

MINUTES OF THE HARRIS HEALTH SYSTEM BOARD OF TRUSTEES
Special Called Board Meeting – Budget Workshop
December 10, 2020
9:00 am

| AGENDA ITEM | DISCUSSION | ACTION/RECOMMENDATIONS |
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| I. Call to Order & Record of Attendance | The meeting was called to order at 9:09 a.m. by Kimberly Monday, MD, Chair. It was noted there was a quorum present and the attendance was recorded. Dr. Monday announced that the meeting is being conducted by videoconference. Per temporary meeting suspension rules issued by Governor Greg Abbott due to the COVID-19 pandemic, the meeting may be viewed online: http://harrishealthtx.swagit.com/live . | A copy of the attendance is appended to the archived minutes. |
| II. Announcements | A. Special Announcement – Dr. Kimberly Monday, Board Chair, recognized Ms. Anne Clutterbuck for her years of service as Board Chair of the Harris Health System Board of Trustees. She stated that the Board appreciated the insight and knowledge that Ms. Clutterbuck provided during her tenure as Board Chair. Dr. Monday presented Ms. Clutterbuck with a crystal gavel memento on behalf of the Board. Several Board members expressed their appreciation to Ms. Clutterbuck for her leadership. | |
| | B. Special Announcement – Dr. Monday recognized Mr. Art Morales for his years of service as a member of the Harris Health System Board of Trustees. The Board expressed their gratitude to Mr. Morales for his dedication and compassion during his tenure as a Board member. Dr. Monday concluded by presenting Mr. Morales with a memento on behalf of the Board. | |
| III. Public Comment | There were no public speakers present. | |
| IV. Approval of Harris Health System 87th Legislative Session Platform Positions | | Motion No. 20.12-153 Moved by Ms. Linda Morales, seconded by Ms. Alicia Reyes, and unanimously passed that the Board approve agenda item IV. Motion carried. |

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| <p>V. Review and Discussion Regarding the Proposed Harris Health System FY2022 Operating and Capital Budget</p> | <p>Dr. Esmaeil Porsa, President & Chief Executive Officer, stated that this year’s budget workshop does not include strategic planning initiatives since the action plans have not been finalized. Dr. Porsa noted that Harris Health’s strategic financial plans would be presented at next year’s budget workshop. Ms. Victoria Nikitin, Senior Vice President, Finance, led the discussion regarding the Harris Health System Fiscal Year 2022 (March 2021 to February 2022) Operating and Capital Budget. She stated that on March 2, 2020, the first business day of the new Fiscal Year 2021, Harris Health welcomed its new President and Chief Executive Officer, Dr. Esmaeil Porsa. Ten days later, in response to a confirmed community-spread case of COVID-19 in Montgomery County, the City of Houston and Harris County issued local public health disaster declarations. Ms. Nikitin explained that the rise in COVID-19 cases in Houston stressed Harris Health’s clinical operations and triggered multi-phase surge plans. Harris Health built a brand new telemedicine platform, delivered medications directly to patient homes or hospital beds prior to discharge, partnered with Harris County Public Health Department to operate a 24/7 nurse call center, provided curbside food delivery through the Food Pharmacy program, deployed nurse navigators to support COVID patients, and implemented a work-from-home program for members of Harris Health’s staff. With much uncertainty still in the air, management remains optimistic about the year-end results and expects the System to finish FY2021 with a positive operating margin compared to the prior year.</p> <p>Ms. Nikitin reported that LBJ has experienced multiple water leaks and plumbing failures that significantly affected its operations and safety of patients and staff. In response to the infrastructure concerns, a comprehensive engineering assessment was performed and a systemic upgrade plan for LBJ developed. Ms. Nikitin mentioned that the remediation plan is expected to take up to 18 months and result in 30 to 50 beds being out of service at different points in time. The plan necessitates the relocation of patient care units and other support services from the main hospital tower to other areas of the health system. Upon completion of the remediation work, all services are expected to return to LBJ.</p> <p>Ms. Nikitin stated that expansion of outside medical services has been a strategic priority for Harris Health for the past several years. She noted that Harris Health continues to outsource some inpatient medical cases, psychiatric overflow volume, rehab, skilled nursing, and hospice referrals to assist with inpatient capacity. She reported that in FY2022, Harris Health would continue investing in clinical purchased services while strategically aligning them with the most demand. Additionally, Ms. Nikitin stated that in response to the COVID-19 pandemic, Ambulatory Care Services (ACS) rapidly deployed virtual telehealth capability for its patients and providers. Even during phase IV surge plan, Harris Health’s ambulatory patients continued to have access to primary and specialty care services either virtually or in person. Ms. Nikitin reported that the current estimate for FY2021 is over 400K virtual visits, or half of overall ACS volume. Additionally, Ms. Nikitin noted that for FY2022, ACS leadership is projecting telehealth volume to make up to 30 percent of the total visits, as face-to-face services resume and ramp back up.</p> | |

