

**MINUTES OF THE HARRIS HEALTH SYSTEM BOARD OF TRUSTEES**  
**Fiscal Year 2024 Budget Workshop**  
**August 10, 2023**  
**9:30 am**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
<b>I. Call to Order &amp; Record of Attendance</b>	<p>The meeting was called to order at 9:39 a.m. by Ms. Marcia Johnson, Chair. It was noted there was a quorum present and the attendance was recorded. Ms. Johnson stated while some of Board members are in the room with us today, others will participate by videoconference as permissible by state law and the Harris Health Videoconferencing Policy. The meeting may be viewed online: <a href="http://harrishealthtx.swagit.com/live">http://harrishealthtx.swagit.com/live</a>.</p>	<p><b>A copy of the attendance is appended to the archived minutes.</b></p>
<b>II. Discussion Regarding Harris Health System’s Operating and Capital Budget</b>	<p>Ms. Victoria Nikitin, Executive Vice President, Chief Financial Officer, led the discussion regarding Harris Health System’s Fiscal Year (FY 2024) Operating and Capital Budget. Consistent with Harris Health’s strategic goal of delivering a no less than 2% operating margin, Administration recommends the same minimum target for FY 2024, predicated on the Commissioners Court final adopted tax rate for Harris Health. Ms. Nikitin shared that the proposed Operating Budget for the fiscal year ending September 2024 currently reflects a margin of \$77.3M, and underscores the ongoing effort to manage operations and reinvest in the services and infrastructure needs of the system. She noted that the Harris Health System budget excludes the operating results for Community Health Choice, Inc. (HMO), Harris County Hospital District Foundation, Harris Health Strategic Fund, and the Correctional Health program, which is supported through the Harris County Sheriff’s Office Operating Budget. Mr. Louis Smith, Senior Executive Vice President &amp; Chief Operating Officer, presented an overview of the continued implementation of Harris Health’s 2021 – 2025 Strategic Plan. Harris Health leadership, at the direction of Harris Health’s Board of Trustees, continues to implement strategies and initiatives aligned with the organization’s 2021-2025 Strategic Plan. The Plan is guided by six (6) strategic pillars which serve as the system’s foundation for the future. The sixth pillar (diversity, equity and inclusion) was added to the Plan in 2022. Mr. Smith presented strategic initiatives planned for October 2023 through September 2024.</p> <p><b><u>Approved Strategic Initiatives</u></b></p> <p>The following strategic initiatives in support of the System’s Strategic Plan are currently in progress and are included in the draft budget for FY 2024:</p> <ul style="list-style-type: none"> <li>• Food Pharmacy expansion;</li> <li>• Implementation of Hospital at Home Service;</li> <li>• Observation Unit at Lyndon B. Johnson (LBJ) Hospital;</li> <li>• Interventional Radiology Space Construction at LBJ Hospital;</li> <li>• Observation Unit at Ben Taub Hospital (BTH);</li> <li>• Cardiac Catheterization Lab Expansion at Ben Taub Hospital; and</li> <li>• Kronos (UKG) Dimensions Upgrade</li> </ul>	<p><b>As Presented.</b></p>

