	7,755	8,452	(437)	15,770
2026	8,125	8,115	(351)	15,889
2027	8,510	7,763	(369)	15,904
2028-2032	48,810	32,971	(1,557)	80,224
2033-2037	59,510	21,491	(1,022)	79,979
2038-2042	72,165	7,609	(361)	79,413
Total	$ 219,355	$ 104,276	$ (4,941)	$ 318,690

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 seven-month period ended September 30, 2022 was as follows (in thousands).

Beginning balance	$ 8,167
Reductions	(405)
Ending balance	$ 7,762

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The following table sets forth as of September 30, 2022, the amortization of the hybrid instrument borrowings for the next five years and thereafter (in thousands).

Years ending September 30:		
2023	$	677
2024		653
2025		629
2026		604
2027		577
2028-2032		2,448
2033-2037		1,604
2038-2042		570
Total	$	7,762

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 $50 million in outstanding principal and $4 million in unamortized premium related to this debt at September 30, 2022. No principal was paid in the seven-month period ended September 30, 2022, however interest payments made were $1 million.

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 $26 million in outstanding principal and $3 million in unamortized premium related to this debt at September 30, 2022. No principal was paid in the seven-month period ended September 30, 2022, however interest payments made were $768 thousand.

Annual debt service requirements to maturity as of September 30, 2022 are as follows (in thousands).

	Principal	Interest	Total
Years ending September 30:			
2023	$ 5,415	$ 3,213	$ 8,628
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
2028-2032	29,410	5,609	35,019
2033-2036	17,145	1,315	18,460
Total	$ 76,385	$ 20,196	$ 96,581

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 Harris County Hospital District Board of Trustees 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 percent 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 percent. 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.

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 $21 thousand during the calendar year 2022 for all participants. Contributions to the plan cannot exceed the statutory maximum of $27 thousand

during the calendar year 2022 for participants age 50 and older. Effective July 2007, the System enhanced the 401(k) Plan with an employer match up to 5.0 percent of the participant's compensation for eligible employees, which is 100.0 percent 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 $32 million for the seven-month period ended September 30, 2022. Total System contributions were $15 million for the seven-month period ended September 30, 2022.

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 seven-month period ended September 30, 2022, System contributions were reduced by approximately $1 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 of Trustees of the System, which is responsible for administering the Plan under the terms that are established. The Board of Trustees 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.

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 percent 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 percent 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, 2021 (measurement date), the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefits	3,290
Inactive employees entitled to but not yet receiving benefits	1,333
Active employees	2,014
	6,637

The Harris Health System Board of Trustees 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 seven-month period ended September 30, 2022, the System contributed $35 million or 38.3 percent of covered payroll.

Net Pension Liability

The System's net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. Actuarial assumptions and methods used in the actuarial valuations are as follows.

Valuation date	January 1, 2021
Measurement date	December 31, 2021
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	5.1
Ultimate rate	3.0
Mortality rates:	
Healthy	Pri-2012 Total Dataset Mortality Table, with generational mortality improvement projected after year 2012 using Scale MP-2021
Disabled	Pri-2012 Disability Mortality Table, with generational mortality improvement projected after year 2012 using Scale MP-2021

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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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Real estate funds	5 %	6.43 %
Domestic equity-large cap	26	7.14
Domestic equity-small/mid cap	4	7.66
International equity	25	7.74
Fixed income	35	4.13
Hedge funds	5	6.01
	100 %	

The discount rate used to measure the total pension liability was 5.8 percent, net of expenses, as of December 31, 2021. 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.

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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 period	$ 1,038,771	$ 876,637	$ 162,134
Changes for the year:			
Service cost	8,601	-	8,601
Interest	64,147	-	64,147
Differences between expected and actual experience	1,782	-	1,782
Changes of assumptions	61,527	-	61,527
Contributions - employer	-	57,000	(57,000)
Net investment income	-	88,725	(88,725)
Benefit payments	(53,264)	(53,264)	-
Administrative expense	-	(2,725)	2,725
Net changes	82,793	89,736	(6,943)
Balances, end of period	$ 1,121,564	$ 966,373	$ 155,191

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 5.8 percent, 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 (4.8 percent) or 1.0 percentage point higher (6.8 percent) than the current rate (in thousands):

	1% Decrease	Current Discount	1% Increase
System's net pension liability	$ 289,716	$ 155,191	$ 42,201

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

Because the System recognized pension expense for the measurement period ended December 31, 2021 in its entirety during the year ended February 28, 2022, the System did not recognize pension expense in the seven-month period ended September 30, 2022. At September 30, 2022, 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	$ 27,155	$ -
Differences between expected and actual experience	786	-
Net difference between projected and actual earnings on pension plan investments	-	88,153
Employer contributions remitted subsequent to the measurement date	44,840	-
Total	$ 72,781	$ 88,153

At September 30, 2022, the System reported $45 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 period ended September 30, 2023.

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:	
2023	$ 7,183
2024	(37,827)
2025	(23,321)
2026	(6,247)
	$ (60,212)

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, 2022 were approximately $129 million.

Note 10: Other Postemployment Benefits (OPEB) Health Care 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 seven-month period ended September 30, 2022, the System contributed $13 million to the Plan for current premiums and administrative costs. Plan members receiving benefits during the seven-month period ended September 30, 2022, contributed $2.7 million, or approximately 20.1 percent of the total premiums, through their required contribution. Plan members that are ages 65 and younger were required to contribute $71.92 per month for retiree-only coverage and $444.33 for retiree and spouse coverage for the seven-month period ended September 30, 2022. Plan members that are ages 65 and older were required to contribute $99.17 per month for retiree-only coverage and $520.67 for retiree and spouse coverage for the seven-month period ended September 30, 2022. 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 February 28, 2022 (measurement date), the following employees were covered by the benefit terms.

Inactive employee or beneficiaries currently receiving benefits	2,163
Active employees	6,108
	8,271

Total OPEB Liability

The System's total OPEB liability of $463 million as of September 30, 2022 was determined by an actuarial valuation as of March 1, 2021 and rolled forward to the measurement date of February 28, 2022.

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 periods included in the measurement, unless otherwise specified:

Salary increases	2.5%
Discount rate	2.83%
Health care cost trend rates	6.25% for 2022, decreasing to 5.50% over 3 year and following the Getzen model thereafter

The discount rate used to measure the total OPEB liability was 2.8 percent which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of February 28, 2022.

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.

Changes in the Total OPEB Liability (In Thousands)

Total OPEB liability, beginning of period	$ 588,606
Changes for the year:	
Service cost	13,425
Interest	7,067
Experience gains	7,652
Change of assumptions	(136,204)
Benefit payments	(18,018)
Net changes	(126,078)
Total OPEB liability, end of period	$ 462,528

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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 2.8 percent. The following table presents the total OPEB liability of the System using a discount rate 1.0 percent higher and 1.0 percent lower than the current discount rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 536,351	$ 462,528	$ 403,224

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 health care cost trend rates that are 1.0 percent higher and 1.0 percent lower than the current health care cost trend rates (in thousands):

	1% Decrease	Healthcare Cost Trend Rates (6.25% decreasing to 5.50%)	1% Increase
Total OPEB Liability	$ 397,071	$ 462,528	$ 544,834

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

Because the System recognized OPEB expense for the measurement period ended February 28, 2022 in its entirety during the year ended February 28, 2022, the System did not recognize OPEB expense in the seven-month period ended September 30, 2022. At September 30, 2022, 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	$ 98,534	$ 113,503
Differences between expected and actual experience	6,376	17,039
Employer benefit payments remitted subsequent to the measurement date	10,461	-
Total	$ 115,371	$ 130,542

Deferred outflows of resources of $10,461 thousand at September 30, 2022 representing benefits paid from the measurement date through the end of the reporting period will be recognized as a reduction in the OPEB liability during the year ended September 30, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2022 related to OPEB will be recognized in OPEB expense as follows (in thousands):

Years ending September 30,	
2023	$ 349
2024	349
2025	349
2026	(5,255)
2027	(21,424)
	$ (25,632)

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, 2022 is as follows:

Medicaid	16%
Medicare	51%
Commercial	18%
Self-pay patient	15%
	100%

Note 12: Commitments and Contingencies

At September 30, 2022, 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, 2022, that may result in the assertion of additional claims.

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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 seven-month period ended September 30, 2022 are as follows (in thousands).

	Beginning-of-period Liability	Current-year Claims and Changes In Estimates	Claim Payments	End-of-period Liability
Hospital professional and general liability:	$ 2,904	$ 2,322	$ 2,023	$ 3,203
Workers' compensation liability:	$ 2,291	$ 599	$ 599	$ 2,291
Employee healthcare benefits liability:	$ 9,796	$ 90,400	$ 87,507	$ 12,689

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, 2022, the System had commitments outstanding in the amount of $72 million related to improvements at existing facilities and $6 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.

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Notes to Financial Statements
September 30, 2022

Note 13: Lease Liabilities

The System, as lessee, leases equipment and office space, the terms of which expire in various years through 2031. 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 1.88% to 6.27% based on the commencement date and term of the lease.

During the seven-month period ended September 30, 2022, the System recognized $4 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, 2022 (in thousands):

Years Ending September 30,	Total to Be Paid	Principal	Interest
2023	$ 9,740	$ 8,231	$ 1,509
2024	8,183	6,912	1,271
2025	7,272	6,044	1,228
2026	6,334	5,468	866
2027	5,894	5,214	680
2028 - 2031	17,663	16,697	966
	$ 55,086	$ 48,566	$ 6,520

The System's lease liability activity for the seven-month period ended September 30, 2022 consists of the following (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease Liabilities	$ 48,994	$ 4,863	$ (5,291)	$ 48,566	$ 8,231

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Notes to Financial Statements
September 30, 2022

Note 14: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

During the seven-month period ended September 30, 2022, the System received $21 million of distributions from the *Coronavirus Aid, Relief, and Economic Security* ("CARES") *Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The System is accounting for such payments as conditional contributions. Payments are recognized as non-operating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the System's operating revenues and expenses through the seven-month period ended September 30, 2022, the System recognized $21 million in the period ended September 30, 2022, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Fund revenue in the statement of revenues, expenses and changes in net position.

