HARRISHEALTH

BOARD OF TRUSTEES

Budget and Finance Committee

Thursday, February 13, 2025
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**	**Mr. Jim Robinson**	**2 min**
II.	**Approval of the Minutes of Previous Meeting**	**Mr. Jim Robinson**	**1 min**
	• Budget and Finance Committee Meeting – November 14, 2024		
III.	**Financial Matters**	**Mr. Jim Robinson**	**15 min**
	A. Consideration of Acceptance of the Harris Health First Quarter Fiscal Year 2025 Investment Report – ***Ms. Victoria Nikitin***		*(5 min)*
	B. Consideration of Acceptance of the Harris Health Fourth Quarter Calendar Year 2024 Pension Plan Report – ***Ms. Victoria Nikitin***		*(5 min)*
	C. Consideration of Acceptance of the Harris Health December 2024 Financial Report Subject to Audit – ***Ms. Victoria Nikitin***		*(5 min)*
	D. Brief Update Regarding Upcoming Bond-related Items – ***Ms. Victoria Nikitin***		*(5 min)*
IV.	**Executive Session**	**Mr. Jim Robinson**	**35 min**
	A. Presentation Regarding the Boards Fiduciary Responsibility Related to Components Units, Pursuant to Tex. Gov't Code Ann. §§551.071 and 551.085 – ***Mr. Chris Clark, FORVIS MAZARS, LLC***		*(35 min)*
V.	**Reconvene**	**Mr. Jim Robinson**	**1 min**
VI.	**Adjournment**	**Mr. Jim Robinson**	**1 min**

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
BUDGET & FINANCE COMMITTEE MEETING
Thursday, November 14, 2024
9:15 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Mr. Jim Robinson, Committee Chair, called the meeting to order at 9:15 a.m. It was noted that a quorum was present and the attendance was recorded. The meeting may be viewed online through the Harris Health website: http://harrishealthtx.swagit.com/live.	
II. Approval of the Minutes of Previous Meeting	• Budget and Finance Committee Meeting – May 16, 2024	**Moved by Ms. Ingrid Robinson, seconded by Ms. Carol Paret, and unanimously approved the minutes of the May 16, 2024 meeting.**
III. Financial Matters		
A. Consideration of Acceptance of the Harris Health Fourth Quarter Fiscal Year 2024 Investment Report	Ms. Victoria Nikitin, Executive Vice President and Chief Financial Officer, presented the Fourth Quarter Fiscal Year 2024 Investment Report. Prepared by the Harris County Office of Management and Budget's Financial Management, the investment report is in compliance with Section 2256.023 of the Texas Government Code - Public Funds Investment Act. She highlighted a rate cut by the Federal Reserve for the first time in four years, with the possibility of additional cuts into Fiscal Year 2025. She also reported that investment earnings for the fourth quarter totaled approximately $18 million. A copy of the Investment Report is available in the permanent record.	**Moved by Ms. Carol Paret, seconded by Ms. Ingrid Robinson, and unanimously accepted that the Committee recommends that the Board approve item III.A.**
B. Consideration of Acceptance of the Harris Health Third Quarter Calendar Year 2024 Pension Plan Report	Ms. Nikitin presented the Harris Health Third Quarter Calendar Year 2024 Pension Plan Report. Due to various market conditions, the investment return for the quarter ending September 30, 2024, was 4.7%, resulting in an 87.9% funded ratio. The market value of the Plan assets grew by $48.6 million this quarter and by $110.4 million since the start of the calendar year. A copy of the Pension Plan Report is available in the permanent record.	**Moved by Ms. Ingrid Robinson, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item III.B.**
C. Consideration of Acceptance of the Harris Health September 2024 Financial Report Subject to Audit	Ms. Nikitin presented the Harris Health Financial Report for September 2024, noting a total margin of 5.1%, which exceeded the budgeted margin goal of 2.3%. She also highlighted the Medicaid Supplemental programs were $123.2 million less than expected due to programmatic changes made by Texas Health and Human Services Commission (HHSC) to the Hospital Augmented Reimbursement	**Moved by Ms. Carol Paret, seconded by Ms. Ingrid Robinson, and unanimously accepted that the Committee recommends that the Board approve item III.C.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
	Program (HARP) and the Uncompensated Care High Impecunious Charge Hospital (HICH) pool. As of September 30, 2024, total expenses amounted to $2,400.1 million, which was $165.8 million or 6.5% below budget. This includes savings in staff costs, favorable variances from lower physician services, reduced non-clinical purchased services, and lower medical insurance subsidies. For the year ending September 30, 2024, total patient days and average daily census increased by 5.1% compared to the budget. Additionally, the inpatient case mix index, which measures patient acuity, along with length of stay and patient visits, were higher. Total cash receipts for the year totaled $3,025.0 million. As of September 30, 2024, the system held $1,463.4 million in unrestricted cash, cash equivalents, and investments, which equates to 230.8 days of cash on hand. Ms. Nikitin reviewed the performance ratios, emphasizing the expense per patient day relative to the prior year. She noted that while volume exceeded the budget, it remained consistent with the previous year. She also highlighted that capital expenditures, depreciation, and amortization were double the industry benchmark due to ongoing infrastructure needs. A copy of the financial report is available in the permanent record.	
IV. Executive Session	At 9:45 a.m., Mr. Jim Robinson stated that the Budget and Finance Committee of the Board of Trustees would go into Executive Session for items IV 'A through C' as permitted by law under Tex. Gov't Code Ann. §551.085.	
A. Discussion Regarding Subsidy Payments to Community Health Choice, Inc., Pursuant to Tex. Gov't Code Ann. §551.085, Including 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 2025 Upon Return to Open Session		**Moved by Ms. Ingrid Robinson, seconded by Ms. Carol Paret, and unanimously accepted that the Committee recommends that the Board approve item IV.A.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
B. Review of the Community Health Choice, Inc. and Community Health Choice Texas, Inc. Financial Performance for the Nine Months Ending September 30, 2024, Pursuant to Tex. Gov't Code Ann. §551.085		**No Action Taken.**
C. Discussion Regarding the 2025 Operating and Capital Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc., Pursuant to Tex. Gov't Code Ann. §551.085, Including Consideration of Approval of the 2025 Operating and Capital Budget for Community Health Choice Texas, Inc. and Community Health Choice, Inc. Upon Return to Open Session		**Moved by Ms. Carol Paret, seconded by Ms. Ingrid Robinson, and unanimously accepted that the Committee recommends that the Board approve item IV.C.**
V. Reconvene	At 10:15 a.m., Mr. Jim Robinson reconvened the meeting in open session; he noted that a quorum was present and that no action was taken in Executive Session. The Committee then took action on items "A and C" of the Executive Session agenda.	
VI. Adjournment	There being no further business, the meeting adjourned at 10:16 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 14, 2024.

Respectfully submitted,

Jim Robinson, MA. CFE., Committee Chair

Recorded by Cherry A. Pierson, MBA

Thursday, November 14, 2024
Harris Health Board of Trustees Budget & Finance Committee Attendance

COMMITTEE MEMBERS PRESENT	COMMITTEE MEMBERS ABSENT	OTHER BOARD MEMBERS PRESENT
Carol Paret	Dr. Andrea Caracostis *(Ex-officio)*	Paul Puente
Ingrid Robinson		
Jim Robinson *(Committee Chair)*		

HARRIS HEALTH EXECUTIVE LEADERSHIP, STAFF & SPECIAL INVITED GUESTS	
Alexander Barrie	Micah Rodriguez
Dr. Amy Smith	Maria Cowles
Carolynn Jones	Michael Hill
Cherry Pierson	Dr. Michael Nnadi
Daniel Smith	Nicholas J. Bell
Derek Curtis	Olga Rodriguez
Elizabeth Hanshaw Winn (*Harris County Attorney's Office)*	Omar Reid
Dr. Esmaeil Porsa *(Harris Health System President & CEO)*	Patricia Darnauer
Dr. Esperanza "Hope" Galvan	Patrick Casey
Dr. Glorimar Medina	Pollie Martinez
Jack Adger *(Harris County Purchasing Office)*	Randy Manarang
Dr. Jackie Brock	Dr. Sandeep Markan
Dr. Jennifer Small	Sara Thomas (*Harris County Attorney's Office)*
Jennifer Zarate	Shawn DeCosta
Jerry Summers	Dr. Steven Brass
John Matcek	Tekhesia Phillips
Lisa Wright *(Community Health Choice, CEO)*	Dr. Tien Ko
Louis Smith	Victoria Nikitin

Virtual Attendee Notice: *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.*

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH

Thursday, February 13, 2025

Consideration of Acceptance of the Harris Health First Quarter Fiscal Year 2025 Investment Report

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Attached for your review and acceptance is the First Quarter Fiscal Year 2025 Investment Report for the period September 30, 2024 to December 31, 2024.

Administration recommends that the Board accept the First Quarter Investment Report for the period ended December 31, 2024.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

QUARTERLY INVESTMENT REPORT
FIRST QUARTER 2024-2025

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 Director	Investment Manager

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Summary of Portfolio Balances & Characteristics

September 30, 2024 through December 31, 2024

HARRISHEALTH SYSTEM

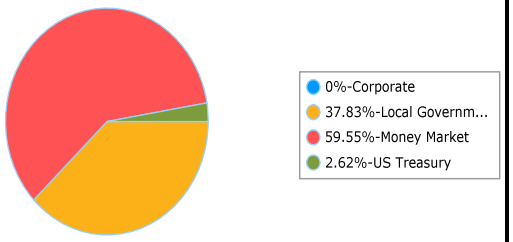
Book & Market Value Comparison

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	YTM @ Market	Duration	Days To Maturity
Beginning	1,554,155,892.57	1,554,141,532.75	14,359.82	4.86	4.85	0.03	11
10/31/2024	1,381,772,190.47	1,381,762,188.59	10,001.88	4.39	4.37	0.02	6
11/30/2024	1,249,589,236.23	1,249,569,395.61	19,840.62	4.16	4.14	0.01	3
12/31/2024	1,231,966,507.30	1,231,954,717.67	11,789.63	4.35	4.33	0.00	2
Average	**1,287,775,978.00**	**1,287,762,100.62**	**13,877.38**	**4.30**	**4.28**	**0.01**	**4**

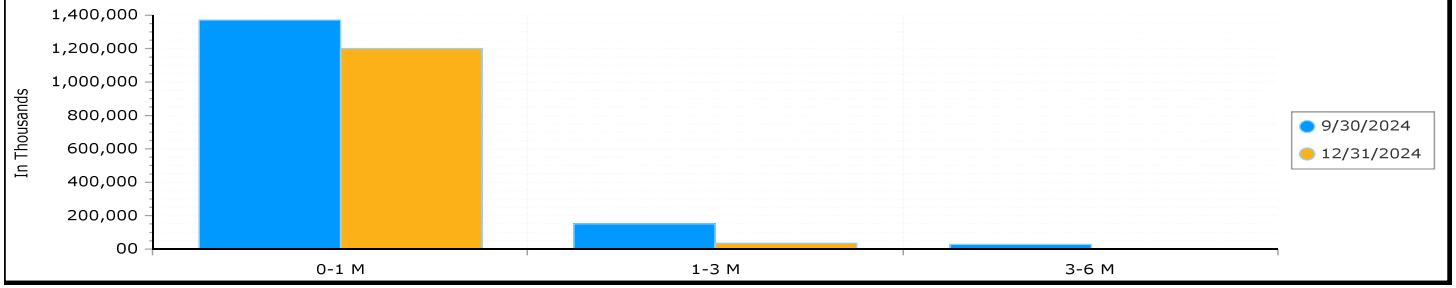
Quarterly Investment Income By Sector

	Ending BV + Accrued Interest	Investment Income-BV
Certificate of Deposit	$0.00	$0.00
Commercial Paper	$0.00	$498,954.20
Local Government Investment Pool	$466,088,807.95	$5,693,803.74
Money Market	$733,601,624.16	$7,503,996.52
Municipal	$0.00	$0.00
US Agency	$0.00	$0.00
US Treasury	$32,449,221.19	$1,489,414.95
Total	**$1,232,139,653.30**	**$15,186,169.41**