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| | <p>Ms. Nikitin shared that in 2016, Harris Health began to subsidize the individual portion of the marketplace insurance premium for the patients who qualify for both the Financial Assistance program (Harris County resident with income below 150% of the federal poverty level) and marketplace coverage under the Affordable Care Act. She reported that for calendar 2021 enrollment period, Harris Health plans to enhance the program by extending it to low income residents of Harris County within the 150 – 200% of the federal poverty level. As a result, the average monthly membership in calendar year 2020 – approximately 19,000 individuals – is projected to increase to an average of 25,000 for the 2021 marketplace year.</p> <p>Ms. Nikitin stated that the COVID-19 pandemic that started in March 2020 and is in its third wave remains a daily factor consuming operational resources and creating unpredictability. She explained that this situation is exacerbated by the fact that CARES Act Public Relief Funds (PRF) provided by the federal government in support of healthcare industry may be recouped. Based on the latest, evolving guidance issued by the United States Department of Health and Human Services, the timeline for reporting and utilizing such funds expires June 30, 2021.</p> <p>Ms. Nikitin explained that we could expect for planned bed closures at LBJ, conversion to telemedicine in outpatient clinics, and overall volume for Harris Health is expected remain stable and gradually return to pre-COVID levels in FY2022. While inpatient volumes at LBJ will see a planned fluctuation throughout the year to accommodate construction and repair efforts, Ben Taub Hospital will increase all its available capacity to the maximum and serve as an overflow facility. The overall System surgical volume in FY 2022 will reach over 25,000 cases, same as previously planned for FY 2021. Ms. Nikitin reported that emergency room visits are anticipated to be ten (10) percent lower than pre-COVID levels due to the changes in patient behavior caused by the pandemic, and availability of telehealth visits. She noted that total combined emergency room volume for the Ben Taub Level I emergency center and the LBJ Level III emergency center is projected to be at about 153,300 visits, with the built-in expectation of some volume return.</p> <p>Ms. Nikitin stated that Harris Health is well positioned to withstand the COVID-19 pandemic given its diversity of funding sources and proven operating flexibility. Property tax revenue and supplemental funding, which comprise the majority of operating revenue, generally continue to flow to the System regardless of patient volume. The total Harris Health revenue budget for FY2022 is planned at \$1.88B, a slight decrease of \$33M, or 1.7 percent, from the FY 2021 projections due to expiration of flexibilities allowed during the public health emergency.</p> <p>At year-end for FY2021, ad valorem revenues are projected to stay within budget of \$782M. Ms. Nikitin reported a slight 2.0 percent increase in Harris County property values, and Harris Health ad valorem budget, is assumed for FY2022. Ms. Nikitin stated that net patient revenue is budgeted to grow from \$472.3M in FY 2021 to \$569.8M in FY 2022. As previously discussed, the estimate is based on the assumption of volume stabilization at close to pre-COVID levels in the coming year.</p> | |

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| | <p>Additionally included in the projection is the Medicare Disproportionate Share (DSH) add-on payment, a fixed component of net patient revenue that does not depend on volume of services. Ms. Nikitin stated that Medicaid Supplemental Programs’ revenues make up 24 percent of Harris Health’s total revenue budget and include Medicaid Disproportionate Share (Medicaid DSH), Uncompensated Care (UC), Delivery System Reform Incentive Payment (DSRIP), Network Access Improvement Program (NAIP), Uniform Hospital Rate Increase Program (UHRIP), and Graduate Medical Education (GME) program funding. As the largest provider of uncompensated care in Texas, Harris Health will record a net benefit of over \$310 million in UC revenue in FY 2021. The countdown of the DSRIP program in Texas has begun, and the Demonstration Waiver is currently set to expire on September 30, 2022, the end of FFY 2022 (DY11). Ms. Nikitin stated that based upon the recent developments and flexibilities allowed by the State during the COVID-19 pandemic, Harris Health’s DSRIP revenue will fare favorably in FY 2022.</p> <p>Ms. Nikitin reported that the total Harris Health System operating expense is projected to increase by 5.9 percent or \$103.3 million, from \$1.74 billion in FY 2021 to \$1.84 billion in FY 2022. After accounting for \$61 million in annual inflation of 3.5 percent, Harris Health is choosing to strategically invest over \$42.5 million in infrastructure remediation, increased hospital capacity, care coordination, and marketplace enrollment as major initiatives in FY 2022. Given the current demand for major infrastructure improvement and modernization, along with planned facilities renovation and construction, Ms. Nikitin reported that Harris Health proposes to invest \$176.3 million in capital projects in FY 2022.</p> <p>Ms. Nikitin concluded by stating that the proposed 2.0 percent operating margin of \$37.6M will allow Harris Health System to continue with its infrastructure modernization and delivery of high quality healthcare to Harris County residents. A copy of the proposed Harris Health System FY2022 Operating and Capital Budget is available in the permanent record.</p> | |
| <p>VI. ADJOURNMENT</p> | <p>Moved by Ms. Linda Morales, seconded by Dr. Arthur Bracey and unanimously approved to adjourn the meeting.</p> <p>There being no further business to come before the Board, the meeting adjourned at 11:00 a.m.</p> | |

I certify that the foregoing are the Minutes of the Harris Health System Board of Trustees Meeting held on December 10, 2020.

Respectfully Submitted,



Kimberly Monday, M.D., Chair



Elena Marks, Secretary

Minutes transcribed by Cherry Pierson