The System will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the System is unable to attest to or comply with current or future terms and conditions the System's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the System's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Note 15: GASB Statements Issued but not yet Effective

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) provides uniform guidance on accounting and financial reporting for public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction. GASB 94 also addresses APAs, which are arrangements where a government compensates an operator for services that may include designing, constructing,

financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement requires governments to report assets and liabilities related to PPPs consistently and disclose information about PPP transactions. The requirements of GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The changes would be applied retrospectively, if practicable, for all prior fiscal years presented. PPPs would be recognized and measured using the facts and circumstances that exist at the beginning of the implementation period or, if applicable to earlier periods, the beginning of the earliest period restated. In the year of adoption, the financial statement notes should disclose the nature of the restatement and its effect or the reason for not restating prior years presented.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosure regarding a SBITA. To the extent relevant, the standards for a SBITAs are based on the standards established in GASB 87. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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.

Required Supplementary Information

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)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	$ 8,601	$ 8,036	$ 8,057	$ 8,280	$ 6,803	$ 7,232	$ 7,795	$ 8,642
Interest	64,147	64,307	63,183	60,495	61,427	59,397	57,482	52,342
Difference between expected and actual experience	1,782	3,807	243	8,000	1,718	(4,063)	4,637	(1,909)
Changes of assumptions	61,527	50,545	23,528	15,748	10,709	-	-	40,689
Benefit payments	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Net change in total pension liability	82,793	76,511	47,644	47,811	38,094	22,388	25,891	65,320
Total pension liability – beginning	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432	715,112
Total pension liability – ending (a)	1,121,564	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432
Plan fiduciary net position:								
Contributions – employer	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Net investment income	88,725	138,087	119,362	(35,426)	107,519	37,401	(4,891)	37,069
Benefit payments	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Administrative expense	(2,725)	(2,366)	(3,010)	(2,442)	(2,478)	(232)	(2,389)	(2,302)
Net change in plan fiduciary net position	89,736	139,315	102,606	(51,596)	91,911	29,684	(19,544)	31,615
Plan fiduciary net position – beginning	876,637	737,322	634,716	686,312	594,401	564,717	584,261	552,646
Plan fiduciary net position – ending (b)	966,373	876,637	737,322	634,716	686,312	594,401	564,717	584,261
System's net pension liability – ending (a) – (b)	$ 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	86.16%	84.39%	76.62%	69.40%	79.18%	71.73%	70.04%	74.86%
Covered payroll	$ 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	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%.

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)

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 36,225	$ 36,056	$ 33,621	$ 30,984	$ 29,433	$ 32,693	$ 31,759	$ 31,292
Contributions in relation to the actuarially determined contribution	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Contribution deficiency (excess)	$ (20,775)	$ (17,722)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 148,657	$ 156,479	$ 163,835	$ 169,885	$ 173,272	$ 182,060	$ 197,360	$ 210,728
Contributions as a percentage of covered payroll	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	5.1% 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	Pri-2012 Disability Mortality Table, with generational mortality improvement projected after year 2012 using Scale MP-2021

Harris County Hospital District
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A Component Unit of Harris County, Texas

Schedule of Changes in the System's Total OPEB Liability and Related Ratios

February 28,

(Dollar amounts in thousands)

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

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

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Consideration of Acceptance of the Harris Health System Single Audit Report of Federal and State Award Programs for the Stub Year Ended September 30, 2022

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 Budget and Finance 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 Stub Year Ended September 30, 2022.

DRAFT

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

Single Audit Reports

September 30, 2022

Harris County Hospital District
d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
September 30, 2022

Contents

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
Seven-months Ended September 30, 2022

Federal Grantor/Passthrough Grantor/State Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services					
Projects of Regional and National Significance	93.243	1H79TI084352-01	9/30/21 to 9/29/22	$ 171,029	$ -
Coordinated Services and Access to Research for	93.153	H12HA24800-09-00	8/1/21 to 7/31/22	152,680	-
Women, Infants, Children, and Youth		H12HA24800-10-00	8/1/22 to 7/31/23	34,101	-
Total-ALN 93.153				186,781	-
Health Center Program Cluster					
Health Center Program	93.224	6 H80CS00039-21-00	1/1/22 to 12/31/22	1,835,503	-
Health Center Program		H80CS00038-10-03	3/1/21 to 2/28/22	29,607	-
Health Center Program		6 H80CS00038-20-08	1/1/22 to 8/31/22	86,776	
COVID-19 Health Center Program		H8FCS40542-01	4/1/21 to 3/31/23	528,591	-
COVID-19 Health Center Program		4 H8ECS38745-01	5/1/20 to 4/30/22	15,515	-
COVID-19 Health Center Program		4 H8DCS36482-01	4/1/20 to 3/31/22	117,872	-
COVID-19 Health Center Program		6 H8CCS35283-01	3/15/20 to 3/14/22	1,101	-
Total-ALN 93.224				2,614,965	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00128-31	1/1/22 to 12/31/22	382,395	-
COVID-19 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		H7CHA37097-01-00	4/1/20 to 3/31/22	2,336	-
Total-ALN 93.918				384,731	-
Maternal Opioid Misuse Model	93.687	2A2CMS331766-01-00	1/1/22 to 12/31/22	475,750	-
Opioid STR	93.788	HHS001062800003	10/1/21 to 9/30/22	267,256	-
Total Direct U.S. Department of Health and Human Services				4,100,512	-
Passed Through Harris County Public Health Department:					
HIV Emergency Relief Project Grants	93.914	22GEN0578	3/1/22 to 2/28/23	4,964,911	-
Passed Through the Univ of Texas MD Anderson Cancer Center					
Research and Development Cluster					
Cancer Treatment Research	93.395	3MU1 AI068619	9/1/21 to 12/31/22	23,684	-

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)
Seven-months Ended September 30, 2022

Federal Grantor/Passthrough Grantor/State Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Passed Through City of Houston:					
HIV Prevention Activities – Health Department Based	93.940	C20-002-22	1/1/22 to 12/31/22	144,945	-
Passed Through Texas Department of State Health Services					
HIV Prevention Activities – Health Department Based	93.940	HHS000322300001	1/1/21 to 8/31/22	76,412	-
Total-ALN 93.940				221,357	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	HHS000322300001	1/1/21 to 8/31/22	76,667	-
Passed Through Texas A&M University Health Science Center					
Immunization Cooperative Agreements	93.268	HHS0001043100001	8/31/21 to 8/31/22	31,487	-
Passed Through Texas Health & Human Services Commission					
Cancer Prevention & Control Program for State, Territorial and Tribal Organizations (Fee-for-Service)	93.898	HHS 000734600039	9/1/21 to 8/31/22	386,388	-
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	529-17-0023-00037A	9/1/21 to 8/31/22	70,474	-
Passed Through Baylor College of Medicine					
HIV-Related Training and Technical Assistance	93.145	U10HA29290	7/1/21 to 6/30/22	4,823	-
Passed Through Baylor College of Medicine					
Research and Development Cluster					
Minority Health and Health Disparities Research	93.307	1 H8FCS40542-01	1/1/22 to 12/31/22	135,578	-
Total U.S. Department of Health and Human Services				10,015,881	-
U.S. Department of Homeland Security					
Passed through the Texas Department of Public Safety					
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR-4332	8/23/17 to 8/22/20	371,158	-
Total U.S. Department of Homeland Security				371,158	-
U.S. Department of Justice					
Passed through the City of Houston					
Crime Victim Assistance	16.575	2016-VA-GX-0033	10/1/21 to 9/30/22	32,949	-
Total U.S. Department of Justice				32,949	-
Total Expenditures of Federal Awards				$ 10,419,988	$ -

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)
Seven-months Ended September 30, 2022

Federal Grantor/Passthrough Grantor/ State Grantor/Federal Program Title	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Office of the Texas Governor				
Enhancement of a Community SAFE-Ready Facility	3942103	9/1/21 to 8/31/22	$ 13,729	$ -
	3942104	9/1/22 to 8/31/23	9,616	-
Total-Enhancement of a Community SAFE-Ready Facility			23,345	-
Texas Department of State Health Services				
TB-Prevention and Control – Hospitals (Fee-for-Service)	HHS000454800001	9/1/21 to 8/31/22	7,840	-
ACS Epilepsy Program	HHS000701500003	9/1/21 to 8/31/22	68,186	-
	HHS000701500003	9/1/22 to 8/31/23	9,682	-
Total-ACS Epilepsy Program			77,868	
AIDS Drug Assistance Program Eligibility	18HHS00SS-R	4/1/21 to 3/31/22	13,490	-
	19HHS00SS-R	4/1/22 to 3/31/23	69,701	-
Total - AIDS Drug Assistance Program Eligibility			83,191	-
Total Texas Department of State Health Services			168,899	-
Texas Health and Human Services Commission				
Title V Fee for Service Prenatal Medical and Dental Grant Program	HHS000136500015	9/1/21 to 8/31/22	28,198	-
Family Planning Grant Program (Fee-for-Service)	HHS000734600039	9/1/21 to 8/31/22	844,530	-
	HHS000734600039	9/1/22 to 8/31/23	10,972	-
Total Family Planning Grant Program			855,502	-
Healthy Texas Women's Grant Program	HHS000734600039	9/1/21 to 8/31/22	30,876	-
	HHS000734600039	9/1/22 to 8/31/23	3,373	-
Total Healthy Texas Women's Grant Program			34,249	-
Breast & Cervical Cancer Control Program (Fee-for-Service)	HHS000734600039	9/1/21 to 8/31/22	352,191	-
Total Texas Health and Human Services Commission			1,270,140	-

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)
Seven-months Ended September 30, 2022

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 Baylor College of Medicine				
Colorectal Screening and Follow-up Among an Urban Medically Underserved Population	PP170094	8/31/21 to 8/30/22	136,993	-
Expansion of Cancer Prevention Services to Rural and Medically Underserved Populations	PP220038	8/31/22 to 8/30/23	7,067	-
Texas Clinical Trial Participation Program Award	RP210143	8/31/22 to 8/30/23	5,642	-
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 8/30/22	67,431	-
Community Network for Cancer Prevention to Improve Cervical and Colorectal Screening and Follow-up Among an Urban Medically	PP210007	8/31/21 to 8/30/22	13,030	-
Underserved Population	PP210007	8/31/22 to 8/30/23	19,453	-
Total Cervical Cancer and Colorectal Screening Program			32,483	-
Total Cancer Prevention and Research Institute of Texas			249,616	-
Total Expenditures of State Awards			1,712,000	-
Total Expenditures of Federal and State Awards			$ 12,131,988	$ -

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
Seven-months Ended September 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state award activity of Harris County Hospital District, d/b/a Harris Health System (System) under programs of the federal and state of Texas governments for the seven-months ended September 30, 2022. 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 percent 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 seven-months ended September 30, 2022.