Portfolio Distribution by Sector



Distribution By Maturity Range



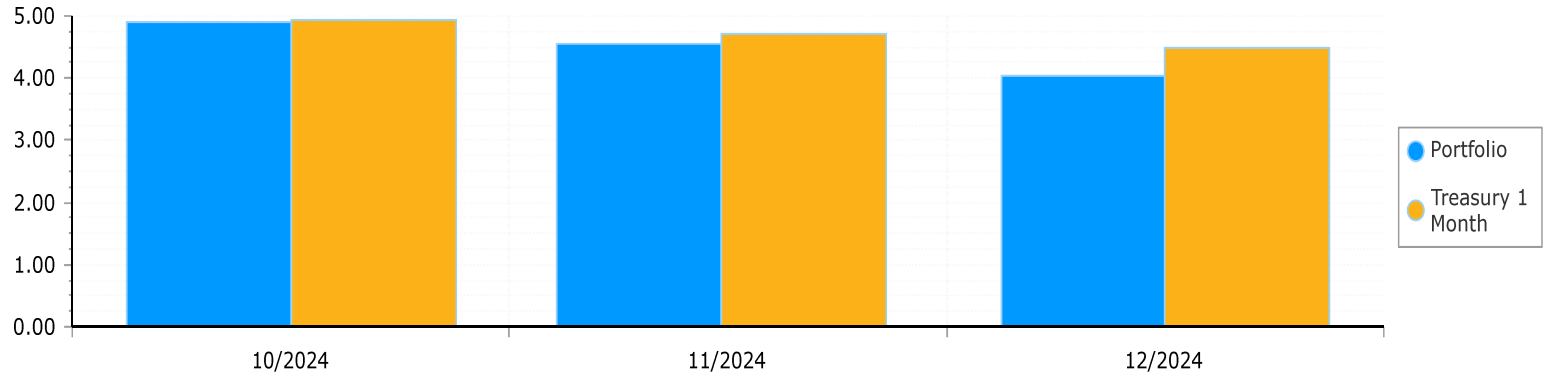
Total Rate of Return vs. Benchmark 1 Month Treasury

September 30, 2024 through December 31, 2024

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	1,222,501,701.09				1,259,190,866.75		4.97	5.06
10/31/2024	1,554,215,265.25	6,067,059.50	0.00	6,067,059.50	1,523,122,549.30	0.40	4.89	4.92
11/30/2024	1,381,873,391.71	4,992,090.11	0.00	4,992,090.11	1,344,623,901.22	0.37	4.55	4.71
12/31/2024	1,249,716,860.61	4,127,019.80	0.00	4,127,019.80	1,244,224,097.96	0.33	4.05	4.50
Total/Average	**1,395,268,505.86**	**15,186,169.41**	**0.00**	**15,186,169.41**	**1,370,656,849.49**	**1.10**	**4.50**	**4.71**

Annualized TRR-BV



Harris County
Date To Date
ML - PFIA Compliant Portfolio Holdings
Report Format: By Transaction
Group By: Portfolio Name
Portfolio / Report Group: Harris Health System
Begin Date: 9/30/2024, End Date: 12/31/2024

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	CADE-D1359	167,426.78	167,111.53	167,426.78	167,426.78	315.25	0.000	N/A
H9902 Hospital - Cadence General Funds DDA MM	CADE-D3837	100,372,996.17	100,393,558.33	100,372,996.17	100,372,996.17	1,122,996.17	4.250	N/A
H9902 HHS General Funds JPM MM	D5375-JPM	152,325,216.36	0.00	152,325,216.36	152,325,216.36	612,755.08	3.400	N/A
LoneStar | H9902 LGIP	LONESTARH9902	204,353,144.17	201,857,955.67	204,353,144.17	204,353,144.17	2,495,188.50	4.646	N/A
H9902 Hospital - Cadence General Funds MMF MM	M3837-FIGXX	461,248,648.57	644,102,035.52	461,248,648.57	461,248,648.57	5,549,938.29	4.360	N/A
H9902 Hospital - HRA Sweep MMF MM	M3845-FIGXX	1,258,603.50	1,456,725.76	1,258,603.50	1,258,603.50	15,578.47	4.360	N/A
H9902 Hospital - Cigna Health Benefits MMF MM	M3944-FIGXX	15,000,000.00	12,290,244.54	15,000,000.00	15,000,000.00	160,787.22	4.360	N/A
H9902 Hospital - FSA Plan MMF MM	M3951-FIGXX	1,835,474.81	2,534,879.78	1,835,474.81	1,835,474.81	24,727.09	4.360	N/A
H9902 Hospital - Donations Sweep MM	M5899-FIGXX	1,335,271.08	1,358,282.28	1,335,271.08	1,335,271.08	16,054.97	4.360	N/A
TexasCLASS | H9902 LGIP	TXCLASSH9902	204,775,184.63	202,273,517.88	204,775,184.63	204,775,184.63	2,501,666.75	4.646	N/A
T-Bill 0 10/22/2024	912797LU9	0.00	53,850,768.84	0.00	0.00	150,204.60		10/22/2024
DNB BANK ASA DISC CP 0 10/25/2024	2332K0KR2	0.00	96,178,269.00	0.00	0.00	318,235.56		10/25/2024
T-Bill 0 11/19/2024	912797MC8	0.00	89,926,963.96	0.00	0.00	574,719.15		11/19/2024
BARCLAYS US CCP DISC CP 0 11/26/2024	06741FLS4	0.00	23,818,896.00	0.00	0.00	180,718.64		11/26/2024
T-Bill 0 12/26/2024	912796ZV4	0.00	35,612,086.32	0.00	0.00	390,430.44		12/26/2024
Sub Total/Average H9902 Hospital - General Fund		**1,142,671,966.07**	**1,465,821,295.41**	**1,142,671,966.07**	**1,142,671,966.07**	**14,114,316.18**	**4.324**	
H9906 Hospital - SPFC								
H9906 Hospital - SPFC Money Market MM	M3936-FIGXX	57,457.69	56,224.35	57,457.69	57,457.69	661.09	4.360	N/A
TexasCLASS | H9906 LGIP	TXCLASSH9906	986,347.04	974,297.17	986,347.04	986,347.04	12,049.87	4.646	N/A
Sub Total/Average H9906 Hospital - SPFC		**1,043,804.73**	**1,030,521.52**	**1,043,804.73**	**1,043,804.73**	**12,710.96**	**4.630**	
H9917 Hospital - Ser 2010 DS								
H9917 Hospital - Series 2010 DS Sweep MMF MM	M3993-FIGXX	65.10	64.34	65.10	65.10	0.74	4.360	N/A
TexasCLASS | H9917 LGIP	TXCLASSH9917	66,459.53	65,647.61	66,459.53	66,459.53	811.92	4.646	N/A
T-Note 1.375 1/31/2025	912828Z52	6,000,000.00	5,937,773.46	5,986,289.06	5,984,102.42	69,377.57	4.713	1/31/2025

Description	CUSIP/Ticker	Ending Face Amount/Shares	Beginning MV	Ending MV	Ending BV	Investment Income-BV	Ending YTM @ Cost	Maturity Date
Sub Total/Average H9917 Hospital - Ser 2010 DS		**6,066,524.63**	**6,003,485.41**	**6,052,813.69**	**6,050,627.05**	**70,190.23**	**4.712**	
H9918 Hospital - Ser 2010 DSR								
H9918 Hospital - Series 2010 DSR Sweep MMF MM	M4017-FIGXX	65.10	64.34	65.10	65.10	0.74	4.360	N/A
TexasCLASS | H9918 LGIP	TXCLASSH9918	64,754.04	63,962.95	64,754.04	64,754.04	791.09	4.646	N/A
T-Note 1.375 1/31/2025	912828Z52	6,000,000.00	5,937,773.46	5,986,289.06	5,984,102.42	69,377.57	4.713	1/31/2025
Sub Total/Average H9918 Hospital - Ser 2010 DSR		**6,064,819.14**	**6,001,800.75**	**6,051,108.20**	**6,048,921.56**	**70,169.40**	**4.712**	
H9920 Hospital - Rev & Ref Ser 2016 DS								
H9920 Hospital - Series 2016 DS Sweep MMF MM	M4009-FIGXX	110.12	108.85	110.12	110.12	1.26	4.360	N/A
TexasCLASS | H9920 LGIP	TXCLASSH9920	89,381.94	88,290.00	89,381.94	89,381.94	1,091.94	4.646	N/A
T-Note 1.375 1/31/2025	912828Z52	10,150,000.00	10,044,733.44	10,126,805.66	10,123,106.60	117,363.74	4.713	1/31/2025
Sub Total/Average H9920 Hospital - Rev & Ref Ser 2016 DS		**10,239,492.06**	**10,133,132.29**	**10,216,297.72**	**10,212,598.66**	**118,456.94**	**4.712**	
H9921 Hospital - Rev & Ref Ser 2016 DSR								
H9921 Hospital - Series 2016 DSR Sweep MMF MM	M4033-FIGXX	110.66	109.38	110.66	110.66	1.26	4.360	N/A
TexasCLASS Govt | H9921 LGIP	TXCLASSGH9921	71,157.83	70,338.24	71,157.83	71,157.83	819.59	4.343	N/A
TexasCLASS | H9921 LGIP	TXCLASSH9921	111,607.87	110,244.40	111,607.87	111,607.87	1,363.47	4.646	N/A
T-Note 1.375 1/31/2025	912828Z52	10,200,000.00	10,094,214.88	10,176,691.41	10,172,974.12	117,941.88	4.713	1/31/2025
Sub Total/Average H9921 Hospital - Rev & Ref Ser 2016 DSR		**10,382,876.36**	**10,274,906.90**	**10,359,567.77**	**10,355,850.48**	**120,126.20**	**4.709**	
H9924 Hospital - Capital Assets Series 2020								
TexasCLASS | H9924 LGIP	TXCLASSH9924	1,232,765.69	1,217,705.41	1,232,765.69	1,232,765.69	15,060.28	4.646	N/A
Sub Total/Average H9924 Hospital - Capital Assets Series 2020		**1,232,765.69**	**1,217,705.41**	**1,232,765.69**	**1,232,765.69**	**15,060.28**	**4.646**	
H9925 Hospital - Capital Gift Proceeds								
H9925 HCHD - Capital Gift Proceeds MM	M1367-FIGXX	178.22	0.00	178.22	178.22	178.89	4.360	N/A
TexasCLASS | H9925 LGIP	TXCLASSH9925	54,338,005.21	53,673,044.88	54,338,005.21	54,338,005.21	664,960.33	4.646	N/A
Sub Total/Average H9925 Hospital - Capital Gift Proceeds		**54,338,183.43**	**53,673,044.88**	**54,338,183.43**	**54,338,183.43**	**665,139.22**	**4.646**	
Total / Average		**1,232,040,432.11**	**1,554,155,892.57**	**1,231,966,507.30**	**1,231,954,717.67**	**15,186,169.41**	**4.349**	

Thursday, February 13, 2025

Consideration of Acceptance of the Harris Health Fourth Quarter Calendar Year 2024 Pension Plan Report

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Attached for your review and acceptance is the Fourth Quarter Calendar Year 2024 Pension Plan Report for the period October to December 2024.

Administration recommends that the Board accept the Fourth Quarter Pension Plan Report for the period ended December 31, 2024.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

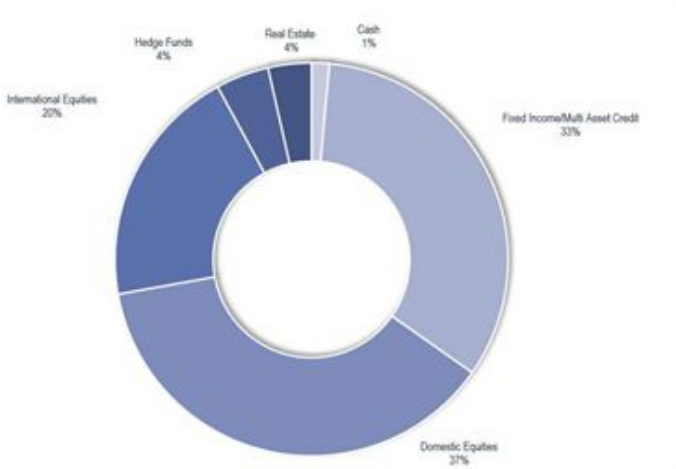
Pension Plan Summary

HARRISHEALTH

For the Quarter Ended and Year to Date December 31, 2024

	YEAR-TO-DATE 12/31/23	QUARTERLY 03/31/24	QUARTERLY 06/30/24	QUARTERLY 09/30/24	QUARTERLY 12/31/24	YEAR-TO-DATE 12/31/24
Investment Return	14.2%	4.7%	1.3%	4.7%	-1.4%	9.4%
Market Value of Assets (in millions)	$ 948.3	$ 995.8	$ 1,010.2	$ 1,058.7	$ 1,043.6	$ 1,043.6
Employer Contributions (in millions)	$ 68.0	$ 18.3	$ 17.8	$ 16.7	$ 16.2	$ 69.0
Benefit Payments (in millions)	$ 64.1	$ 16.2	$ 16.3	$ 16.4	$ 16.5	$ 65.3
Funded Ratio	79.5%	83.6%	84.4%	87.9%	88.2%	87.9%

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 decreased $15.2 million this quarter and increased $95.2 million since the beginning of the calendar year. Investment return was -1.4% for the quarter ended December 31, 2024, due to the following market conditions:

- In the fourth quarter of 2024, inflation rebounded after reaching lower levels in the third quarter of 2024, but the U.S. economy continued to show signs of strength while global equity markets fell. Political developments dominated the quarter with U.S. elections delivering a clear mandate favoring the Republicans and President-elect Donald Trump. Throughout the quarter, the S&P 500 Index was able to achieve new highs, in response to lowering interest rates by the Federal Reserve, range-bound inflation, better than expected economic growth, and post-election “relief rally”.
- The U.S. economy grew at an annualized rate of 3.1% in the third quarter of 2024, higher than the economists expected 2.8% and above the previous quarter’s annualized growth rate of 3.0%. The acceleration was largely boosted by strong exports and consumer and federal government spending. U.S. headline consumer price index rose in line with economists’ expectations.
- The S&P 500 increased by 2.4% over the quarter while Global equities (excluding the US) fell by 7.5%, with developed markets posting a marginal decline of 0.1%, outperforming emerging markets, which decreased by 7.8%. The strength of the U.S. dollar against major currencies over the month further contributed towards negative returns by other major economies.
- U.S. Treasury yields generally rose across maturities as the yield curve shifted upwards over the quarter, with long-dated and medium-term bond yields rising more compared to short-dated yields. Credit markets delivered negative returns over the quarter.

BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH

Thursday, February 13, 2025

Consideration of Acceptance of the Harris Health December 2024 Financial Report Subject to Audit

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Attached for your review and consideration is the December 2024 Financial Report for the quarter and three months fiscal year-to-date ended December 31, 2024.

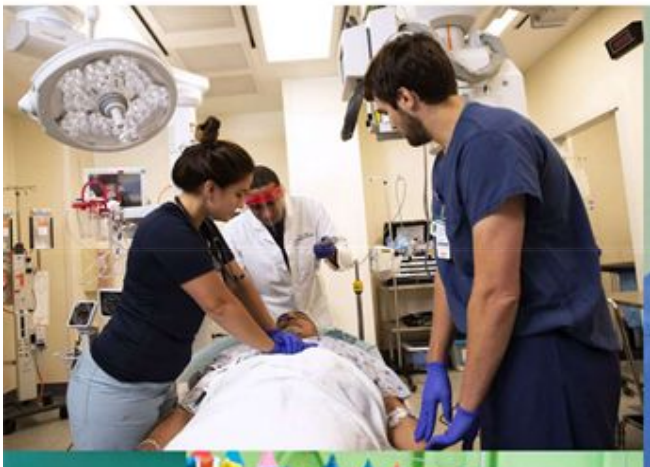
Administration recommends that the Board accept the financial report for the period ended December 31, 2024, subject to final audit.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

HARRISHEALTH

Financial Statements

As of Quarter Ended December 31, 2024
Subject to Audit



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HARRISHEALTH

Operating income for the quarter ended December 31, 2024 was $30.7 million compared to budgeted income of $14.4 million, subject to possible audit adjustments.

Total quarterly net revenue for December 31, 2024 of $641.8 million was $20.1 million or 3.0% less than budget. Net patient revenue and ad valorem taxes were $3.7 million and $5.9 million, respectively, less than budget. Medicaid Supplemental programs were $2.9 million less than expected primarily due to timing.

Total quarterly expenses of $611.2 million were $36.4 million or 5.6% less than budget. Total labor costs were $12.8 million lower than anticipated due to a benefit rebate and the timing of the annual merit increases. Total supplies posted a $6.4 million positive variance, and services had a favorable variance of $21.0 million driven by strategic projects' implementation scheduling compared to the plan.

Through the quarter ended December 31, 2024, total patient days and average daily census increased 2.2% compared to budget. Inpatient case mix index, a measure of patient acuity, and length of stay were 1.0% and 0.1% lower, respectively, than budget. Emergency room visits were 1.7% higher than planned for the quarter. Total clinic visits, including telehealth, were 3.7% higher compared to budget. Births were up 9.0%.

Total cash receipts for the quarter were $340.5 million. The System has $1,137.7 million in unrestricted cash, cash equivalents and investments, representing 177.4 days cash on hand. Harris Health System has $132.6 million in net accounts receivable, representing 66.7 days of outstanding patient accounts receivable at December 31, 2024. The December balance sheet reflects a combined net receivable position of $171.8 million under the various Medicaid Supplemental programs. The current portion of ad valorem taxes receivable is $915.6 million, which is offset by ad valorem tax collections as received. Accounts payable and accrued liabilities include $767.0 million in deferred ad valorem tax revenues that are released as ad valorem tax revenue is recognized. As of December 31, 2024, $95.8 million in ad valorem tax collections were received and $253.5 million in current ad valorem tax revenue was recognized.

Income Statement

HARRISHEALTH

As of the Quarter Ended December 31, 2024 and 2023 (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	$ 183.1	$ 186.8	-2.0%	$ 183.1	$ 186.8	-2.0%	$ 178.9	2.3%
Medicaid Supplemental Programs	158.9	161.8	-1.8%	158.9	161.8	-1.8%	163.6	-2.9%
Other Operating Revenue	34.8	36.2	-4.0%	34.8	36.2	-4.0%	31.1	11.9%
Total Operating Revenue	**$ 376.7**	**$ 384.8**	**-2.1%**	**$ 376.7**	**$ 384.8**	**-2.1%**	**$ 373.6**	**0.8%**
Net Ad Valorem Taxes	249.4	255.2	-2.3%	249.4	255.2	-2.3%	224.4	11.1%
Net Tobacco Settlement Revenue	-	-	0.0%	-	-	0.0%	-	0.0%
Capital Gifts & Grants	-	2.5	0.0%	-	2.5	-100.0%	-	0.0%
Interest Income & Other	15.8	19.4	-18.7%	15.8	19.4	-18.7%	16.4	-3.6%
Total Nonoperating Revenue	**$ 265.1**	**$ 277.1**	**-4.3%**	**$ 265.1**	**$ 277.1**	**-4.3%**	**$ 240.8**	**10.1%**
Total Net Revenue	**$ 641.8**	**$ 661.9**	**-3.0%**	**$ 641.8**	**$ 661.9**	**-3.0%**	**$ 614.4**	**4.5%**
EXPENSE								
Salaries and Wages	$ 244.3	$ 250.1	2.3%	$ 244.3	$ 250.1	2.3%	$ 234.6	-4.1%
Employee Benefits	75.9	83.0	8.5%	75.9	83.0	8.5%	82.3	7.7%
Total Labor Cost	**$ 320.2**	**$ 333.1**	**3.9%**	**$ 320.2**	**$ 333.1**	**3.9%**	**$ 316.9**	**-1.1%**
Supply Expenses	80.6	87.0	7.4%	80.6	87.0	7.4%	74.6	-8.0%
Physician Services	107.8	116.2	7.2%	107.8	116.2	7.2%	104.2	-3.5%
Purchased Services	76.2	88.8	14.2%	76.2	88.8	14.2%	64.4	-18.3%
Depreciation & Interest	26.4	22.4	-17.6%	26.4	22.4	-17.6%	25.6	-3.0%
Total Operating Expense	**$ 611.2**	**$ 647.5**	**5.6%**	**$ 611.2**	**$ 647.5**	**5.6%**	**$ 585.7**	**-4.4%**
Operating Income (Loss)	**$ 30.7**	**$ 14.4**		**$ 30.7**	**$ 14.4**		**$ 28.7**	
Total Margin %	**4.8%**	**2.2%**		**4.8%**	**2.2%**		**4.7%**	

Balance Sheet

HARRISHEALTH

December 2024 and 2023 (in $ Millions)

	CURRENT YEAR	PRIOR YEAR
CURRENT ASSETS		
Cash, Cash Equivalents and Short Term Investments	$ 1,137.7	$ 1,181.0
Net Patient Accounts Receivable	132.6	167.4
Net Ad Valorem Taxes, Current Portion	915.6	782.9
Other Current Assets	239.8	264.6
Total Current Assets	**$ 2,425.8**	**$ 2,396.0**
CAPITAL ASSETS		
Plant, Property, & Equipment, Net of Accumulated Depreciation	$ 564.6	$ 535.6
Construction in Progress	272.8	145.5
Right of Use Assets	34.7	42.4
Total Capital Assets	**$ 872.2**	**$ 723.5**
ASSETS LIMITED AS TO USE & RESTRICTED ASSETS		
Debt Service & Capital Asset Funds	$ 35.4	$ 41.1
LPPF Restricted Cash	159.9	111.4
Capital Gift Proceeds	54.3	55.3
Other - Restricted	1.0	1.0
Total Assets Limited As to Use & Restricted Assets	**$ 250.6**	**$ 208.9**
Other Assets	43.7	43.0
Deferred Outflows of Resources	182.3	234.8
Total Assets & Deferred Outflows of Resources	**$ 3,774.7**	**$ 3,606.2**
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 324.8	$ 274.2
Employee Compensation & Related Liabilities	161.5	149.5
Deferred Revenue - Ad Valorem	767.0	681.8
Estimated Third-Party Payor Settlements	30.7	21.5
Current Portion Long-Term Debt and Capital Leases	36.5	36.8
Total Current Liabilities	**$ 1,320.4**	**$ 1,163.7**
Long-Term Debt	277.7	298.6
Net Pension & Post Employment Benefits Liability	684.8	779.4
Other Long-Term Liabilities	8.1	7.0
Deferred Inflows of Resources	110.4	115.3
Total Liabilities	**$ 2,401.4**	**$ 2,364.0**
Total Net Assets	**$ 1,373.3**	**$ 1,242.1**
Total Liabilities & Net Assets	**$ 3,774.7**	**$ 3,606.2**

Cash Flow Summary

HARRISHEALTH

As of the Quarter Ended December 31, 2024 and 2023 (in $ Millions)

	QUARTER-TO-QUARTER		YEAR-TO-DATE	
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR
CASH RECEIPTS				
Collections on Patient Accounts	$ 205.6	$ 210.8	$ 205.6	$ 210.8
Medicaid Supplemental Programs	9.3	412.6	9.3	412.6
Net Ad Valorem Taxes	95.8	114.3	95.8	114.3
Tobacco Settlement	-	-	-	-
Other Revenue	29.8	41.7	29.8	41.7
Total Cash Receipts	**$ 340.5**	**$ 779.4**	**$ 340.5**	**$ 779.4**
CASH DISBURSEMENTS				
Salaries, Wages and Benefits	$ 300.7	$ 330.0	$ 300.7	$ 330.0
Supplies	96.3	79.5	96.3	79.5
Physician Services	105.7	99.6	105.7	99.6
Purchased Services	73.9	67.5	73.9	67.5
Capital Expenditures	89.2	41.3	89.2	41.3
Debt and Interest Payments	0.8	0.8	0.8	0.8
Other Uses	(0.3)	(7.7)	(0.3)	(7.7)
Total Cash Disbursements	**$ 666.2**	**$ 611.0**	**$ 666.2**	**$ 611.0**
Net Change	**$ (325.7)**	**$ 168.4**	**$ (325.7)**	**$ 168.4**

Unrestricted cash, cash equivalents and investments - Beginning of year	$ 1,463.4
Net Change	$ (325.7)
Untrestricted cash, cash equivalents and investments - End of period	**$ 1,137.7**

Performance Ratios

HARRISHEALTH

As of the Quarter Ended December 31, 2024 and 2023 (in $ Millions)

	QUARTER-TO-DATE		YEAR-TO-DATE		
	CURRENT YEAR	CURRENT BUDGET	CURRENT YEAR	CURRENT BUDGET	PRIOR YEAR
OPERATING HEALTH INDICATORS					
Operating Margin %	4.8%	2.2%	4.8%	2.2%	4.7%
Run Rate per Day (In$ Millions)	$ 6.4	$ 6.8	$ 6.4	$ 6.8	$ 6.1
Salary, Wages & Benefit per APD	$ 2,380	$ 2,531	$ 2,380	$ 2,531	$ 2,429
Supply Cost per APD	$ 599	$ 661	$ 599	$ 661	$ 572
Physician Services per APD	$ 801	$ 883	$ 801	$ 883	$ 799
Total Expense per APD	**$ 4,542**	**$ 4,919**	**$ 4,542**	**$ 4,919**	**$ 4,489**
Overtime as a % of Total Salaries	3.3%	3.1%	3.3%	3.1%	3.3%
Contract as a % of Total Salaries	3.4%	2.8%	3.4%	2.8%	4.9%
Full-time Equivalent Employees	10,448	10,684	10,448	10,684	10,334
FINANCIAL HEALTH INDICATORS					
Quick Ratio			1.8		2.0
Unrestricted Cash (In $ Millions)			$ 1,137.7	$ 1,351.0	$ 1,181.0
Days Cash on Hand			177.4	198.2	192.1
Days Revenue in Accounts Receivable			66.7	75.3	86.1
Days in Accounts Payable			44.6		48.9
Capital Expenditures/Depreciation & Amortization			376.3%		201.0%
Average Age of Plant(years)			9.8		10.6

