

MINUTES OF THE HARRIS HEALTH SYSTEM BOARD OF TRUSTEES
Fiscal Year 2026 Budget Workshop
Monday, August 4, 2025
9:00 a.m.

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATION
I. Call to Order and Record of Attendance	<p>The meeting was called to order at 9:07 a.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 were physically present in the room, others would participate by videoconference as permissible by state law and the Harris Health Videoconferencing Policy. Only participants scheduled to speak were provided dial-in information for the meeting. All others who wish to view the meeting were advised to 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. Public Comment	<p>There were no public speakers registered to appear before the Board.</p>	
III. Presentation and Discussion Regarding Harris Health's Fiscal Year 2026 Preliminary Budget Projections	<p>Ms. Alison Perez, Vice President of Financial Planning and Analysis, delivered a detailed presentation regarding the preliminary projections for the Harris Health System Fiscal Year 2026 Operating and Capital Budget. She began by providing an overview of the FY 2026 budget framework, financial forecasting methodologies, and the alignment of these elements with the organization's 2021–2025 Strategic Plan. Ms. Perez also outlined the early development process for the forthcoming 2026–2030 Strategic Plan. Updates were provided on capital projects funded through the \$2.5 billion bond initiative, including the replacement of the LBJ Campus, expansions to oncology services, the construction of a new parking garage and central utility plant, and enhancements to the Ben Taub Campus, such as telemetry system expansion, renovation of the Critical Care Unit, and planning for a future patient care tower. Ms. Perez also discussed additional projects, which included new and expanded ambulatory care clinics, urgent care centers, anticipated occupancy of the Holly Hall Operations Center by September 2026, and ongoing implementation of the Infrastructure Resiliency Plan.</p> <p>Ms. Perez highlighted a series of strategic initiatives included in the FY 2026 budget, such as the expansion of the Hospital at Home program; Epic electronic health record enhancements (including Rover and Back to Foundation modules); upgrades to ServiceNow and Unified Communications platforms; expansions of endoscopy and outpatient parenteral antibiotic therapy (OPAT) services; establishment of a Utilization Review Team; and enhancements to Emergency Center staffing. She also noted several pending initiatives currently contingent upon funding, including a proposed increase to the living wage, the creation of a Sterile Compounding Service Center, and the expansion of Healthy Connect Remote Monitoring. Additionally, several throughput and care coordination efforts were presented.</p>	<p>As Presented.</p>

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	<p>Volume forecasts for FY 2026 were also reviewed, with inpatient activity expected to remain stable, including consistent patient days and case volume, alongside a slight increase in surgical procedures. Outpatient services are projected to reach approximately 916,000 visits, with a minor reduction in outpatient surgeries. Emergency services are projected at approximately 167,000 visits. Eligibility requirements and policies concerning indigent care are expected to remain unchanged.</p> <p>Ms. Victoria Nikitin, Executive Vice President and Chief Financial Officer, presented the revenue outlook for FY 2026, noting that overall revenue is projected to remain stable. However, a significant reduction of \$91.2 million is anticipated due to changes to the Correctional Health Interlocal Agreement. Additional funding sources under consideration include a \$10 million Strategic Fund allocation, along with continued participation in Medicaid supplemental programs such as Disproportionate Share Hospital (DSH), Uncompensated Care (UC), Hospital Indigent Care (HICH), CHIRP, NAIP, HARP, and Graduate Medical Education (GME), along with anticipated revenues from new Medicaid initiatives, including APHRIQA and ATLIS.</p> <p>Ms. Perez further detailed projected expenditures, including \$1.44 billion allocated for salaries and benefits—representing a 9% increase due to market adjustments—\$352.1 million for supplies and pharmaceuticals (a 5.7% increase), \$484.5 million for physician services (a 0.2% increase), and \$346.2 million for purchased services (a 9% increase). Depreciation and interest costs are projected at \$162.4 million, reflecting a 31.3% increase largely attributable to recent bond issuances. The preliminary budget reflects a projected operating margin of -3.4%, representing an anticipated deficit of \$90.9 million, subject to revision pending the final validation of assumptions. The proposed FY 2026 Capital Budget is \$112.6 million and reflects a transition to cash-basis budgeting; this figure does not include capital expenditures associated with bond-funded strategic projects.</p> <p>In conclusion, Ms. Perez outlined key upcoming milestones in the budget approval process: a briefing with the Harris County Commissioners Court staff scheduled for August 8, 2025; submission of the preliminary budget to the Harris County Commissioners Court on August 14, 2025; a formal Harris Health Board of Trustees budget review on August 28, 2025; and a public hearing and final approval by the Harris County Commissioners Court on September 18, 2025. A copy of the presentation is available in the permanent record.</p>	
<p>IV. Adjournment</p>	<p>There being no further business to come before the Board, the meeting adjourned at 10:17 a.m.</p>	

I certify that the foregoing are the Minutes of the Harris Health System Board of Trustees Meeting held on August 4, 2025.

Respectfully Submitted,



Andrea Caracostis, MD, MPH, Chair



Libby Viera-Bland, AICP, Secretary

Minutes transcribed by Cherry A. Joseph, MBA