Note 5: FEMA Expenditures

Non-federal entities must record expenditures for Federal Emergency Agency (FEMA) projects on the Schedule when: 1) FEMA has approved the non-federal entity's project worksheet and, 2) the non-federal entity has incurred the eligible expenditures. The expenditures for the seven-months ended September 30, 2022 for Federal Assistance Listing Number 97.036 include $371,158 of expenditures that were incurred by the System prior to March 1, 2022 that the project worksheet was approved during the seven-months ended September 30, 2022.

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

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 seven-months ended September 30, 2022, 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 __, 2023. Our report includes reference to other auditors who audited the financial statements of Harris County Hospital District Foundation and an emphasis of matter paragraph regarding the adoption of a new standard, as described in our report on the System's financial statements. 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.

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*.

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.

Dallas, Texas
February __, 2023

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

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

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 seven-months ended September 30, 2022. 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 seven-months ended September 30, 2022.

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.

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.

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.

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 seven-months ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements. We issued our report thereon dated February __, 2023, which contained unmodified opinions on those financial statements and reference to other auditors and an emphasis of matter paragraph regarding the adoption of a new accounting standard. Our audits were 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 __, 2023

Harris County Hospital District, d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs
Seven-months Ended September 30, 2022

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 and State 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
Health Center Program [Federal]	93.224
Family Planning Grant Program [State]	State

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

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

Harris County Hospital District, d/b/a Harris Health System
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs (Continued)
Seven-months Ended September 30, 2022

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

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

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
Seven-months Ended September 30, 2022

Reference Number	Summary of Finding	Status
2022-001	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution ALN 93.498 U.S. Department of Health and Human Services Program Year 2021 - 2022 Criteria or specific requirement – Activities Allowed or Unallowed – Law (Pub. L. No 116-136, 134 Stat. 563 and Pub. L. No 116-139, 134 Stat. 622 and 623); Allowable Costs/Cost Principles Condition – The System's records reflected an invoice in the total other PRF expenses of $1,040, but the supporting invoices and payment support was for $225. Questioned Costs – $815 Context – Out of a population of $3,780 other PRF expenses reported in the PRF Reporting Portal, a sample of 40 was selected for testing. Our sample was not, and was not intended to be, statistically valid. Support for one expense was less than what was reflected in the System's records. Effect – Other PRF expenses were overstated. Cause – A purchase order was improperly marked in the system as fully received, resulting in the full amount being accrued when only a part of the invoice had been received.	Resolved

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, January 26, 2023

Consideration of Approval of Proposed Revisions to Harris Health System's Code of Conduct

Summary of Proposed Revisions

The Executive Corporate Compliance and Enterprise Risk Committee is proposing revisions Harris Health's Code of Conduct to reflect the maturity and growth of Harris Health's culture of compliance and its continued progression towards becoming a high reliability organization with zero patient harm. The Code of Conduct (current version) is available on the internet at www.harrishealthcoc.org. The proposed revisions to the Code of Conduct will be made to the web version once approved.

Below is a high-level summary of the notable proposed revisions:

1. **Updated Message from the CEO:**

Dr. Porsa updated his personal message to all Harris Health workforce members in which he sets forth his expectation that all workforce members vigilantly abstain from wrongdoing and perform their job in an ethical manner. Further, Dr. Porsa reminds all workforce members in his message of the honor and privilege of all Harris Health employees to serve our patient population.

2. **Updated Harris Health System's Values:**

The prior version of the Code of Conduct reflected out-of-date values. As a result, the Code of Conduct now appropriately reflects Harris Health System's Value of "QUALITY."

3. **Incorporation of Strategic Plan and Pillars:**

Previously, the Code of Conduct did not incorporate Harris Health's Strategic Plan and Pillars. Given the great importance of the Strategic Plan and Pillars as guiding principles, the proposed revisions include a link to Harris Health's Strategic Plan as well as integrates all six of Harris Health's Strategic Pillars into the Code of Conduct. Specifically, the Code of Conduct incorporates the Strategic Pillars in a way that highlights how the Code's Pillars of Conduct support Harris Health's Strategic Pillars and vice-versa and the interdependence of each to accomplish Harris Health's objectives.

4. **Inclusion of Harris Health's Just and Accountable Culture:**

The proposed revisions include and promote Harris Health's Just and Accountable Culture in such a way as to underscore how the Code of Conduct buttresses the adoption, acceptance, and achievement of a Just and Accountable Culture.

5. **Addition of Pertinent Information:**

Based on lessons learned and Harris Health's continued evolution towards a high reliability organization, the Code of Conduct incorporates new workforce and Harris Health responsibilities, FAQs, and policies. For example, the proposed revisions include a specific FAQ that involves Harris Health's EMTALA obligations when a patient becomes disruptive in the Emergency Center. In addition and by way of further example, the Code specifies Harris Health's responsibilities as it pertains to promoting and embracing diversity, equity, and inclusion.

[COVER]

CODE OF CONDUCT

Stay true to our Mission, Vision, Values, and Promise.

Your official guide to maintaining our high standards of conduct and ethics

TABLE OF CONTENTS

        - Compliance with Laws
    - **Respect**
        - Protecting Patient Rights
        - Human Resources
    - **Accountability**
        - Quality Care
        - Billing/Coding
- Additional Resources

A MESSAGE FROM ESMAEIL PORSA, MD

Dear Harris Health Family,

As we strive to become a high reliability organization one in which zero patient harm is not only a possibility but an expectation, we must also stand firm against any wrong doing be it ethical, legal, moral, financial or otherwise. We are honored to serve some of the most vulnerable in our community. With this honor comes the trust and the duty that we conduct ourselves beyond reproach. I call on all of us to continue on this journey with steadfast determination and tireless vigilance.

To help us achieve these goals, Harris Health's Code of Conduct explains our expectations and our policies. It gives us the tools to confidentially report any ethical or legal violations that you know about, suspect, or become aware of *without any fear of retaliation.*

I encourage you to read and become familiar with Harris Health's Code of Conduct. With your personal commitment, we are well on our way to becoming the premier public academic healthcare system in the nation.~~Dear Employees and Colleagues,~~

Sincerely,
~~George V. Masi~~Esmaeil Porsa, MD
President & Chief Executive Officer
Harris Health System

MISSION, VISION, VALUES, AND PROMISE

Our Code of Conduct puts our Mission, Vision, Values, and Promise into practice. It provides standards of conduct that must be followed by everyone who works at or with Harris Health ~~System~~: Our Board of Trustees, employees, members of our medical staff, trainees, contractors, volunteers, and vendors. Our Code of Conduct aligns with and supports Harris Health's strategic plan and pillars as well as Harris Health's policies and procedures.

Commented [WCR1]: Please include the link to the plan here: https://www.harrishealth.org/SiteCollectionDocuments/strategic-plan.pdf

OUR MISSION

We are 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.

OUR VISION

We will become the premier public academic healthcare system in the nation.

OUR VALUES

Harris Health values QUALITY

- **Q**uality and Patient Safety
- **U**nited as One Harris Health System
- **A**ccountable and Just Culture
- **L**eadership & Integrity
- **I**nnovation, Education, Research
- **T**rust, Recognition, Respect
- **Y**ou: Patients, Employees, Medical Staff~~Our patients, staff, and partners~~

~~Diversity and inclusion~~

To provide high-quality healthcare by knowledgeable and highly trained staff~~.~~;

To provide prompt, friendly, and courteous service~~.~~;

To be sensitive and responsive to our patients' needs and concerns and the needs and concerns of their family members and friends~~.~~; and

To provide a clean, comfortable, and safe environment in all our facilities.

OUR STRATEGIC PILLARS

We will strive to accomplish the goals and objectives of each Strategic Pillar by aligning behavior and actions in furtherance of each Pillar. Our Strategic Pillars are:

- Quality and Patient Safety
- People

- One Harris Health System
- Population Health Management
- Infrastructure Optimization
- Diversity, Equity, and Inclusion.

The Role of Corporate Compliance at Harris Health

The Office of Corporate Compliance is responsible for developing and fostering a culture of ethical conduct. The Office of Corporate Compliance is charged with the duty of providing education, training, and guidance to workforce members and implementing a compliance program that prevents, detects, and corrects accidental or intentional violations of federal and state laws or regulations and/or Harris Health policies and this Code of Conduct.

~~Our~~ Carolynn Jones, Harris Health's Chief Compliance and Risk ~~Compliance~~ Officer, provides executive-level direction for the compliance program and is responsible for incorporating the c~~C~~ompliance p~~P~~rogram within Harris Health's operations and programs through collaboration with executive ~~management~~leadership. The Chief Compliance and Risk ~~Officer~~ Officer also has a direct line of communication and independent responsibility ~~direct access to and directly reports~~ to the Board of Trustees.