Harris Health System Key Indicators

Statistical Highlights

HARRISHEALTH

As of the Quarter Ended December 31, 2024 and 2023

	QUARTER-TO-DATE			YEAR-TO-DATE				
	CURRENT QUARTER	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
Adjusted Patient Days	134,543	132,723	1.4%	134,543	132,723	1.4%	130,461	3.1%
Outpatient % of Adjusted Volume	63.1%	61.7%	2.3%	63.1%	61.7%	2.3%	61.6%	2.4%
Primary Care Clinic Visits	136,436	133,027	2.6%	136,436	133,027	2.6%	129,896	5.0%
Specialty Clinic Visits	64,096	59,747	7.3%	64,096	59,747	7.3%	59,219	8.2%
Telehealth Clinic Visits	29,905	29,510	1.3%	29,905	29,510	1.3%	28,105	6.4%
Total Clinic Visits	**230,437**	**222,284**	**3.7%**	**230,437**	**222,284**	**3.7%**	**217,220**	**6.1%**
Emergency Room Visits - Outpatient	35,513	34,608	2.6%	35,513	34,608	2.6%	33,583	5.7%
Emergency Room Visits - Admitted	5,266	5,495	-4.2%	5,266	5,495	-4.2%	5,334	-1.3%
Total Emergency Room Visits	**40,779**	**40,103**	**1.7%**	**40,779**	**40,103**	**1.7%**	**38,917**	**4.8%**
Surgery Cases - Outpatient	2,941	2,786	5.6%	2,941	2,786	5.6%	2,828	4.0%
Surgery Cases - Inpatient	2,755	2,529	8.9%	2,755	2,529	8.9%	2,397	14.9%
Total Surgery Cases	**5,696**	**5,315**	**7.2%**	**5,696**	**5,315**	**7.2%**	**5,225**	**9.0%**
Total Outpatient Visits	**387,120**	**365,971**	**5.8%**	**387,120**	**365,971**	**5.8%**	**354,913**	**9.1%**
Inpatient Cases (Discharges)	7,852	8,032	-2.2%	7,852	8,032	-2.2%	8,007	-1.9%
Outpatient Observation Cases	3,006	2,590	16.1%	3,006	2,590	16.1%	2,838	5.9%
Total Cases Occupying Patient Beds	**10,858**	**10,622**	**2.2%**	**10,858**	**10,622**	**2.2%**	**10,845**	**0.1%**
Births	1,479	1,357	9.0%	1,479	1,357	9.0%	1,317	12.3%
Inpatient Days	49,640	50,843	-2.4%	49,640	50,843	-2.4%	50,033	-0.8%
Outpatient Observation Days	10,974	8,477	29.5%	10,974	8,477	29.5%	9,480	15.8%
Total Patient Days	**60,614**	**59,320**	**2.2%**	**60,614**	**59,320**	**2.2%**	**59,513**	**1.8%**
Average Daily Census	658.8	644.8	2.2%	658.8	644.8	2.2%	646.9	1.8%
Average Operating Beds	702	700	0.3%	702	700	0.3%	696	0.9%
Bed Occupancy %	93.9%	92.1%	1.9%	93.9%	92.1%	1.9%	92.9%	1.0%
Inpatient Average Length of Stay	6.32	6.33	-0.1%	6.32	6.33	-0.1%	6.25	1.2%
Inpatient Case Mix Index (CMI)	1.695	1.712	-1.0%	1.695	1.712	-1.0%	1.681	0.8%
Payor Mix (% of Charges)								
Charity & Self Pay	42.0%	43.4%	-3.1%	42.0%	43.4%	-3.1%	45.2%	-7.0%
Medicaid & Medicaid Managed	19.8%	19.4%	2.2%	19.8%	19.4%	2.2%	19.9%	-0.3%
Medicare & Medicare Managed	11.0%	11.4%	-4.2%	11.0%	11.4%	-4.2%	11.8%	-6.8%
Commercial & Other	27.2%	25.8%	5.4%	27.2%	25.8%	5.4%	23.2%	17.3%
Total Unduplicated Patients - Rolling 12				**246,362**			**246,353**	**0.0%**
Total New Patient - Rolling 12				**89,985**			**88,751**	**1.4%**

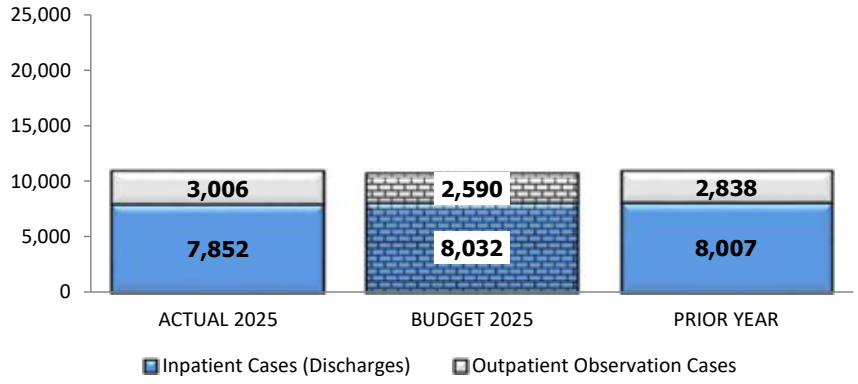
Harris Health

Statistical Highlights

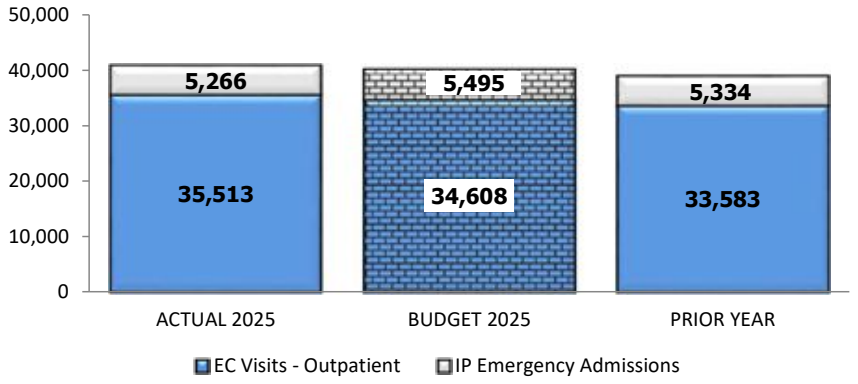
As of the Quarter Ended December 31, 2024

Cases Occupying Beds - Q1			Cases Occupying Beds - YTD			Emergency Visits - Q1			Emergency Visits - YTD		
Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
10,858	10,622	10,845	10,858	10,622	10,845	40,779	40,103	38,917	40,779	40,103	38,917

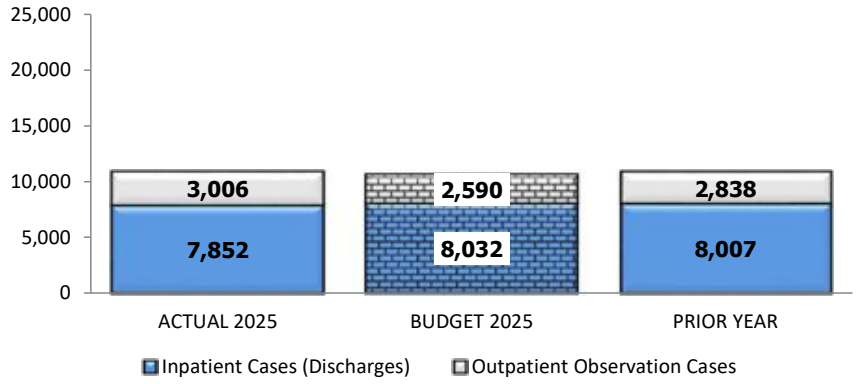
Cases Occupying Beds - Quarter End



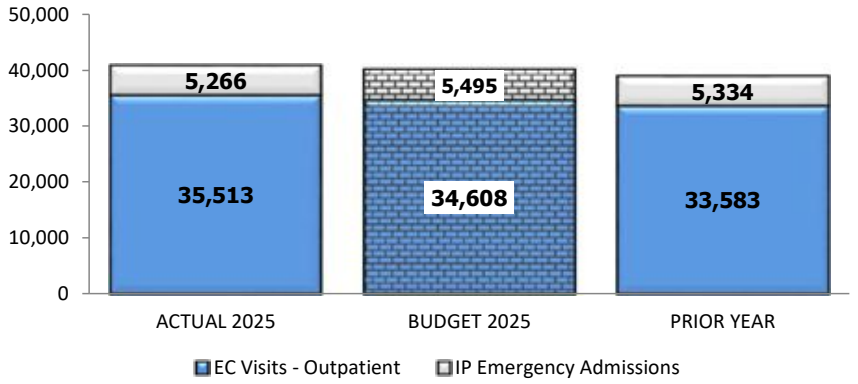
Emergency Visits - Quarter End



Cases Occupying Beds - YTD



Emergency Visits - YTD



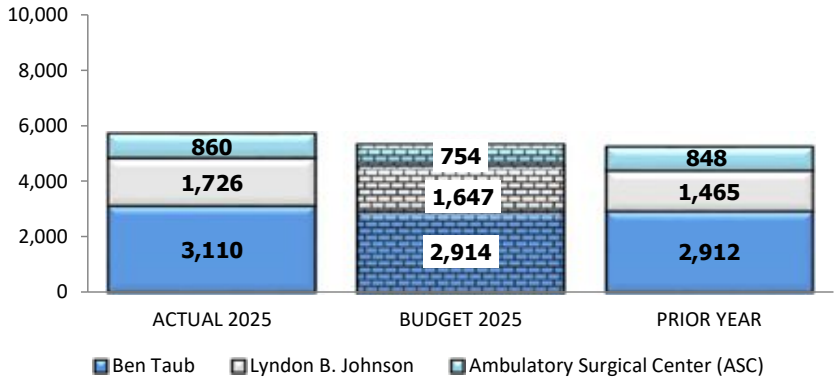
Harris Health

Statistical Highlights

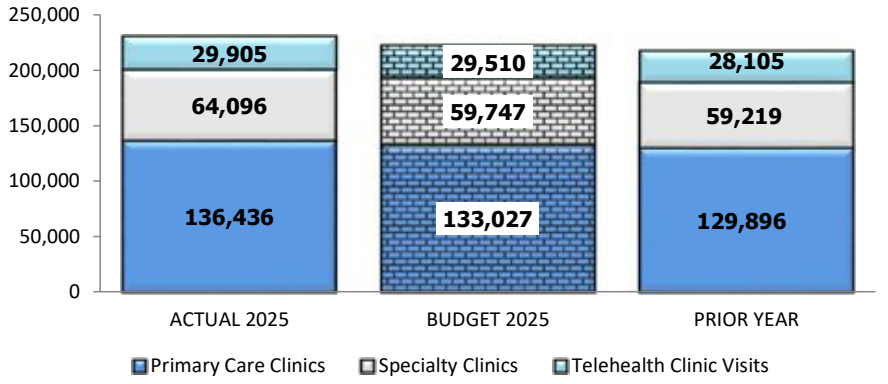
As of the Quarter Ended December 31, 2024

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
5,696	5,315	5,225	5,696	5,315	5,225	230,437	222,284	217,220	230,437	222,284	217,220