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	<p><b><u>Pending Strategic Initiatives</u></b></p> <p>The following strategic initiatives are not yet implemented but are included in the draft FY 2024 budget. These initiatives will be implemented in FY 2024 assuming Harris Health’s budgeted and actual revenues and expenses support the deployment of each. In the event that revenues and/or expenses do not support the implementation of all of these critical initiatives, they will be implemented in order of priority as determined by Harris Health leadership.</p> <ul style="list-style-type: none"> <li>• Implementation of Epic Rover;</li> <li>• Emergency Center Telemedicine Expansion;</li> <li>• Endoscopy Center at Quentin Mease;</li> <li>• Multi-Visit Patient Program Expansion;</li> <li>• Contract with Texas Medical Center (TMC) Police;</li> <li>• Weapons Detection System at Ben Taub and LBJ Hospitals;</li> <li>• Off-site Parking for Ben Taub Hospital and Quentin Mease Health Center; and</li> <li>• Quentin Mease Shuttle Program</li> </ul> <p>Ms. Alison Perez, Associate Administrator, Financial Planning &amp; Analysis, stated that the overall patient volume projections is expected to remain stable compared to current FY 2023. She noted that the overall impatient volumes are expected to remain consistent with FY 2023 levels as a portion of boarded patients are shifted out of the emergency room and in to the appropriate inpatient unit. Ms. Perez mentioned that the surgery cases at Ben Taub are expected to experience incremental growth as staffing issues have improved allowing for the anticipated opening of all eighteen (18) rooms before the end of FY 2023. Conversely, LBJ is expected to experience a decrease of almost 10% in surgery cases resulting from a planned refresh project necessitating the staged closure of operating rooms throughout the fiscal year. Surgery cases performed at the Outpatient Center are expected to remain consistent with current year projections. The overall impact to surgical volume in FY 2024 is an expected increase of 3.3% for a total of 21,342 cases. Ms. Perez noted that although trending below pre-COVID levels, emergency room visits have increased year over year continuing to create throughput issues at both hospitals. She mentioned that additional observation beds are being added at both hospitals in an effort to address the boarder issues in the emergency room. As a result of these decompression initiatives, as well as the pending Emergency Center telemedicine expansion, total combined emergency room visits are projected at FY 2023 levels of more than 154,000 visits annually. Ms. Perez reported that labor and delivery volumes continue to increase year over year and have returned to pre-COVID level. She stated that the primary care volumes are projected to increase by an additional 5% during FY 2024 as provider vacancies are filled. In addition, Ms. Perez mentioned that the specialty care visits have seen an increase of almost 7% during FY 2023 compared to the prior fiscal year as a result of a shift from telehealth back to in-person visits as well. For FY 2024, specialty care visits are expected to remain at current year levels as are telehealth visits.</p>	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	<p>Ms. Victoria Nikitin reported that for FY 2023, total net revenue is projected to end the year at \$2.485B which is an increase of \$144.4M or 6.2% over FY 2022. She noted that more than half of the increase is attributed to improved investment returns, and the remaining increase is driven by increases in Medicaid Supplemental programs which are offset by decreases in net patient revenue. Ms. Nikitin stated that depending on the final adopted tax rate, total net revenue for FY 2024 is expected to be either relatively close to FY 2023 at \$2.493B, an increase of \$7.8M, or grow to \$2.560B, an increase of \$74.8M. She provided a high-level overview of the Medicaid supplemental payments. Medicaid Supplemental Programs’ revenues make up approximately 33% of Harris Health’s total revenue and include Medicaid Disproportionate Share (Medicaid DSH), Uncompensated Care (UC), Comprehensive Hospital Increase Reimbursement Program (CHIRP), Network Access Improvement Program (NAIP), Hospital Augmented Reimbursement Program (HARP) and Graduate Medical Education (GME) program funding. In FY 2023, supplemental program revenue is projected to be \$257.1M higher than FY 2022 due to the first full year of HARP program payments, an increase in UC payments, netted by a decrease in DSH payments, and the remainder of the Delivery System Reform Incentive Payment (DSRIP) program ending payment loss. Ms. Nikitin reported that the aggregate Medicaid supplemental programs revenue is budgeted at \$816.5M in FY 2024. She shared that the largest component of other revenue is attributed to investment income which has seen a significant increase over the past year. Investments are expected to continue to perform favorably thus investment income is projected at \$66.5M for FY 2024, just under FY 2023 year-end projected values. Ms. Perez stated that during FY 2023, the total operating expense is projected to end the year at \$2.243B, an increase of \$196.7M, or 9.6% compared to FY 2022. After accounting for general inflationary increases of \$89.7M and an additional \$116.9M in anticipated incremental expense, total operating expense for FY 2024 is expected to be \$2.450B before the addition of strategic initiatives. Accounting for an additional \$32.8M in strategic initiatives brings the total projected expense to \$2.482B for FY 2024. Inclusion of the strategic initiatives into the final operating budget for FY 2024 is dependent on the final adopted tax rate set by Harris County. Anything resulting in a margin of less than 2% will require reevaluation and reprioritization of the strategic projects for FY 2024. Ms. Perez noted that salaries and wages are expected to grow by 5.3%, or \$46.0M in FY 2024, to a total of \$908.8M. She reported that benefits are expected to grow by \$18.6M, or 5.8% in FY 2024, to a total of \$342.0M. This includes a 3% general inflationary increase as well as increases associated with the salary adjustments. One item of note is an actuarially calculated adjustment of over \$30M attributed to an increase in pension expense which impacts both FY 2023 and FY 2024. Ms. Perez reported significant projected increases related to physician services, supply expenses, purchases services and depreciation, amortization and interests. She shared that overall, total operating expense for Harris Health is projected at \$2.482B in FY 2024, including \$32.8M earmarked for planned and prioritized strategic initiatives as discussed above. The result is a net operating margin of no less than 2% consistent with Harris Health’s Strategic Plan 2021 – 2025.</p>	

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	The proposed Operating Budget for the fiscal year ending Sept. 30, 2024, reflects a current margin of \$77.3M predicated on the approval of the Voter Approved Tax Rate by the Harris County Commissioners Court. Ms. Perez concluded by stating that the routine capital budget for FY 2024 is proposed at \$187.7M. A copy of the FY2024 Operating and Capital Budget is available in the permanent record.	
<b>III. Adjournment</b>	Moved by Ms. Jennifer Tijerina, seconded by Ms. Alicia Reyes, and unanimously approved to adjourn the meeting.  There being no further business to come before the Board, the meeting adjourned at 11:04 a.m.	

I certify that the foregoing are the Minutes of the Harris Health System Budget Workshop Meeting held on August 10, 2023.

Respectfully Submitted,  
  
Marcia Johnson, Chair  
Budget and Finance Committee

Minutes transcribed by Cherry Pierson