The Board of Trustees' ~~Audit and Corporate~~ Compliance and Audit Committee assists the Board of Trustees in its oversight responsibilities of the ~~Corporate Compliance~~ Office of Corporate Compliance's efforts to cultivate an ethical and compliant culture and sets the tone for a culture of compliance within Harris Health.

Below please find the contact information for the Chief Compliance and Risk Officer as well as the Deputy Compliance Officer:

Carolynn Jones, JD, CHC (She/Her/Hers)

EVP, Chief Compliance & Risk Officer

Harris Health System |

Office: 346-426-0174 |

Email: Carolynn.Jones@harrishealth.org

Anthony B. Williams, MBA, CHC, CSSGB

VP Corporate Compliance/Deputy Compliance Officer

4800 Fournace Place | Bellaire, TX 77401

Office: 346-426-0109

Email: Anthony.williams5@harrishealth.org

INTRODUCTION TO OUR CODE OF CONDUCT

Our Responsibilities under the Code of Conduct

Everyone who works at or with Harris Health has a responsibility to perform his or her job duties in compliance with the Code of Conduct. All potential violations of the Code of Conduct should be reported pursuant to the 4-Step Reporting Process.

Harris Health has adopted a Just and Accountable Culture. ~~Just and Accountable Culture.~~ This means that when a violation of the Code of Conduct is reported to the Office of Corporate Compliance, the violation is treated as an opportunity to understand the behavioral choice and/or system failures that led to the violation. ~~Click here to learn more about Harris Health's Just and Accountable Culture. https://youtu.be/6eUFPOnCm2I~~

Leadership Responsibilities Under Our Code of Conduct

Managers and supervisors have the following additional responsibilities under our Code of Conduct:

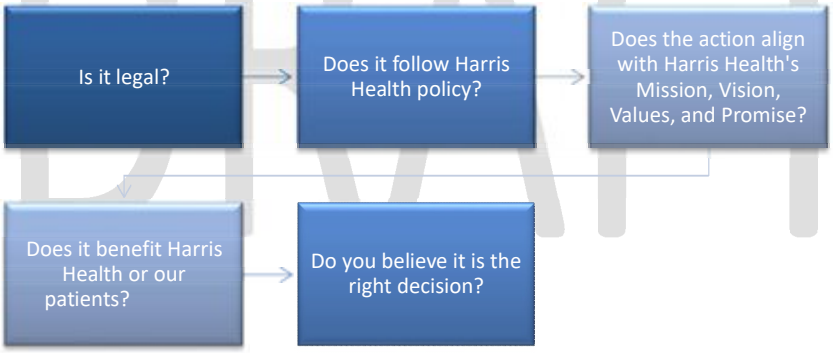
- **Be an example**
    - Promote the Code of Conduct in daily activities by complying with the Code of Conduct. Specifically, ~~you~~ managers and supervisors should know, understand, and follow the statutes, rules, and regulations that govern your area of responsibility. Managers and supervisors should also report any and all potential violations of the Code of Conduct.
- **Be accessible**
    - Managers and supervisors should have an open-door policy so that workforce members feel comfortable asking questions about the Code of Conduct or raising concerns regarding potential violations.
- **Be responsive**
    - Managers and supervisors should identify compliance risks and respond in a timely manner to address the identified risks. Further, ~~supervisors~~ managers and supervisors~~and managers~~ should give prompt answers to any questions or concerns regarding the Code of Conduct or refer questions to the Office of Corporate Compliance.

Quiz: What should I do?

There may be times when you are unsure whether an activity or situation is unethical or illegal. Certain words and phrases raise "red flags" that an action could violate our Code of Conduct. Specifically, all of the following phrases should send a warning signal to you:

- "Well, maybe just this once."
- "Everyone does it."
- "No one will ever know."
- "No one will get hurt."

If you are ever unsure what decision to make, use the following quiz to determine whether you are making the right choice for Harris Health and our patients or whether you should seek additional guidance before you act.



If you answered "no" or are unsure of the answer to any of the above questions, you should contact your manager or supervisor, another trusted manager, or Harris Health's Office of Corporate Compliance before you proceed.

Reporting Compliance Issues and Understanding Harris Health's Non-Retaliation Policy

Reporting Compliance Issues

Harris Health has a Just and Accountable Culture ("JAC"). JAC is how Harris Health reacts to and manages human errors, mistakes, and violations of laws or regulations. JAC promotes a process where mistakes, errors, ~~-~~and/or violations of laws or regulations do not result in *automatic* punishment, but rather result in ~~-~~a process to uncover the source of the error or violation. Errors that are not deliberate or malicious may result in coaching, counseling, and education around the error and/or violation, ultimately decreasing the likelihood of a repeated error or violation.

Both ~~the Just and Accountable Culture and~~ Harris Health's Code of Conduct and JAC require you to report known or suspected violations of the Code of Conduct. If you have a question or concern about an activity violating the Code of Conduct by being unethical, illegal, or wrong, use the following 4-Step Reporting Process to report your concerns.

Step 1: Talk to your supervisor. He or she is most familiar with the laws, regulations, and policies that relate to your specific job responsibilities.

Step 2: If you are not comfortable contacting your supervisor, if you do not receive an adequate response from your supervisor, or if both you and your supervisor ~~and you~~ still have questions or concerns, talk to another member of the management team.

Step 3: If you still have concerns, contact the Office of Corporate Compliance ~~Office~~ at ~~713~~346-~~566~~426-~~6948~~1505 or at corporatecompliance@harrishealth.org.

Step 4: If, for any reason, you feel that you cannot follow the above steps, you can always call Harris Health's confidential Corporate Compliance Hotline at ~~800~~844-~~500~~565-~~0333~~0621 or use https://secure.ethicspoint.com/domain/media/en/gui/78122/index.html. The Corporate Compliance Hotline is operated by an independent third party and the Office of Corporate Compliance only receives information authorized by the caller. The Corporate Compliance Hotline is available 24 hours a day, 365 days a year. Your identity remains anonymous unless you choose to identify yourself. Additionally, the Office of ~~C~~Corporate Compliance keeps your identity confidential to the extent allowed by law unless your identity is critical for the resolution of an investigation~~w~~. ~~-~~ Harris Health's Corporate Compliance Officer reviews, investigates, and responds to all calls made to the Hotline.

Our Non-Retaliation Policy

Harris Health does not tolerate retaliation against anyone who, in good faith, reports an actual or suspected violation of the Code of Conduct. Retaliation occurs when unfair consequences such as disciplinary actions or unfavorable pay or promotion decisions are made against an individual who has reported alleged violations of laws, rules, regulations, Harris Health's Code of Conduct, or Harris Health's policies and procedures. –Any workforce member who conducts or condones retaliation against another workforce member for reporting an actual or suspected violation of the Code of Conduct ~~is~~ will be subject to disciplinary action, up to and including termination. If you believe that you have been retaliated against, please report your concern using the reporting process explained above.

The Code

STEWARDSHIP

Protecting oOur ~~Patients'~~ patients' ~~Information~~ information and Harris Health's ~~Information~~ information and ~~Resources~~ resources to enable Harris Health to optimize its infrastructure, and protecting Harris Health' patients by creating an environment where zero patient harm is the expectation through the provision of safe and high-quality care.

- **Standard of Conduct: Safeguarding PHI**
  - **Our Commitment**
    - We are committed to safeguarding our patients' protected health information in accordance with state and federal privacy and security laws and regulations.
  - **Your Responsibilities**
    - To protect our patients' privacy by only using, ~~and~~ disclosing, or accessing ~~the~~ a patient's protected health information, including their electronic medical record, if it is necessary to do your job (for treatment, payment, or healthcare operations purposes, for example) and only using or disclosing the minimum amount of protected health information necessary to do your job.
    - To always obtain a patient's authorization to use or disclose their ~~patient's~~ protected health information if the use or disclosure is not for treatment, payment, or healthcare operations or unless the use or disclosure is otherwise permitted under state or federal privacy laws and regulations.
    - To be sensitive to your surroundings when you are sharing protected health information and to always speak in a low and quiet tone if you are not in a private area.
    - To always properly dispose of protected health information in the designated locked ~~blue~~ shred bins.
    - To ~~always~~ report any known or suspected ~~-~~impermissible or improper use, ~~or~~ disclosure of, access to protected health information to the Office of Corporate Compliance as soon as possible, but no later than 24 hours after discovering an actual or suspected impermissible or improper use, disclosure, or access. ~~-~~
    - To never share your passwords or credentials with anyone for any reason.
    - To maintain up-to-date knowledge of privacy and information security rules by completing Harris Health's annual privacy and information security education.
  - **FAQs**
    - **What is protected health information?**
    - Protected health information is ~~anything~~ information that identifies a patient or could be used to identify a patient **and** relates to that patient's healthcare in any way. Protected health information can be in any format, including paper, electronic, or oral. Examples include After-Visit Summaries, prescriptions, any information included in the patient's electronic medical record, and information discussed between healthcare providers.
    - **Can I disclose a patient's protected health information to a patient's family member(s) or friend(s)?**

Commented [dm2]: EILEEN: The edit on the line below relates to the landing page for The Code where you give the description for STEWARDSHIP

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- Yes; however, you may only disclose protected health information to a patient's family member(s) and/or friend(s) ~~so long as you only disclose protected health information~~ that is **directly relevant** to the patient's family member's or friend's involvement in the care of the patient and so long as the patient has agreed or has been given an opportunity to object and did not object. For more information regarding these disclosures, please see Harris Health Policy 3.11.203, *Use and Disclosure of Protected Health Information to Persons Involved in the Patient's Care and for Disaster Relief Purposes*. ~~.~~

- **Can I take a photograph of a patient or make a recording of a patient?**
- Yes, you may take a photograph of a patient or make a recording of a patient, *provided that*: (1) the patient's written authorization (use Harris Health form no.282758) is obtained **prior to** taking the photograph or making the recording; or (2) the photograph or recording is being taken and used for treatment purposes only and ~~the photograph or recording~~ is integral to the treatment of the patient; or (3) the photographer or recording is taken to be used for internal education purposes. For more information, please see Harris Health policy 3.11.310, *Making and Disclosing Photographic, Video, Electronic, Digital, or Audio Recordings of Patients*. ~~*(include hyperlink in microsite version) https://apps.hchd.local/sites/dcc/Policy/Policies/3.11.310%20Making%20and%20Disclosing%20Photographic,%20Video,%20Electronic,%20Digital,%20or%20Audio%20Recordings%20of%20Patients.pdf*~~

- **What should I do if I suspect that HIPAA has been violated?**
- Because the HIPAA privacy rule requires that Harris Health notify affected patients within sixty (60) calendar days of the discovery of a HIPAA breach, ~~Y~~you should report your suspicions as soon as possible but not later than 24 hours after discovery to the Office of Corporate Compliance for investigation ~~because the HIPAA privacy rule requires that Harris Health notify affected patients within sixty (60) calendar days of the discovery of a HIPAA breach~~. You may report HIPAA allegations either: (1) via email to CorporateCompliance@harrishealth.org; (2) through Harris Health's Electronic Incident Reporting System (eIRS); or (3) to the Corporate Compliance hotline at (8~~44~~00) 56~~5~~00-0621 or online ator use https://secure.ethicspoint.com/domain/media/en/gui/78122/index.html ~~333~~.