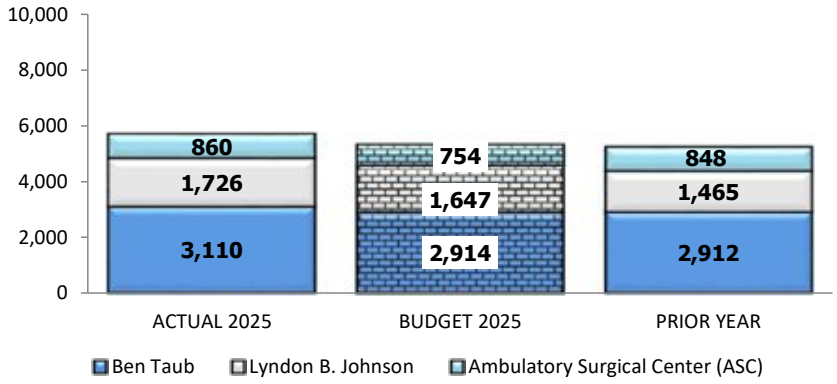
Surgery Cases - Quarter End



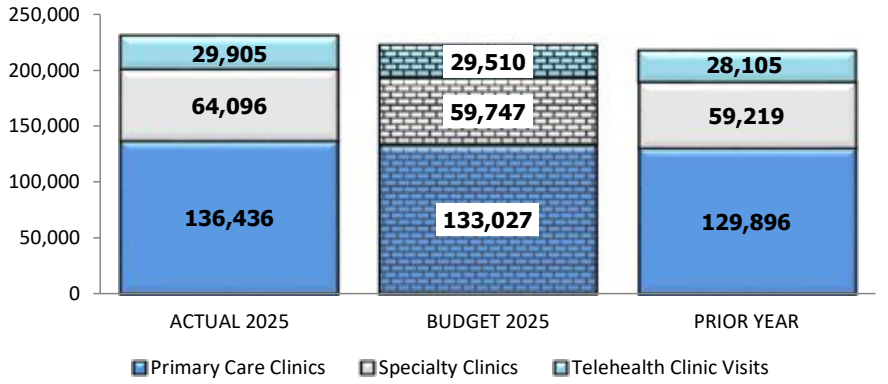
Clinic Visits - Quarter End



Surgery Cases - YTD



Clinic Visits - YTD



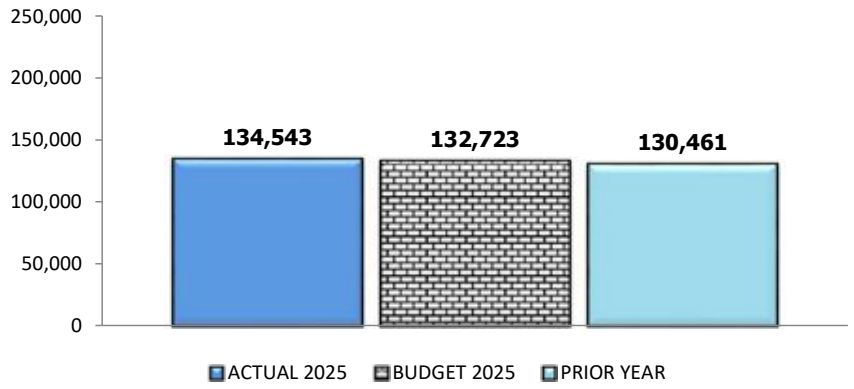
Harris Health

Statistical Highlights

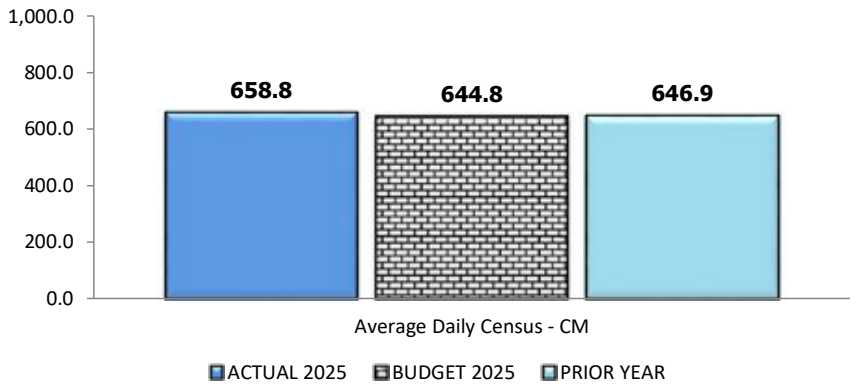
As of the Quarter Ended December 31, 2024

Adjusted Patient Days - Q1	Adjusted Patient Days - YTD	Average Daily Census - Q1	Average Daily Census - YTD
134,543	134,543	658.8	658.8

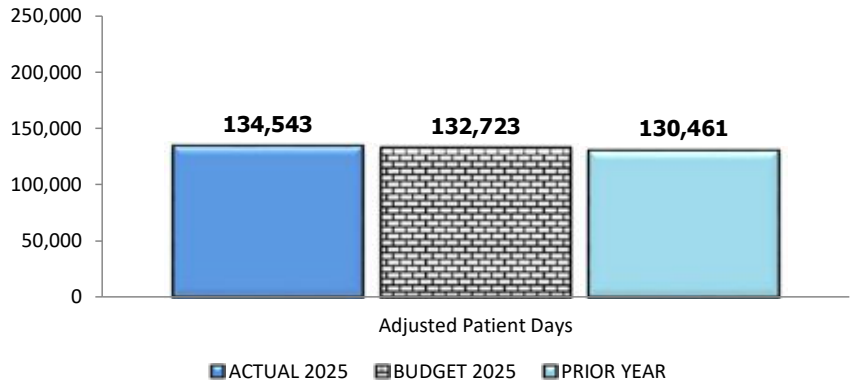
Adjusted Patient Days - Quarter End



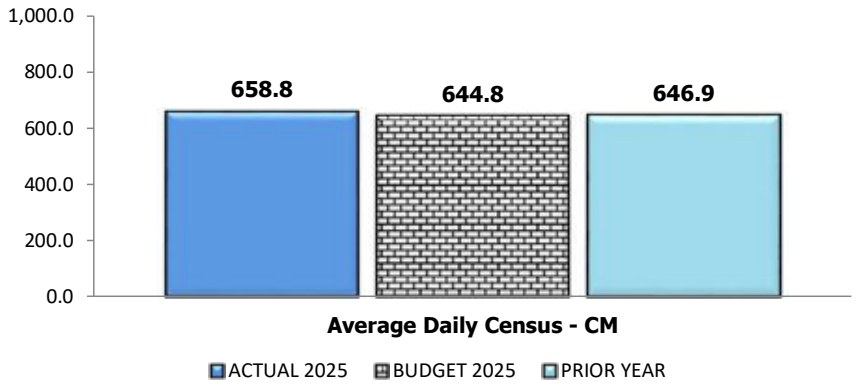
Average Daily Census - Quarter End



Adjusted Patient Days - YTD



Average Daily Census - YTD



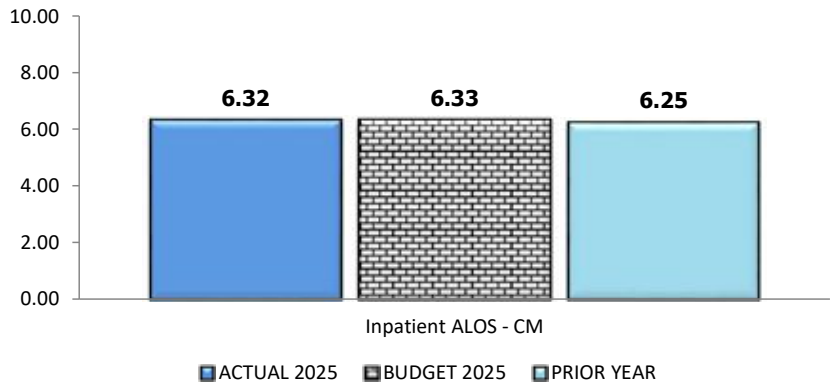
Harris Health

Statistical Highlights

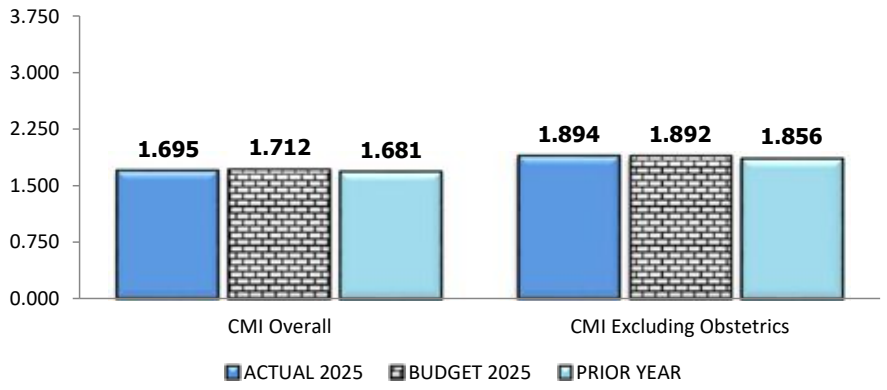
As of the Quarter Ended December 31, 2024

Inpatient ALOS - Q1	Inpatient ALOS - YTD	Case Mix Index - Q1		Case Mix Index (CMI) - YTD	
		Overall	Excl. Obstetrics	Overall	Excl. Obstetrics
6.32	6.32	1.695	1.894	1.695	1.894

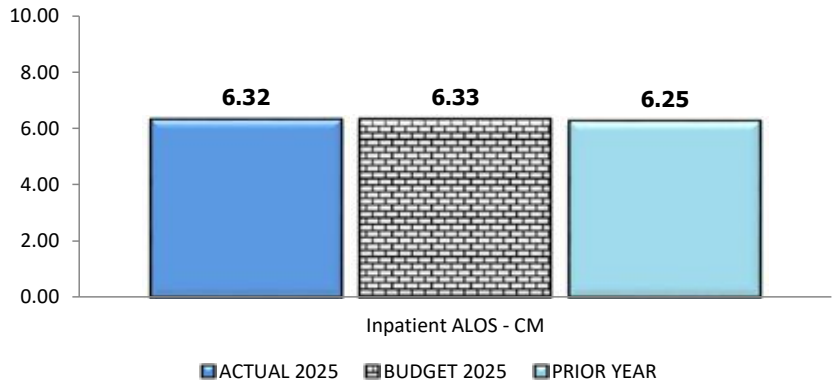
Inpatient ALOS - Quarter End



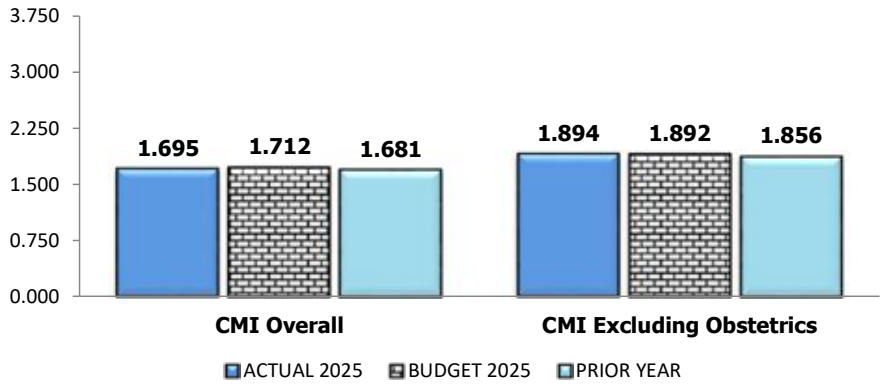
Case Mix Index - Quarter End



Inpatient ALOS - YTD



Case Mix Index - YTD



Harris Health

Statistical Highlights - Cases Occupying Beds

As of the Quarter Ended December 31, 2024

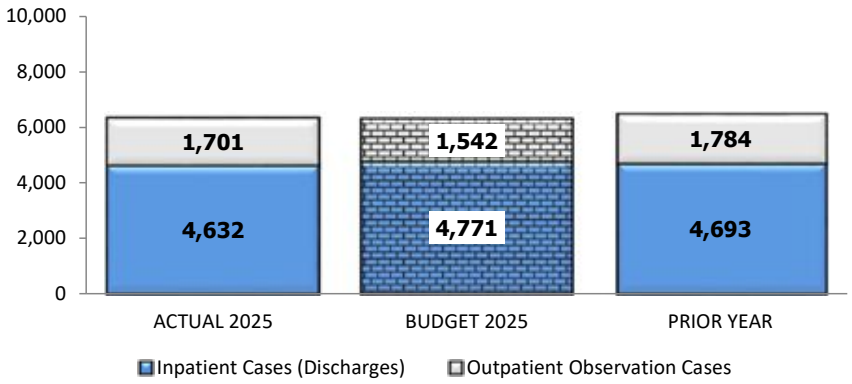
BT Cases Occupying Beds - Q1		
Actual	Budget	Prior Year
6,333	6,313	6,477

BT Cases Occupying Beds - YTD		
Actual	Budget	Prior Year
6,333	6,313	6,477

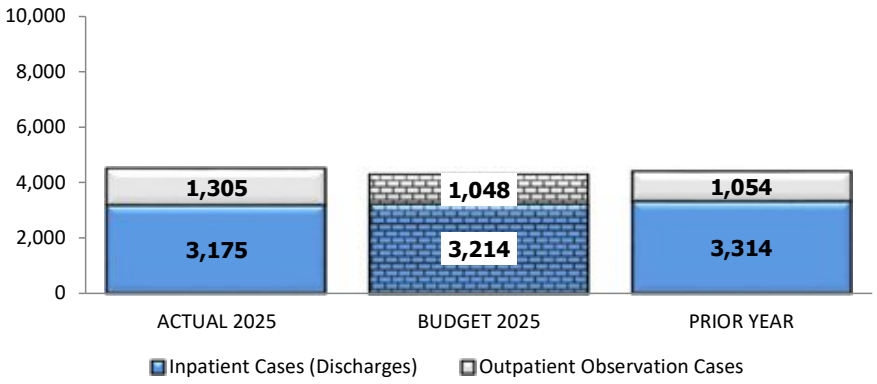
LBJ Cases Occupying Beds - Q1		
Actual	Budget	Prior Year
4,480	4,262	4,368

