

MINUTES OF THE HARRIS HEALTH SYSTEM BOARD OF TRUSTEES
Fiscal Year 2025 Budget Workshop
Thursday, August 1, 2024
1:00 p.m.

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATION
I. Call to Order and Record of Attendance	<p>The meeting was called to order at 1:05 p.m. by Dr. Andrea Caracostis, Chair. It was noted that a quorum was present and the attendance was recorded. Dr. Caracostis 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. 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.</p>	<p>A copy of the attendance is appended to the archived minutes.</p>
II. Discussion Regarding Harris Health System's Operating and Capital Budget	<p>Ms. Alison Perez, Vice President, Financial Planning & Analysis, led the discussion regarding Harris Health System's Fiscal Year (FY 2025) Operating and Capital Budget, noting that the Harris Health financial forecasting process uses Fiscal Year 2024 data (from May YTD actuals) as a baseline for budget projections, incorporating the latest revenue and expense information, inflationary assumptions, and system-wide strategic initiatives, while also accounting for operating costs linked to strategic capital projects and projected tax revenue based on the proposed margin. Ms. Perez discussed the implementation of the 2021-2025 strategic plan and strategic facilities plan, including both approved and pending strategic initiatives. The Board members discussed the construction of updated radiology and radiation therapy facilities at Smith Clinic and the new Pasadena Health Center for FY 2025. Additionally, Mr. Louis Smith, Senior Executive Vice President & Chief Operating Officer, provided an update on the approved strategic initiatives for expanding the Food Farmacy, Food Rx programs, and Emergency Center (EC) Telemedicine. Ms. Perez pointed out that the updates to the Patient Care Platform, which will impact FY 2025 projections, include the expansion of observation beds, the Hospital at Home service, the Cardiac Catheterization Lab at Ben Taub, Emergency Telemedicine, and the Endoscopy Center at Quentin Mease. She also discussed the Patient Volumes, Revenues, and Expenses for FY 2025. Dr. Caracostis asked about the patient day projections and their potential impact from the new facility, as well as whether there are any projections for ambulatory care. Ms. Perez reported that patient days are expected to remain flat until the new facilities open. Ms. Nikitin, Executive Vice President, Chief Financial Officer, clarified that a patient day is defined as one patient occupying a hospital bed for a full 24-hour period, including any portion of a day from admission to discharge. Ms. Ingrid Robinson asked for clarification on what outpatient observation entails. Ms. Perez explained that outpatient observation refers to patients who are not admitted as inpatients and typically remain under observation for 24 hours or less. Discussion ensued concerning the patient length of stay, observation hours, and total patient days. Ms. Perez provided a summary of FY 2025 patient volumes, including inpatient and outpatient numbers, bed occupancy, and total clinic visits. Ms. Nikitin presented the revenue and funding sources for the FY 2023 audited financials, highlighting net patient revenue and Medicaid supplemental payments. She noted that the Medicaid Supplemental Programs account for approximately 28% of Harris Health's total revenue and include Medicaid Disproportionate Share (DSH), Uncompensated Care (UC), High Impecunious Charge</p>	<p>As Presented.</p>

	<p>Hospital (HICH), the Comprehensive Hospital Increase Reimbursement Program (CHIRP), Network Access Improvement Program (NAIP), Hospital Augmented Reimbursement Program (HARP), and Graduate Medical Education (GME) funding. Ms. Nikitin explained that the Texas Health and Human Services Commission (HHSC) has not yet finalized more than two-thirds of Harris Health’s projected Medicaid Supplemental program revenue, including UC and HICH program revenues, which make up the majority of annual receipts. As a result, these distributions will not be completed until later in the fiscal year, contributing to budgetary uncertainty. In its FY 2025 budget estimates, Harris Health is using the modeling from comparable peer safety net hospitals in Texas and will continue to update and refine these estimates until HHSC provides a payment file. Ms. Nikitin reviewed the 2023 Program Rule Update, outlined new program changes for FY 2025, and presented an overview of the new Medicaid supplemental programs for FY 2025. Additionally, Ms. Nikitin covered the Medicaid Supplemental Programs and their financial impacts, including Medicaid DSH, UC, HICH, HARP, CHIRP, NAIP, and GME. Due to the timing of the presentation, the Office of Management and Budget (OMB) of Harris County was unable to provide calculated 2024 tax year rates and corresponding aggregate tax revenue to Harris Health. Instead, OMB advised Harris Health to propose the required ad valorem revenue for the FY 2025 budget cycle, estimated at \$996.2 million, to close the expense gap and maintain a 2.5% margin for reinvestment in the System’s aging infrastructure. Ms. Nikitin noted that all other revenue sources are anticipated to remain stable. The \$10 million first annual philanthropic commitment from the Strategic Fund is included in the capital gifts and grants section of Other Revenue, while opioid funding from the Texas Opioid Abatement Council is estimated at around \$11 million for Harris Health; the timing of this funding is uncertain but will be added to revenues if received within FY 2025. Ms. Perez presented the FY 2023 audited financials, highlighting that 39% of operating expenses are attributed to salaries and wages. She reported that salaries and wages are projected to increase by 5.7%, or \$51.7 million, in FY 2025, reaching a total of \$960.5 million. Benefits are expected to grow by \$12.1 million, or 3.9%, to \$322.4 million, while overall supplies, including pharmaceuticals, are anticipated to rise by 4.5%, or \$14.9 million, to \$345.7 million. Additionally, provider services costs are expected to increase by 4.8% to \$462.0 million, purchased services by 14.2% to \$328.0 million, and overall depreciation and interest are projected to remain steady at \$100.9 million. The preliminary margin target for FY 2025 is set at 2.5%, or \$64.2 million, based on the current volume, revenue, and expense assumptions. Discussion ensued regarding salaries and benefits, addressing the adjustments required for Harris Health to maintain competitiveness in the current healthcare market. Ms. Perez reviewed the proposed margin and capital budgets, including routine and significant expenditures, and outlined the upcoming milestones: the preliminary FY 2025 budget will be presented to the County Commissioners on August 15th, the proposed FY 2025 budget will be presented to the Board for approval on August 29th, and a public hearing on the proposed tax rate and FY 2025 budget is scheduled for September 17th, with expected approval by the County Commissioners. The Board members recognized Ms. Nikitin, Ms. Perez, and their team for their thorough and comprehensive Budget Workshop. A copy of the presentation is available in the permanent record.</p>	
<p>XI. Adjournment</p>	<p>There being no further business to come before the Board, the meeting adjourned at 2:52 p.m.</p>	

I certify that the foregoing are the Minutes of the Harris Health System Board of Trustees Meeting held on August 1, 2024.

Respectfully Submitted,



Andrea Caracostis, MD, MPH, Chair



Carol Paret, BS, Secretary

Minutes transcribed by Cherry A. Pierson, MBA