- **Policies to Know:**
  - Harris Health Policy 3.11.105, *Use and Disclosure of Protected Health Information for Treatment, Payment, and Health Care Operations*~~.~~
  - Harris Health Policy 3.11.104, *Sanctions for Failure to Comply with Privacy and Information Security Policies*
  - Harris Health Policy 3.11.201, *Use and Disclosure of Protected Health Information for Facility Directories*~~.~~
  - Harris Health Policy 3.11.302, *Minimum Necessary Standard for Request, Use, or Disclosure of Protected Health Information*~~.~~
  - Harris Health Policy 3.11.306, *Permitted Use and Disclosure of Protected Health Information Without a Patient Authorization*~~.~~
    Harris Health Policy 3.11.310, *Making and Disclosing Photographic, Video, Electronic, Digital, or Audio Recordings of Patients*~~.~~

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- **Standard of Conduct: Protection of Confidential Information Other Than PHI**
    - **Our Commitment**
        - We are committed to maintaining and protecting the confidentiality of proprietary and private information regarding our workforce members and operations.
    - **Your Responsibilities**
        - To protect confidential Harris Health information by only sharing that confidential information with persons who have a legitimate and lawful need to know.
        - To secure confidential information both physically and electronically.
        - To not alter or falsify information on any record or document.
        - To not knowingly communicate or transfer confidential information or documents to unauthorized persons and to take steps to mitigate against unknowingly transferring confidential information or documents to unauthorized persons.
        - To immediately notify your supervisor or the Office of Corporate Compliance if you believe that confidential information has been compromised, lost, or stolen.
    - **Examples of Confidential Information**
        - Workforce members' Social Security numbers
        - Workforce members' personal telephone number, address, email address, etc.
        - Financial information, such as credit card information, debit card information, bank account information, etc.
        - Driver's license numbers and license plate numbers
        - Certain vendor information such as bid information
        - Proprietary information such as proprietary computer software
    - **Policies to Know**
        - Harris Health Policy 8.03, *Records Retention and Destruction*
        - Harris Health Policy 8.03a, *Record Retention Schedule*
        - Harris Health Policy 6.37, *Acceptable Use of HCHD Internet and Email System*
- **Standard of Conduct: Protection of Harris Health Property and Assets**
    - **Our Commitment**
        - We are committed to protecting Harris Health's property and information against loss, theft, destruction, and/or misuse.
    - **Your Responsibilities**
        - To correctly use and care for all property and equipment entrusted to you whether you are using the equipment and property at a Harris Health facility or in your remote worksite while telecommuting.

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- To maintain, inventory, and keep all supplies secure and to not make unauthorized copies of computer software or use personal software on Harris Health's computers or equipment.
- To use Harris Health's computers, the email system, the internet, Harris Health's intranet, and other technology primarily for work-related purposes.
- To protect the confidentiality of your passwords ~~by not sharing your credentials~~.
- To protect against malicious programs being transmitted into Harris Health's electronic information systems by not downloading unapproved software, files, programs, and/or applications, and by not opening files attached to emails from unknown, suspicious, or untrustworthy sources and immediately reporting any suspected phishing attempt to Harris Health's Information Security department. Information Security may be contacted by emailing Information_Security@harrishealth.org.

- **FAQs**
  - **My department has several old calculators that are going to be replaced with a newer model of calculator. My child needs a calculator for his math class this year. Is it okay for me to take my old calculator home and give it to my child to use for his school work?**
  - No. It is never okay to take old Harris Health property for personal use. Taking Harris Health property for personal use constitutes theft.

  - **I received an email from Harris Health's Information Technology department asking me for my login user name and password so that the department can install updates to my workstation. Can I give the Information Technology department my login credentials?**
  - No. ~~No one from~~ Harris Health will never ask you for your login credentials or ~~will~~ need your login credentials. If you receive an email asking for your user name and password, please immediately forward it to Harris Health's Information Security department at infosec@harrishealth.org for investigation.

- **Policies to Know**
  - Harris Health Policy 3.11.803, *Information System User Responsibility*
  - Harris Health Policy 3.11.809, *Information Systems Password*
  - Harris Health Policy 6.37, *Acceptable Use of HCHD Internet and Email System.*

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- **Standard of Conduct: Protection of Harris Health Network and Electronic Data**

  - **Our Commitment**

    - We are committed to protecting and safeguarding Harris Health's electronic data, credit card data, and network from unauthorized access and/or use and other malicious activity, such as phishing.

  - **Your Responsibilities**

    - To never share your password or credentials with anyone for any reason. This includes sharing passwords or credentials with Harris Health's Information Security ~~department or Harris Health's~~ Information Technology departments.
    - To be vigilant in detecting possible phishing attempts and other cyber threats. This includes not clicking on links from unknown sources or senders.

- To ensure that sensitive information sent outside the organization is done using proper encryption methods.
- To ensure that any new products, software, or applications have been properly assessed by Harris Health's Information Security for potential risks prior to purchase and installation on ~~the~~ Harris Health's network.
- To report any suspicious cyber activity to ~~the~~ Harris Health's Information Security department immediately. This includes an unsolicited telephone call or email request asking for your password and/or username from anyone, including a Harris Health workforce member. You can report suspicious activity by email to the Information Security department at Infosec@harrishealth.org ~~(include hyperlink in microsite version)~~

- **Policies to Know**
  - Harris Health Policy 3.11.803, *Information System User Responsibility*
  - Harris Health Policy 3.11.804, *Information Security Risk Assessment*
  - Harris Health Policy 3.11.809, *Information Systems Password*
  - Harris Health Policy 6.37, *Acceptable Use of HCHD Internet and Email System*
  - Harris Health Policy 3.11.902, *Payment Card Industry Cardholder Data Handling*

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- **FAQs**
  - **What are the types of electronic data that Harris Health must protect?**
  - Electronic patient health information (ePHI), and electronic workforce member information, such as information stored in Peoplesoft and credit card data.
  - **I am really excited about a new software product that will help me do my job better, and it is very affordable. Can I purchase it and download it to the Harris Health network?**
  - Yes, BUT you **must first have a risk assessment** completed by Harris Health's Information Security department.

- **Standard of Conduct: Health and Safety**

  - **Our Commitment**
    - We are committed to promoting an environment that is safe, healthy, and secure for our workforce members, patients, and visitors by following all safety procedures and guidelines.

  - **Your Responsibilities**
    - To strictly adhere to Harris Health's Red Rules and to "stop the line" when noncompliance is observed with a Red Rule as outlined in Harris Health Policy 3466.01. **(Insert link to policy)**
    - To take all reasonable precautions and follow all applicable environmental, health, and safety requirements and rules.
    - To wear Personal Protective Equipment (PPE) whenever it is required.
    - To ensure that you are properly trained to use ~~any~~ the equipment you are required to use and that you are ~~or~~ properly trained to perform any procedure you are required to perform.

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- To promptly report any and all spills or accidents involving medical waste or hazardous materials, and to report any and all injuries to a workforce member, patient, or visitor. ~~To make a report, please click here: _____ (include hyperlink in microsite version)~~
- To wear your Harris Health ID Badge at all times and in the proper location.
- To never report to work while being impaired by medication (even prescribed medication) or alcohol.
- To follow Harris Health infection control policies and practices, including but not limited to, wearing a mask when appropriate and required and social distancing.

- **Policies to Know**

  - Harris Health Policy 7100, *Emergency Codes Conditions and Responses*
  - Harris Health Policy 3000, *Standard and Transmission Based Precautions*
  - Harris Health Policy 3003, *Personal Protective Equipment*
  - Harris Health Policy 6.27, *Workplace Violence*
  - Harris Health Policy 4201, *Management of Disruptive Patients and Visitors*
  - Harris Health Policy 3.66, *Weapons*
  - Harris Health Policy 3025, *Drug Free Workplace*

- **FAQs**

  - **I noticed an improper disposal of some medical waste. Because I am very busy at work, is it okay to wait until later to report what I saw to my supervisor?**
  - No. Safety is a top priority at Harris Health and a hazard such as the improper disposal of medical waste cannot be ignored. This hazard should be immediately reported the moment it is witnessed.

  - **I have a concealed handgun license. Is it okay for me to bring my gun into my office as long as I keep it in my purse?**
  - No. Workforce members are prohibited from possessing weapons on Harris Health premises, even if you have a license to carry the weapon. Please see **Harris Health policy 3.66, *Weapons*** for more information.