LBJ Cases Occupying Beds - YTD		
Actual	Budget	Prior Year
4,480	4,262	4,368

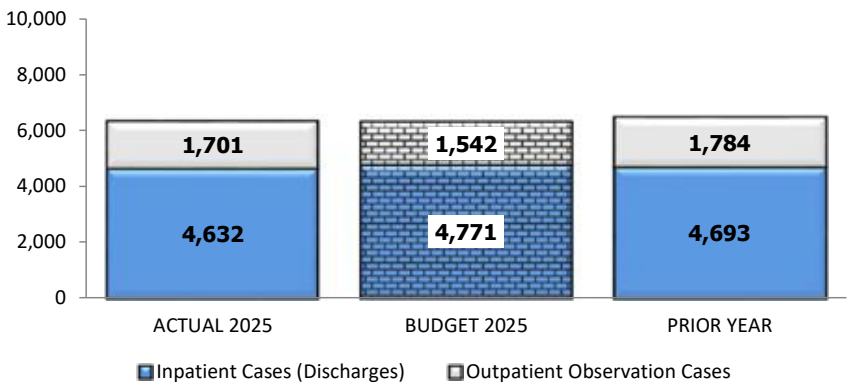
Ben Taub Cases - Quarter End



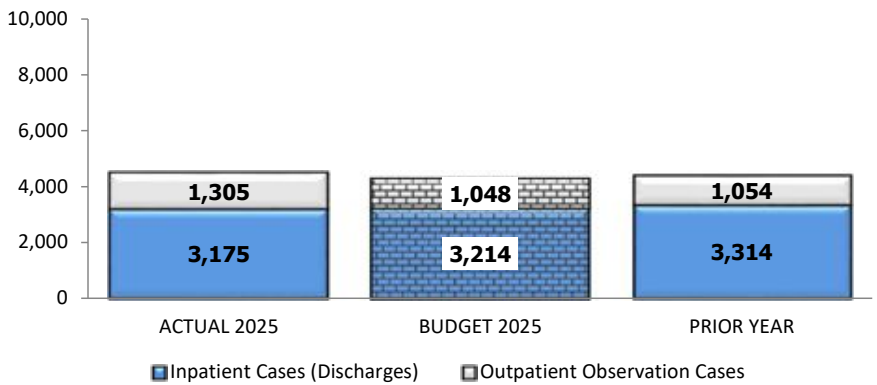
Lyndon B. Johnson Cases - Quarter End



Ben Taub Cases - YTD



Lyndon B. Johnson Cases - YTD



Harris Health

Statistical Highlights - Surgery Cases

As of the Quarter Ended December 31, 2024

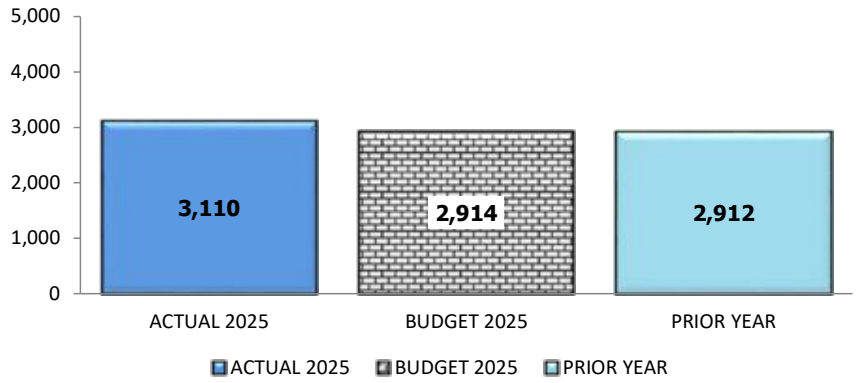
BT Surgery Cases - Q1		
Actual	Budget	Prior Year
3,110	2,914	2,912

BT Surgery Cases - YTD		
Actual	Budget	Prior Year
3,110	2,914	2,912

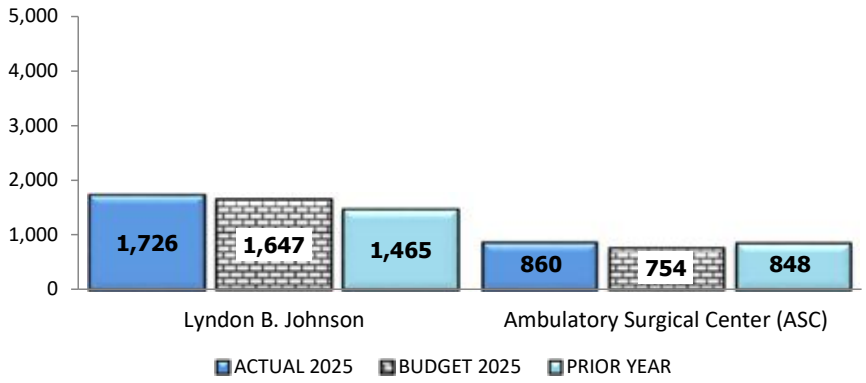
LBJ Surgery Cases - Q1		
Actual	Budget	Prior Year
2,586	2,401	2,313

LBJ Surgery Cases - YTD		
Actual	Budget	Prior Year
2,586	2,401	2,313

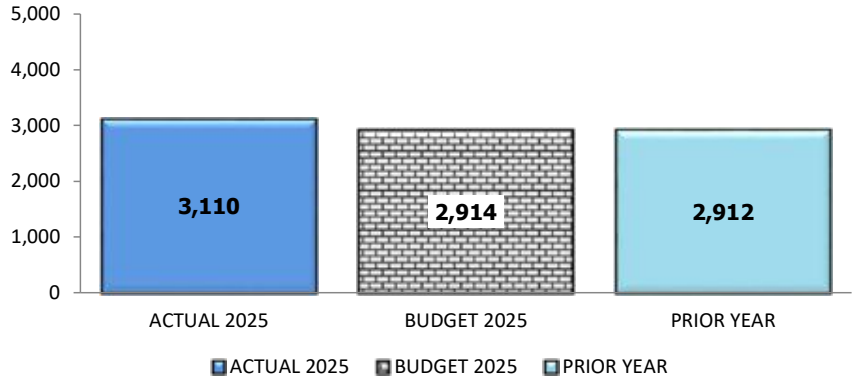
Ben Taub OR Cases - Quarter End



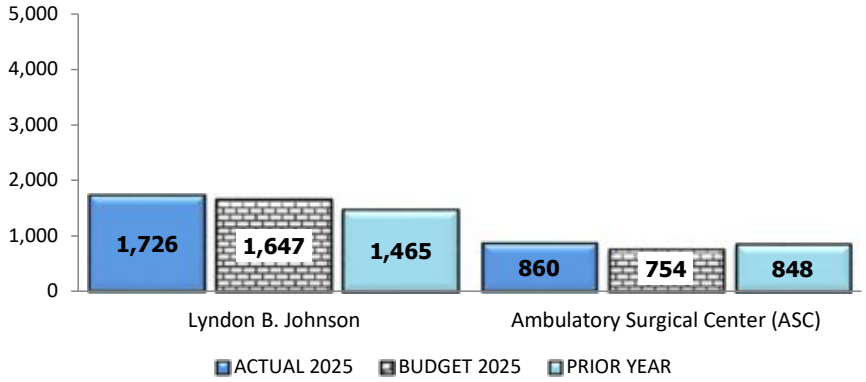
Lyndon B. Johnson OR Cases - Quarter End



Ben Taub OR Cases - YTD



Lyndon B. Johnson OR Cases - YTD



Harris Health

Statistical Highlights - Emergency Room Visits

As of the Quarter Ended December 31, 2024

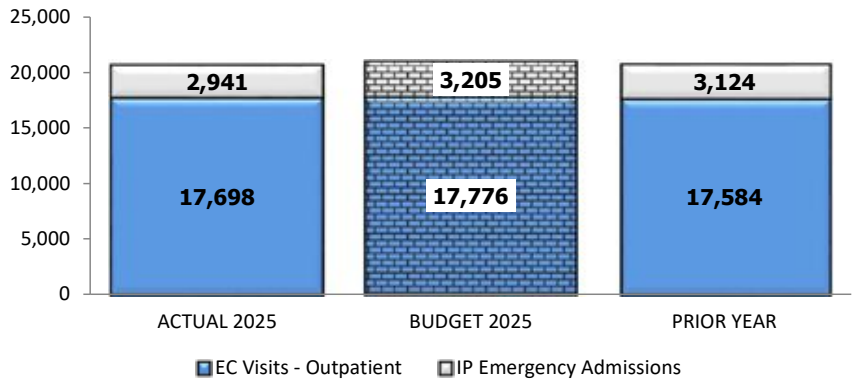
BT Emergency Visits - Q1		
Actual	Budget	Prior Year
20,639	20,981	20,708

BT Emergency Visits - YTD		
Actual	Budget	Prior Year
20,639	20,981	20,708

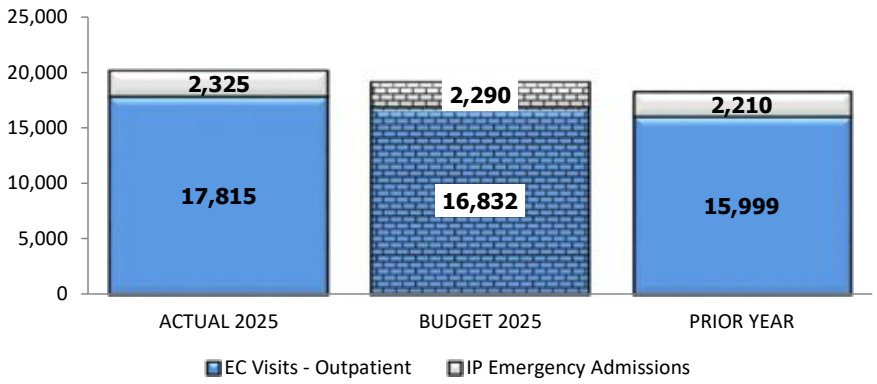
LBJ Emergency Visits - Q1		
Actual	Budget	Prior Year
20,140	19,122	18,209

LBJ Emergency Visits - YTD		
Actual	Budget	Prior Year
20,140	19,122	18,209

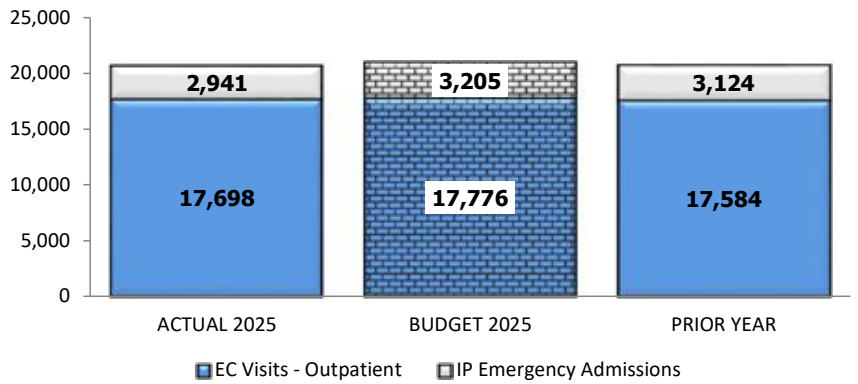
Ben Taub EC Visits - Quarter End



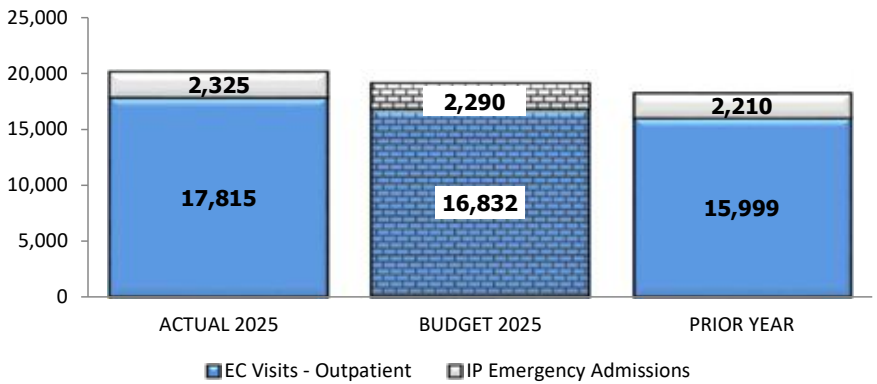
Lyndon B. Johnson EC Visits - Quarter End



Ben Taub EC Visits - YTD



Lyndon B. Johnson EC Visits - YTD

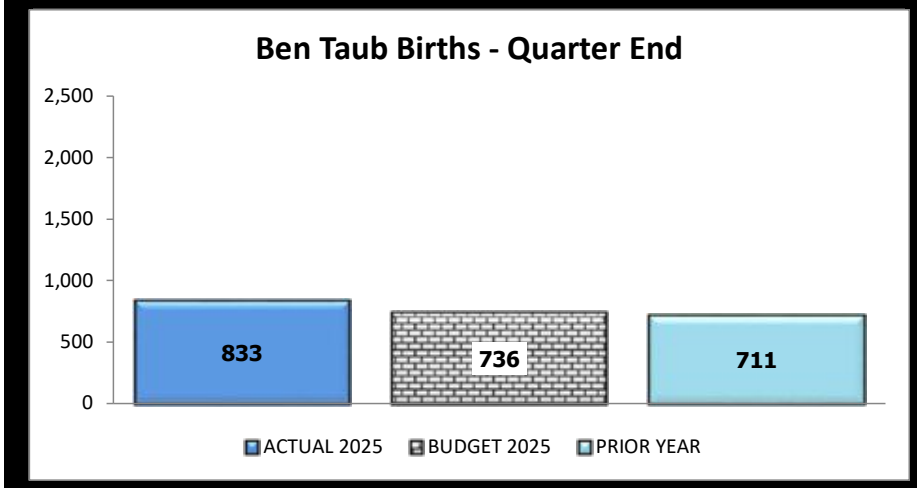


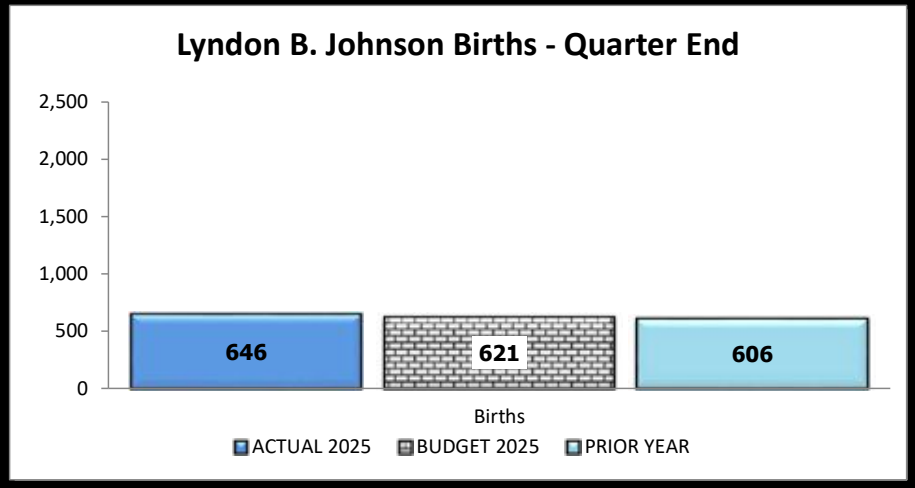
Harris Health

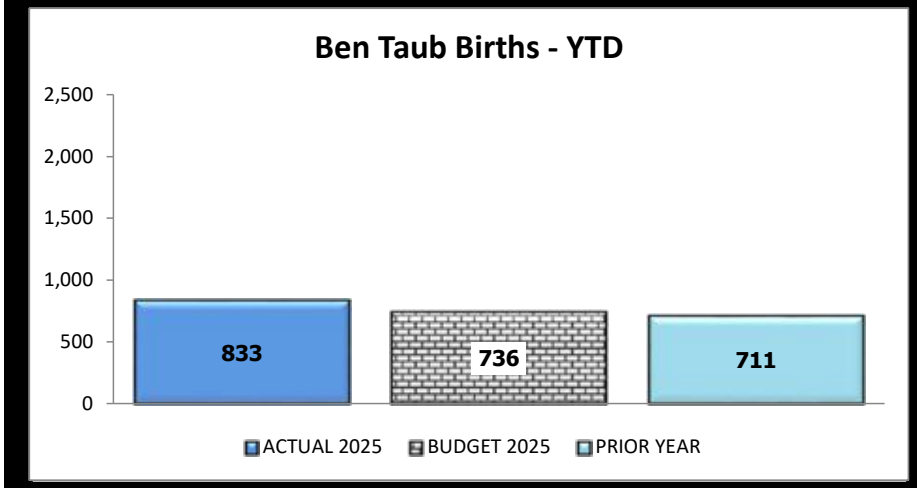
Statistical Highlights - Births

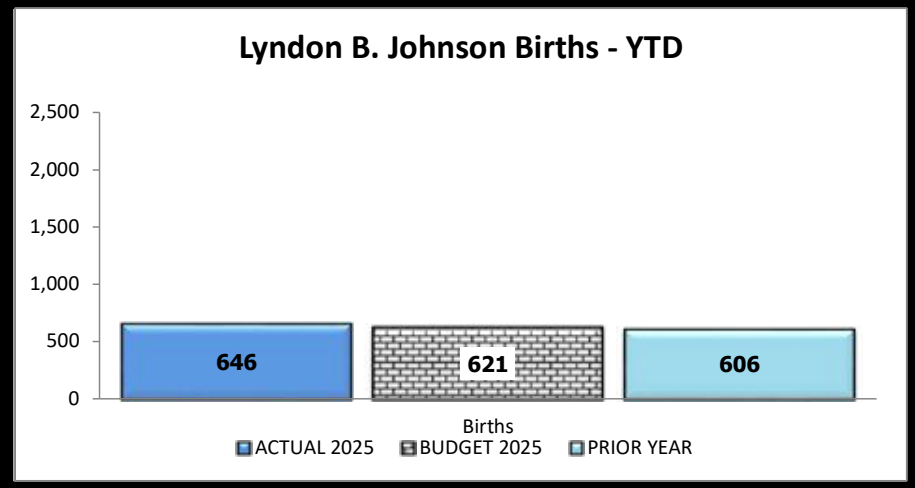
As of the Quarter Ended December 31, 2024

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
833	736	711	833	736	711	646	621	606	646	621	606









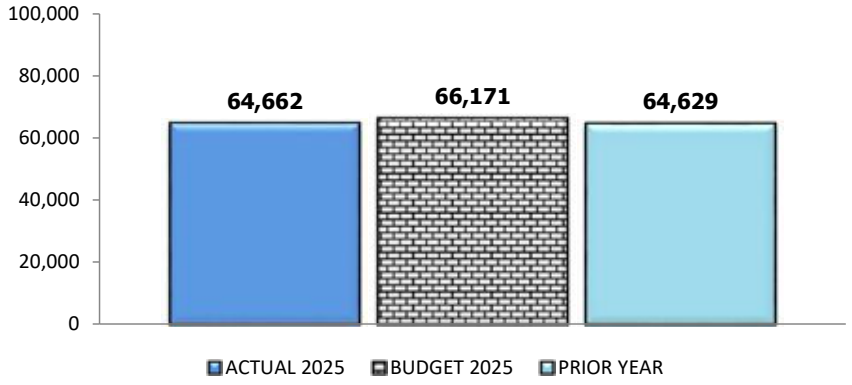
Harris Health

Statistical Highlights - Adjusted Patient Days

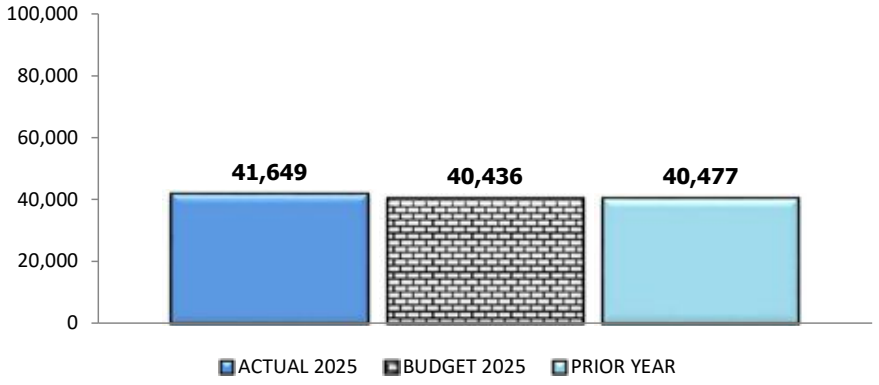
As of the Quarter Ended December 31, 2024

BT Adjusted Patient Days - Q1	BT Adjusted Patient Days - YTD	LBJ Adjusted Patient Days - Q1	LBJ Adjusted Patient Days - YTD
64,662	64,662	41,649	41,649

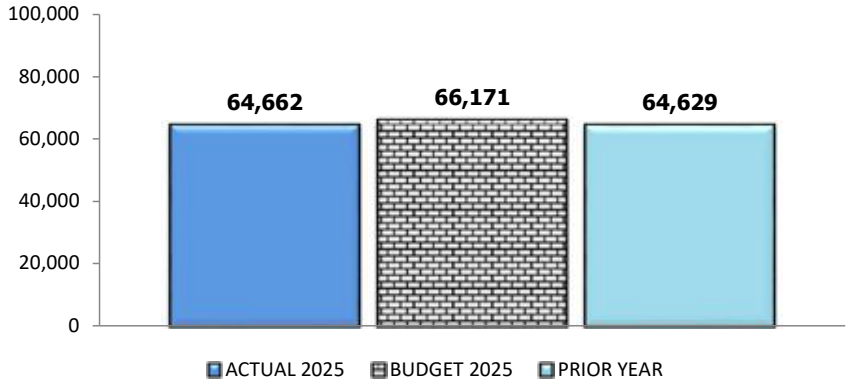
Ben Taub APD - Quarter End



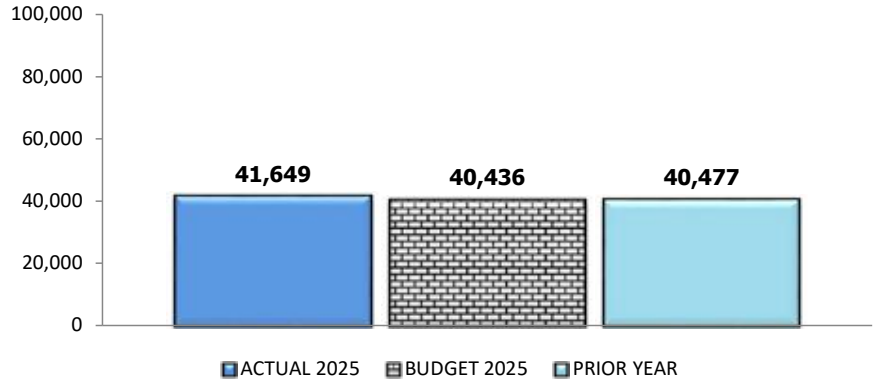
Lyndon B. Johnson APD - Quarter End



Ben Taub APD - YTD



Lyndon B. Johnson APD - YTD



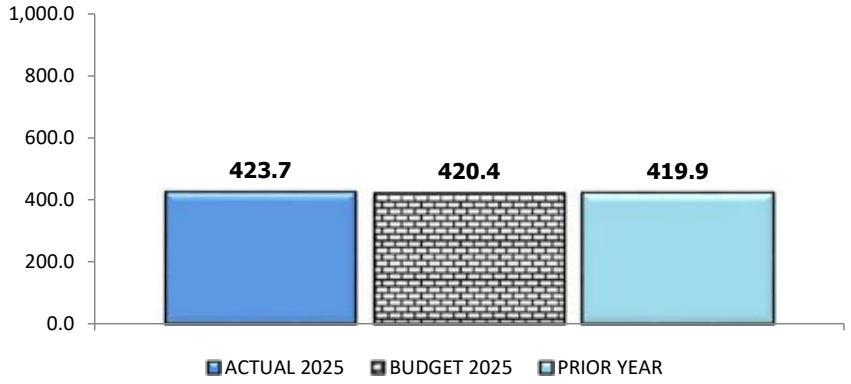
Harris Health

Statistical Highlights - Average Daily Census (ADC)

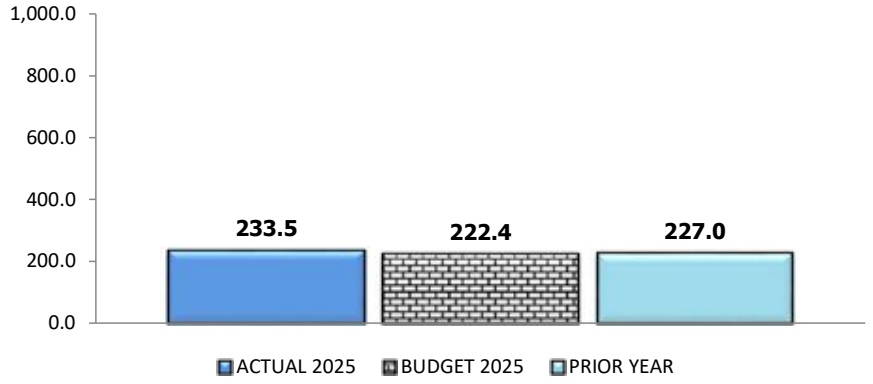
As of the Quarter Ended December 31, 2024

BT Average Daily Census - Q1	BT Average Daily Census - YTD	LBJ Average Daily Census - YTD	LBJ Average Daily Census - YTD
423.7	423.7	233.5	233.5