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INTEGRITY

High standards of business and professional ethics and honesty

- **Standard of Conduct: Conflicts of Interest**

  - **Our Commitment**

    - We are committed to acting in good faith in all aspects of our work and avoiding conflicts of interest that could result in undue outside influence or a desire for personal gain.

  - **Information to Know**

    - Harris Health defines a conflict of interest as any situation in which a workforce member has direct or indirect interests, including financial and personal interests, or business transactions or professional activities, that may compromise or appear to compromise: (1) the workforce member's business judgment; (2) the delivery of patient care; or (3) the workforce member's ability to do his or her job. In sum, a conflict of interest occurs when your non-Harris Health duties and/or responsibilities compromise or even appear to compromise your duties and/or responsibilities to Harris Health.

    - A conflict of interest could result from the following: (1) outside employment; (2) personal relationships; or (3) business opportunities.

  - **Your Responsibilities**
    - To not offer, accept, or provide gifts or favors, such as meals, transportation, or entertainment that might be ~~interpreted~~ viewed as a conflict of interest and that could violate Harris Health's Gifts policy.
    - To avoid situations resulting in improper personal gain or advantage ~~To avoid instances where the actions of an individual acting on behalf of or with Harris Health involve obtaining improper personal gain or advantage by the individual or a member of his or her family or have a potentially adverse effect on Harris Health's interests,~~ such as hiring and supervising a family member or awarding a bid to a friend's business.
    - To ~~maintain~~ keep~~professional~~ relationships with actual and potential vendors and contractors professional.
    - To not allow outside employment to conflict with your position and employment with Harris Health.
    - To not use Harris Health owned vehicles, equipment, materials, or other property for personal gain, convenience, or financial benefit.
    - To report any actual or perceived conflict of interest to the Office of Corporate Compliance.

  - **FAQs**
    - **I would like to do some part time work on the weekends to supplement my paycheck at Harris Health. The job has nothing to do with healthcare and would never interfere with my work schedule at Harris Health. Would this be a conflict?**

- This would probably not create a conflict of interest because it does not involve healthcare and because it would not interfere with your work schedule at Harris Health. However, before you accept the job, you should discuss it with your supervisor and you **must** disclose it ~~to~~to the Office of Corporate Compliance to make sure it does not create a conflict of interest.

- **I am a nurse and my best friend owns a company that provides home health services. Is it okay if I tell my Harris Health patients about his company and his services while I am treating my patients?**
- No, promoting your friend's company would create a conflict of interest. The promotion of your friend's company would compromise (or at least appear to compromise) your business judgment and the delivery of patient care to your patients because you could promote your friend's company over a better or more qualified ~~companies~~ company to the benefit of your friend and to the detriment of the patient.

- **Policies/Forms to Know**
  - Harris Health Policy 3.42, *Conflicts of Interest*
  - Harris Health *Conflict of Interest Disclosure* Form

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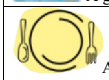
- **Standard of Conduct: Gifts**
  - **Our Commitment**
    - We are committed to not unduly influencing or being unduly influenced by giving or receiving gifts.
  - **Information to Know**
    - A gift is **anything of value** that may include but is not limited to monetary gifts, such as cash, checks, gift cards, securities, subsidies, or honoraria, or non-monetary gifts, such as meals, real property, personal property, goods, favors, memberships, or tickets.
  - **Your Responsibilities**
    - To never solicit a gift from a patient, vendor, or fellow workforce member.
    - To ~~only~~ accept only the following types of gifts from patients: (1) perishable gifts, such as food and flowers~~,~~ that are shared with your department or unit; or (2) handmade gifts such as a knitted scarf or headband. You may only give patients gifts that have been approved by the Office of Corporate Compliance.
    - To only give and accept gifts from workforce members that do not compromise or appear to compromise your business judgment, the delivery of patient care, or the performance of your job duties.
    - To never accept cash or cash equivalent items from vendors. Workforce members may only accept a gift~~s~~, including a meal~~s~~, if it is valued at less than $50 from a vendor, and w~~W~~orkforce members ~~and~~ may not accept more than $250 worth of total gifts, including meals, from a vendor each year. ~~more than $250 worth of gifts per year from a vendor. However, w~~Workforce members **may not** accept a gift from a vendor ~~even if the gift is~~ valued at less than $50 if that gift compromises or appears to compromise the

workforce member's judgment, the delivery of patient care, or the performance of his or her job.

- Obtain prior approval from Harris Health's Office of Corporate Compliance before organizing engaging in a Harris Health campaign to provide gifts to patients and/or their families.

- **FAQs**

I received	May I accept?
 A gift card from a vendor for $20	No. You are prohibited from accepting cash or cash equivalents from a vendor.
 A free lunch from a vendor	Yes. You may accept a lunch from a vendor so long as the lunch is valued at less than $50 and so long as ~~long as~~ it does not compromise or appear to compromise your judgment, patient care, or the performance of your job. ~~BUT, you may not have lunches with one vendor that exceeds $250 in total.~~
 A tin of popcorn from a patient during the holidays	Yes, you may accept the popcorn as long as you share the popcorn with everyone in your department.
An offer to pay for travel and training expenses from a vendor in exchange for speaking at a conference	Maybe. If the vendor is already doing business with Harris Health and has necessary training or product upgrades to show you, then you must first obtain the approval of your Executive Vice President before accepting the vendor's travel proposal. Your Executive Vice President must consult with the Office of Corporate Compliance before approving the acceptance of this gift. If you are being asked to speak for payment at a location other than Houston and travel is involved, discuss the matter with the Office of Corporate Compliance.
Free tickets to a Houston Texans game from a vendor	No. Workforce members are prohibited from accepting tickets of any kind from a vendor. ~~, such as sports and entertainment events, from a vendor~~.
A picture frame from a co-worker on your birthday	Yes. Workforce members may accept modest gifts from other workforce members so long as the gift does compromise or appear to compromise the workforce member's judgment, the delivery of patient care, or the performance of his or her job duties.

- **Policies to know**

  - Harris Health Policy, *3.61 Gifts*

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- **Standard of Conduct: Compliance with Laws**

  - **Our Commitment**

- We are committed to high standards of business and professional ethics and integrity. We will provide patient care and conduct business while following all applicable federal, state, and local laws and regulations.

- **Your Responsibilities**

  - To promptly report to your supervisors or to the Office of Corporate Compliance any actual or suspected violation of a law, regulation, or a Harris Health policy.
  - To bill payors and patients in accordance with the Federal False Claims Act and the Texas Medicaid Fraud Prevention Act.
  - To never offer, provide, solicit, or receive kickbacks, bribes, rebates, or anything else of value in order to influence the referral of patients or services payable by a government healthcare program in violation of the Anti-Kickback Statute. For more information, please see Harris Health Ppolicy -3.31, *Preventing and Reporting Fraud, Abuse, and Wrongdoing.*
  - To neither hire nor contract with individuals who have been sanctioned by the Office of the Inspector General of the U.S. Department of Health and Human Services (OIG) or barred from participating in federal and/or state procurement programs.
  - To accept patients based on the patient's clinical needs and our capacity to render those services and to always comply with the requirements of the Emergency Medical Treatment and Active Labor Act (EMTALA) when individuals seek emergency treatment by ensuring that all patients who present to a Harris Health emergency center receive a medical screening exam and have his or her emergency medical condition (if one exists) stabilized or coordinating the transfer of the patient.
  - To ensure and validate that all workforce members who ~~are providers of~~provide patient care are properly licensed and trained ~~prior to administering patient care~~.
  - To ensure that confidential information, including protected health information, is only used and disclosed in accordance with the law.

- **FAQs**
  - **My director and administrative director have told me and my coworkers that we should not contact the Office of Corporate Compliance when we discover non-compliant behavior or inappropriate practices. Instead, we were told that we should contact one of them *and only* them. Is this okay?**
  - Absolutely not. While it certainly is okay for you to discuss non-compliant behavior or inappropriate practices with your supervisors, you should also always report that behavior to the Office of Corporate Compliance, unless your supervisor is reporting the issue himself or herself.

  - **If a patient is seeking treatment in a Harris Health's Emergency Center but is being disruptive. May Harris Health ask the patient to leave the premises?**
  - Harris Health may ask a disruptive patient to leave an Emergency Center ONLY AFTER the patient has had a medical screening exam completed by a QMP and it has been determined that the patient does not have an emergency medical condition. In almost all cases, it is never appropriate to ask a patient to leave an emergency center prior to receiving a medical screening exam.

- **Policies to Know**

- Harris Health Policy *3.31 Preventing Fraud, Abuse, and Wrongdoing*
- Harris Health Policy *3.58, Non-Retaliation for Reporting Fraud, Abuse, and Wrongdoing*
- Harris Health Policy 3.56, *EMTALA Screening, Stabilization, and Transfer*
- Harris Health Policy 3.35, *Sanction Screening for Ineligible Persons*

RESPECT

Recognizing the value of all individuals and treating all individuals with kindness, and enhancing the patient, staff, and provider experience by actively listening to feedback and developing a culture of respect, recognition, and trust.

- **Standard of Conduct - Protecting Patient's Rights**

  - **Our Commitment**

    - Harris Health is committed to respecting the dignity and rights of all our patients.

  - **Your Responsibilities**
    - To acknowledge and adhere to Harris Health's Patient Rights and Responsibilities.
    - To ~~attentively~~ listen attentively to patients and their family members and to respond to all questions, concerns, and needs in a timely and compassionate manner.
    - To provide the same level of care and service to all patients regardless of race, color, national origin, disability, sex, age, or other legally protected status.
    - To share important information about ~~the~~ a patient's care in ~~the~~ a patient's or ~~the~~ a patient's family members' preferred language, and in a clear, professional, and understandable manner.
    - To respect patient decisions regarding his or her care, including the consent for treatment or the decision to change or withdraw treatment.
    - To use restraints in accordance with the law and always remove restraints at the earliest possible time. For further guidance on the use of restraints, please see Harris Health Policy and Procedure 7.02, Restraints and Seclusion, which can be found here: https://apps.hchd.local/sites/dcc/Policy/Policies/7.02%20Restraint%20and%20Seclusion.pdf

  - **FAQs**

    A patient who does not speak English requests that her 13-year old daughter interpret for her while the patient's physician explains the patient's diagnosis. Can the daughter interpret for the patient?
    No. Harris Health policy 3.52 provides that you should never rely on a minor child or another family member to interpret on behalf of a patient, *except in emergency circumstances when a qualified interpreter is not available.* However, Harris Health does permit family members to be present to assist the patient in understanding ~~the~~ information communicated to the patient through ~~the~~ a qualified interpreter.

    I speak fluent Spanish but I have not been qualified as a bilingual workforce member. Is it okay for me to speak to my patients in Spanish or to interpret for my coworkers?
    No. Only workforce members who have been qualified as a bilingual workforce member~~s~~ may speak directly to his or her patients in a language other than English. Further, only qualified Harris Health interpreters may interpret for a

patient who does not speak English. Qualified bilingual workforce members **may not interpret.**

- **Policies to know**
  - Harris Health's Patient Rights & Responsibilities
  - Harris Health Policy 3.52, *Non-Discrimination in Access to Services, Programs, and Facilities*
  - Harris Health Policy 4215, *Consent for Medical Treatment and Identification of a Surrogate Decision-Maker*
  - Harris Health Policy 4128, *Advance Directives*
  - Harris Health Policy 7.02, *Restraints and Seclusion*
  - Harris Health Policy 7.07.02, *Inpatient Do-Not-Resuscitate Orders*
  - Harris Health Policy 7.07, *End of Life Care Decision*
  - Harris Health Policy 4605, *Patient Visitor Policy*

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- **Standard of Conduct: Human Resources**
  - **Our Commitment**
    - Harris Health is committed to maintaining a just and accountable culture and creating a workplace where workforce members are treated with respect and fairness and where workforce members' unique contributions are appreciated. Harris Health will strive to create an environment where workforce members are empowered to do their job and provide the best care possible to our patients.
  - **Your Responsibilities**
    - To treat your fellow workforce members with fairness, consistency, dignity, and respect regardless of the workforce member's status or position and ~~to strive~~ to foster confidence and professionalism in your fellow workforce members.
    - To promote a work environment that is free from harassment of any kind and to report any intimidating or disruptive behavior you experience or witness. Insert link to information/policy on how to report it.
    - To not engage in disruptive behavior in violation of and defined in Harris Health policy 6.39, *Conflict Resolution in the Workplace*.
    - To use social media responsibly, professionally, and in a manner that complies with Harris Health policy 3.50, *Social Media.*
  - **Harris Health's Responsibilities**
    - To provide a Just and Accountable Culture by using a consistent, fair, and systematic approach to managing behaviors. Harris Health will ~~that~~ facilitate a culture that balances a non-punitive learning environment with the equally important need to hold persons accountable for their actions, including in accordance with Harris Health Policy 3466.01, *Red Rules*.
    - To provide equal employment opportunities and ensure that Harris Health workforce members are hired, trained, promoted, and compensated based on personal competence and potential for advancement, and to review and evaluate each workforce member's performance periodically in an objective, consistent, and uniform manner.

- To make employment decisions without regard to a workforce member's race, color, sex, national origin, age, religion, marital status, disability, ethnicity, familial status, military status, sexual orientation, genetic information, gender identity, or pregnancy as well as any other classifications as required by law. Further, Harris Health will take steps to promote and embrace Diversity, Equity, and Inclusion in all of its activities. The mission, vision and goals of Harris Health's Diversity, Equity, and Inclusion program are:
  - **Mission**: To foster an inclusive environment that supports and nurtures the talents, skills, and abilities of each individual; encourages curiosity and empathy; and ensures world-class delivery of care marked by equity and respect.
  - **Vision**: To celebrate the uniqueness of all individuals through acceptance, inclusion, continued learning, and respect. The Diversity, Equity & Inclusion initiatives will honor the contributions of every employee, patient, and community member to our shared success.
  - **Goal:** To foster a culture of compassion, trust, integrity, equity, and respect that continues to ensure that our patients, staff, and partners feel welcomed, understood, and valued at Harris Health, and to leveraging industry-leading technology and analytics to ensure measurable progress in this goal.
- To promptly and thoroughly investigate all claims of harassment, of any kind, or any other behavior that creates a hostile work environment for Harris Health's workforce members.
- To comply with all applicable federal and state laws regulating the payment of wages.

- **Policies to Know**
  - Harris Health Policy 6.08, *Grievance Procedure*
  - Harris Health Policy 6.19, *Non-Discrimination*
  - Harris Health Policy 6.36, *Sexual Harassment*
  - Harris Health Policy 6.39, *Conflict Resolution in the Workplace*
  - Harris Health Policy 6.44, *Reasonable Accommodation*
  - Harris Health Policy 6.27, *Workplace Violence*

- **Additional Information:**
  - **The Recruit: https://www.youtube.com/watch?v=4IqGABVz0dE&t=3s**
  - **Information on Harris Health's Diversity, Equity, and Inclusion Program:** https://sp2013.hchd.local/hr/DEI/Pages/DEI.aspx

- **FAQs**
  - **My supervisor frequently makes comments about the way I dress. He says he likes the way I dress because my clothes show off my body and that I have a good body. This makes me feel uncomfortable. Is this sexual harassment? ~~always hugs me at the end of the day and tells me how much she values me as a workforce member. I think my supervisor is just being friendly, but I do not like it when she hugs me. What can I do?~~**
  - Comments of a sexual nature *can be* considered sexual harassment. ~~Any physical contact of a sexual nature, including touching, patting, hugging, or brushing against a person's body could be considered sexual harassment.~~ Workforce members can either (1) discuss the unwanted or unwelcomed remarks ~~physical~~

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~~contact~~ with the individual involved, if they feel comfortable; (2) contact Human Resources; or (3) contact the Office of Corporate Compliance.

- **I received my performance evaluation score and I do not agree with it. Is there anything I can do?**
  Yes, ~~as a~~if you are an eligible Harris Health workforce member, you are permitted to grieve your performance evaluation score pursuant to Harris Health policy 6.08. For more information regarding who qualifies as an eligible workforce member, see Harris Health policy 6.08.

ACCOUNTABILITY

Taking responsibility for the patients we serve and the services we provide in becoming a high-reliability organization with zero patient harm and acting as one system in our approach and management to health care.

- **Standard of Conduct - Quality Care and Zero Harm**
  - **Our Commitment**
    - Harris Health is committed to being a High Reliability Organization with quality and patient safety being a core value and where zero patient harm is the expectation by providing quality care and services ~~providing its workforce members with a Just and Accountable Culture to reinforce Harris Health's commitment to provide quality care and services~~ to the patients we serve. To that end, Harris Health will continually monitor the delivery of care and related services to assure that appropriate standards of practice are met and to ensure that it employs appropriately licensed and credentialed healthcare providers to care for our patients.
  - **Your Responsibilities**
    - To take responsibility for the patients you treat and provide care and services that are based on current standards of practice and the most current knowledge.
    - To follow quality improvement protocols and participate in performance improvement and patient safety activities.
    - To actively focus on patient safety and empower coworkers to focus on patient safety and quality of care, including an intense focus on proper patient identification and time-out.
    - To only provide the care that you are licensed or credentialed to provide and that you have been trained to provide.
    - ~~To follow quality improvement protocols and participate in performance improvement and patient safety activities.~~

- **FAQs**

  - **I forgot to use two patient identifiers when giving a patient a medication and ~~this~~ it resulted in the patient getting another patient's medication instead of their own. The patient brought it back to me before he took any of the medication. Do I need to report this incident even though nothing bad happened as a result of my error?**
  - Yes. Failing to use two patient identifiers to properly identify a patient is an at-risk behavior. An ~~A~~at-risk behavior is defined as a behavioral choice where the risk is not recognized or is mistakenly believed to be justified. Pursuant to Harris Health Policy 3466, *Just and Accountable Culture*, ~~-~~and Harris Health Policy 3466.01, *Red Rules,* all safety events, including near misses such as the one described, must be reported. Failure to report a safety event will result in disciplinary action up to and including termination. Further, employees who commit a Red Rule violation are also potentially subject to disciplinary action under Harris Health's Just and Accountable Culture algorithm.

- **Policies to Know:**
  - Harris Health Policy 3466, *Just and Accountable Culture*
  - Harris Health Policy 3466.01, *Red Rules*
  - Harris Health Policy 3.63, *Incident Reporting policy*
  - Harris Health Policy 7.11, *Patient Identification*

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- **Standard of Conduct: Billing and Coding**

  - **Our Commitment**

    - Harris Health recognizes that accurate documentation, coding, and billing is a critical component to providing quality healthcare and obtaining proper reimbursement. Therefore, Harris Health is committed to timely ~~and accurate~~ billing and coding that accurately reflects the services ordered and performed and is in accordance with all federal and state laws and regulations.

  - **Information to Know**

    - It is a violation of the Federal False Claims Act and the Texas Medicaid Fraud Prevention Act to knowingly submit claims for payment with false or untrue information. Both the federal and state false claims acts include provisions to protect whistleblowers from retaliation for reporting. Harris Health also protects whistleblowers from retaliation for reporting false claims. For more information see the following Harris Health policies:
      - Harris Health policy 3.31 *Preventing and Reporting Fraud, Abuse, and Wrongdoing*
      - *https://apps.hchd.local/sites/dcc/Policy/Policies/3%2031%20Preventing%20Fraud%20Abuse%20and%20Wrongdoing.pdf*
      - Harris Health policy 3.58, *Non-Retaliation for Reporting Fraud, Abuse, and Wrongdoing*~~-~~

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  - **Your Responsibilities**

- To document accurate, timely, and complete patient information regarding the services that were provided as part of a patient's care and treatment.
- To only bill for ~~those~~ services or items that are medically necessary and that are documented in a patient's medical record. Harris Health will not knowingly submit for payment or reimbursement a claim that is false, fraudulent, or fictitious.
- To ~~only~~ waive co-payments and deductibles in accordance with applicable laws, regulations, and Harris Health policies.
- To respond to all questions and complaints regarding a patient's bill in a timely, direct, and honest manner.

- **FAQs**

  - **A co-worker, who has responsibility to review and resolve billing edits, has mentioned that she applies certain modifiers because she knows that if she doesn't, the hospital will not get paid. Should I let someone know?**
  - Yes, you should contact the Office of Corporate Compliance to report this situation. If medical documentation does not support the addition of the modifier, Harris Health may need to repay all payments with the modifier that it had previously received.

  - **Some of my family members are patients at the Harris Health clinic where I work. I would like to give them a "friends and family" discount and not require them to pay any co-pay or deductible and just accept whatever their insurance company will pay. Am I allowed to do this?**
  - No. Medicare regulations expressly prohibit covered entities from waiving copayments or deductibles for any patient unless the patient meets certain indigent requirements.

[closing]

HARRIS HEALTH SYSTEM

The Harris Health System Code of Conduct protects us all. Thank you for doing your part to honor it.

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

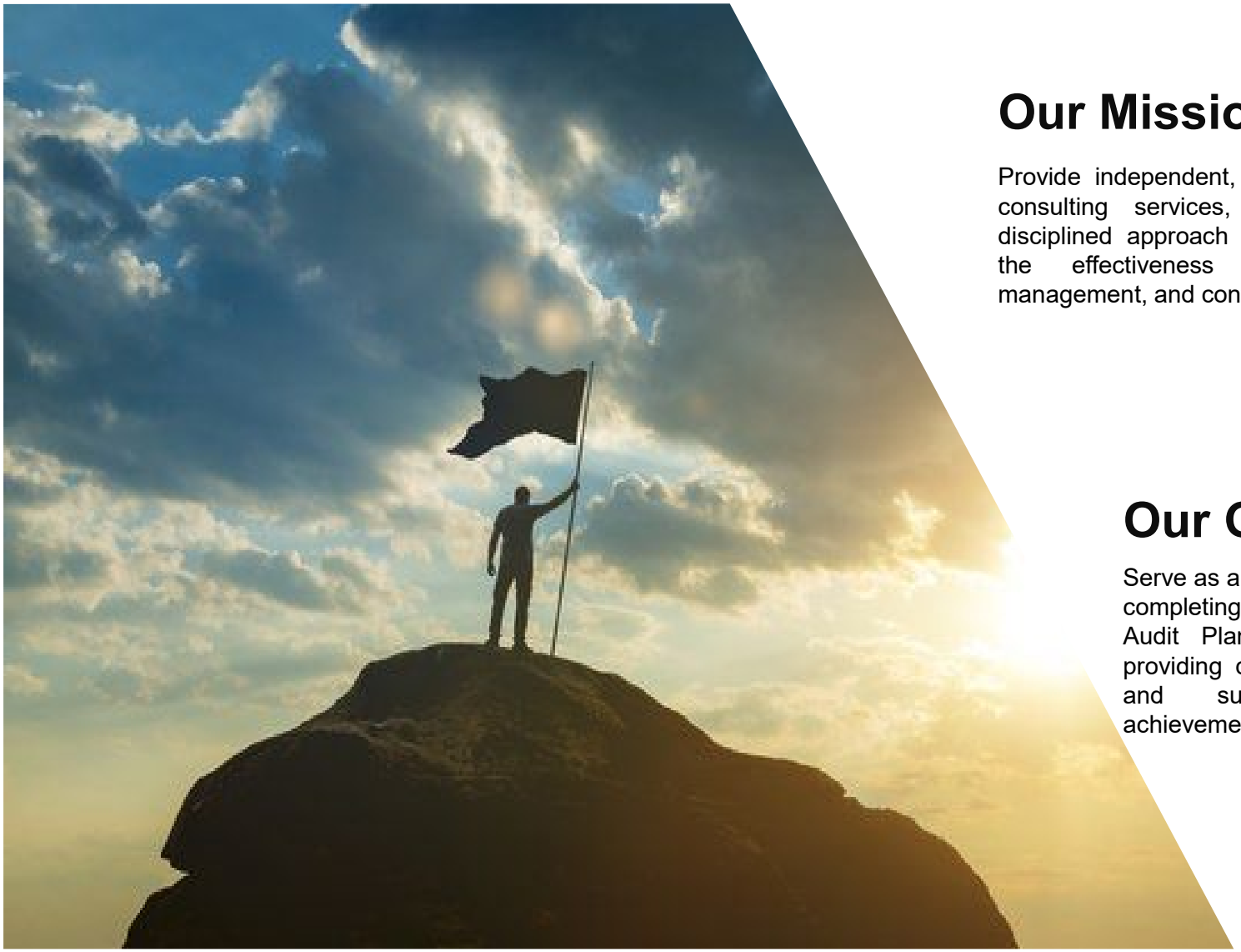
Presentation Regarding the Harris Health System Internal Audit Update

Harris County Auditor's Office presentation to the Compliance and Audit Committee of the Internal Audit Update

HARRISHEALTH SYSTEM

Internal Audit Update

February 9, 2023



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.

FY 2023 Audit Plan Status

HARRIS HEALTH SYSTEM

Completed Audits since last CAC meeting

- Correctional Health Mental Health Services (carryforward from 2022)
- Follow-up on A&M Recommendations (carryforward from 2022)
- Procurement (carryforward from 2022)

In-Progress Audits

- UT Provider Invoicing
- Vendor Payment Timeliness
- Grant Operations and Compliance

Not Started

- Medical Device Security Audit
- Baylor Provider Invoicing
- Non-Formulary Drug Process Review
- Physician Preference Card Audit
- MWBE Program and Policy Audit
- Cybersecurity Training Compliance Assessment
- PeopleSoft Change Management
- HIPAA Privacy Controls Audit
- Follow-up: Correctional Health Pharmacy, Nursing, and Infection Prevention

Audit Results

KNOWLEDGE SHARING

Source: Advisory Board January 4, 2023 Daily Briefing, *https://www.advisory.com/daily-briefing/2023/01/04/healthcare-2023*

The 6 challenges facing health care in 2023—and how to handle them

With input from stakeholders across the industry, *Modern Healthcare* outlines six challenges health care is likely to face in 2023—and what leaders can do about them.

1. Financial difficulties

In 2023, health systems will likely continue to face financial difficulties due to ongoing staffing problems, reduced patient volumes, and rising inflation. Hospitals can expect wage growth to continue to increase even as they try to contain labor costs. They can also expect expenses, including for supplies and pharmaceuticals, to remain elevated. Health systems are also no longer able to rely on federal Covid-19 relief funding to offset some of these rising costs. Cuts to Medicare reimbursement rates could also negatively impact revenue.

2. Health system mergers

Although hospital transactions have slowed in the last few years, market watchers say mergers are expected to rebound as health systems aim to spread their growing expenses over larger organizations and increase their bargaining leverage with insurers.

3. Recruiting and retaining staff

Health care job openings reached an all-time high of 9.2% in September 2022—more than double the average rate of 4.2% between 2010 and 2019. With this trend likely to continue, organizations will need to find effective ways to recruit and retain workers.

4. Payer-provider contract disputes

A potential recession, along with the ensuing job cuts that typically follow, would limit insurers' commercial business, which is their most profitable product line. Instead, many people who lose their jobs will likely sign up for Medicaid plans, which is much less profitable. Because of increased labor, supply, and infrastructure costs, providers could pressure insurers into increasing the amount they pay for services. This will lead insurers to passing these increased costs onto members' premiums.

5. Investment in digital health

Much like 2022, investment in digital health is likely to remain strong but subdued in 2023. However, investors and health care leaders say they expect a strong market for digital health technology, such as tools for revenue cycle management and hospital-at-home programs. Investors, pharmaceutical companies, and insurers will show more interest in digital therapeutics, which are software applications prescribed by clinicians.

6. Health equity efforts

This year, CMS will continue rolling out new health equity initiatives and quality measurements for providers and insurers who serve marketplace, Medicare, and Medicaid beneficiaries. Some new quality measures include maternal health, opioid related adverse events, and social need/risk factor screenings. CMS, the Joint Commission, and the National Committee for Quality Assurance are also partnering together to establish standards for health equity and data collection. In addition, HHS is slated to restore a rule under the Affordable Care Act that prohibits discrimination based on a person's gender identity or sexual orientation.

Thank You

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 9, 2023

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 and a Status of Fraud and Abuse Investigations, Pursuant to Texas Health & Safety Code §161.032, and Possible Action Regarding This Matter Upon Return to Open Session

This information is being presented for informational purposes only.

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Executive Session

Report by the Senior Vice President, Chief Cyber & Information Security Officer, Regarding Harris Health System's Cybersecurity Year End Review, Pursuant to Tex. Gov't Code §418.183, Tex. Gov't Code §551.089, and Tex. Health & Safety Code §161.032

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Executive Session

Discussion Regarding Harris County Internal Audit Report on Outstanding High-priority Management Action Plans, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §151.002, Tex. Gov't Code §418.183 and Tex. Gov't Code §551.089

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Executive Session

Discussion Regarding Harris County Internal Audit Report on Harris Health's Correctional Health Mental Health Services, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007 and Tex. Occ. Code Ann. §151.002

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH SYSTEM

Thursday, February 09, 2023

Executive Session

Discussion Regarding Harris County Internal Audit Report on the Engagement to Facilitate Harris Health's Implementation of Recommendations from Alvarez and Marsal's Gap Assessment, Pursuant to Tex. Health & Safety Code Ann. §161.032, Tex. Occ. Code Ann. §160.007, and Tex. Occ. Code Ann. §151.002

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