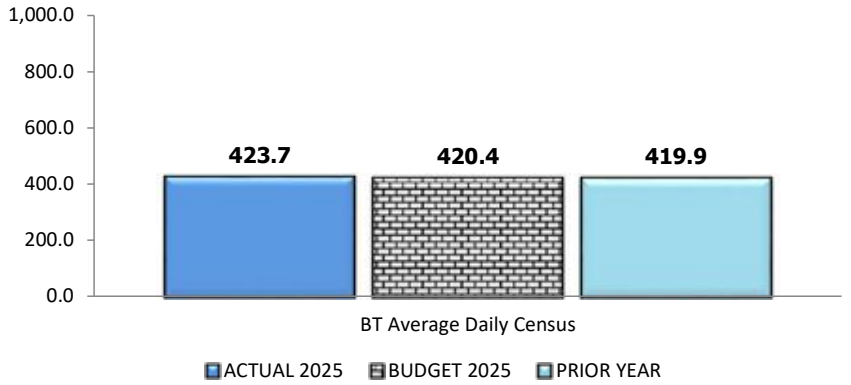
Ben Taub ADC - Quarter End



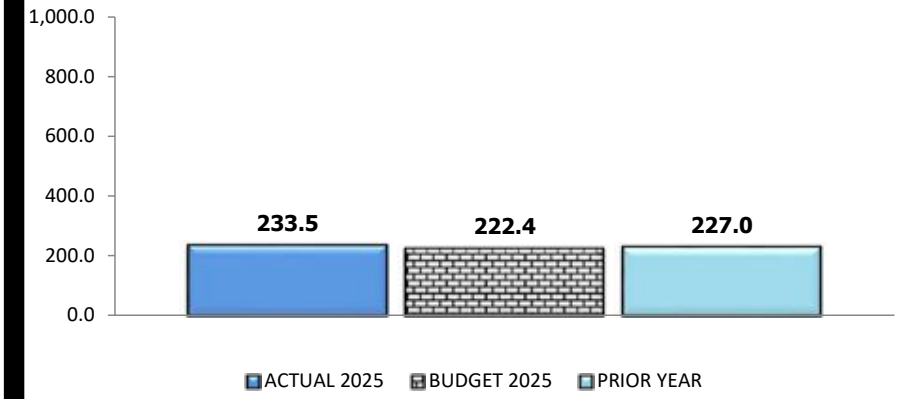
Lyndon B. Johnson ADC - Quarter End



Ben Taub ADC - YTD



Lyndon B. Johnson ADC - YTD



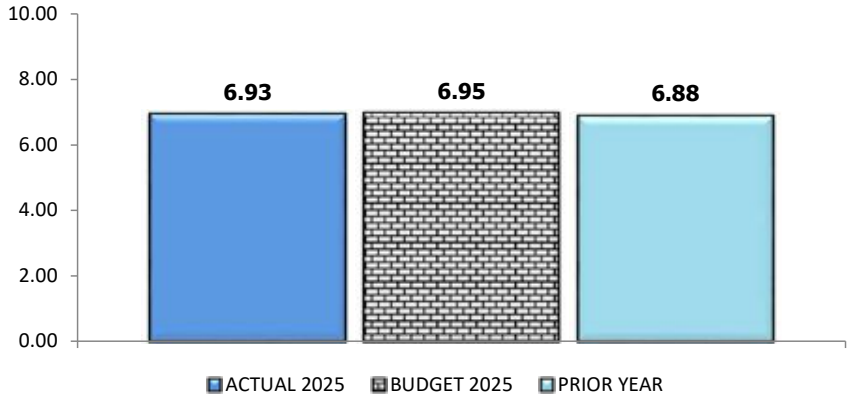
Harris Health

Statistical Highlights - Inpatient Average Length of Stay (ALOS)

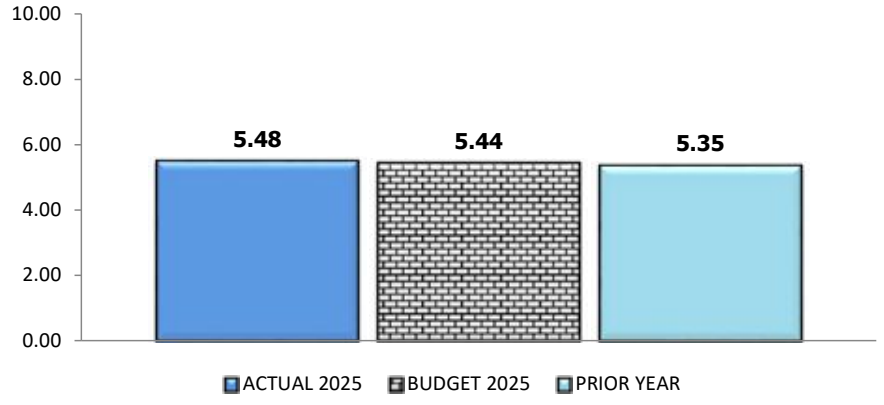
As of the Quarter Ended December 31, 2024

BT Inpatient ALOS - Q1	BT Inpatient ALOS - YTD	LBJ Inpatient ALOS - Q1	LBJ Inpatient ALOS - YTD
6.93	6.93	5.48	5.48

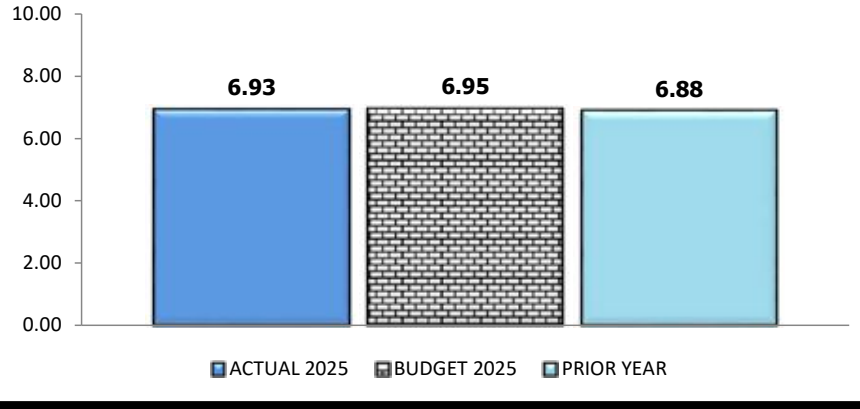
Ben Taub ALOS - Quarter End



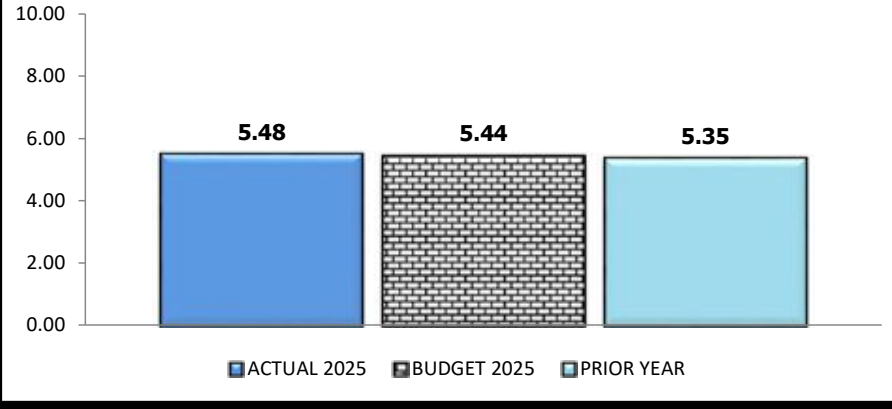
Lyndon B. Johnson ALOS - Quarter End



Ben Taub ALOS - YTD



Lyndon B. Johnson ALOS - YTD

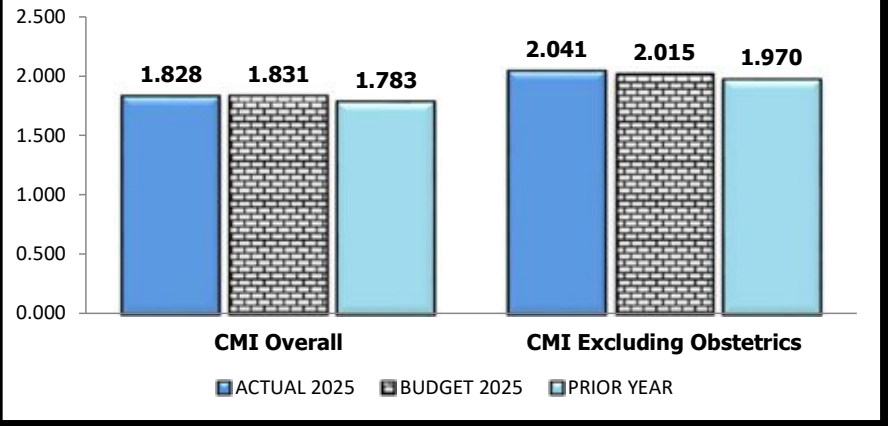


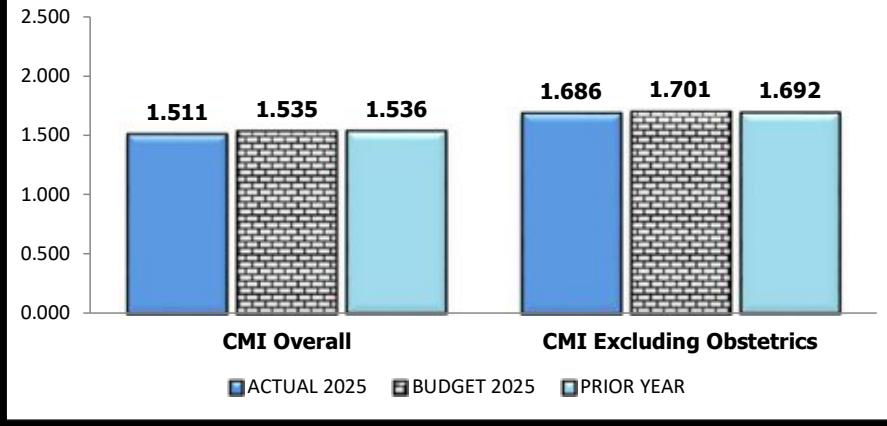
Harris Health

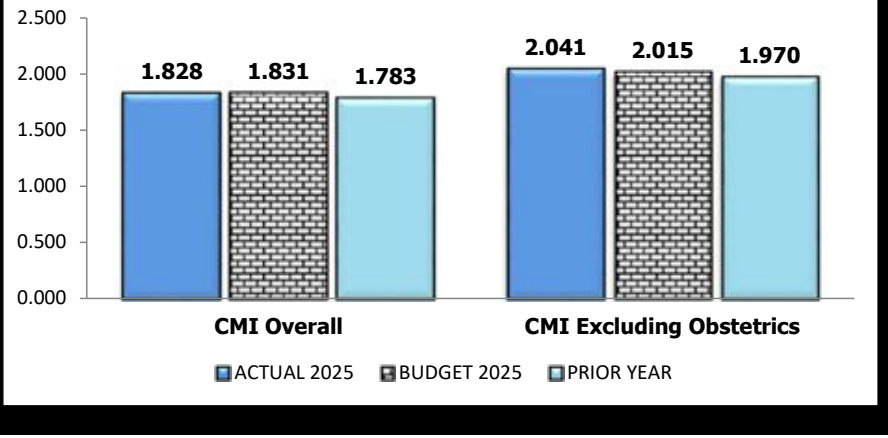
Statistical Highlights - Case Mix Index (CMI)

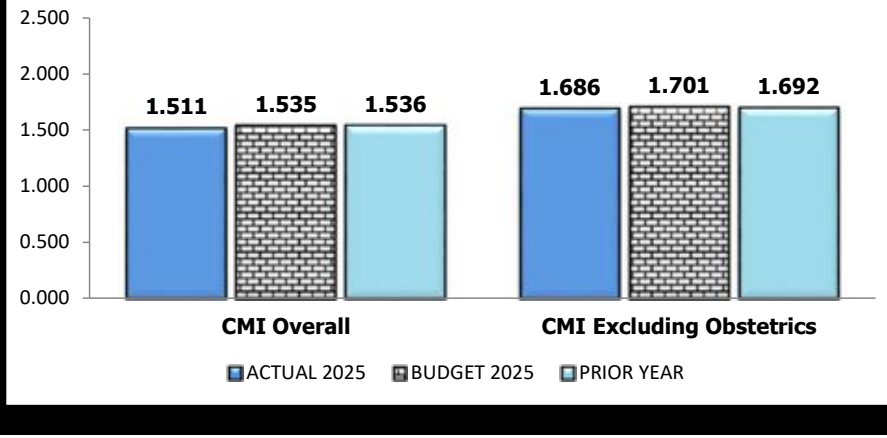
As of the Quarter Ended December 31, 2024

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
1.828	2.041	1.828	2.041	1.511	1.686	1.511	1.686









BOARD OF TRUSTEES

Budget and Finance Committee

HARRISHEALTH

Thursday, February 13, 2025

Executive Session

Presentation Regarding the Boards Fiduciary Responsibility Related to Components Units, Pursuant to Tex. Gov't Code Ann. §§551.071 and 551.085.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

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HARRISHEALTH

BOARD OF TRUSTEES

Compliance and Audit Committee

Thursday, February 13, 2025
10:15 A.M.
(*or immediately following the Budget and Finance Committee meeting*)

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. Carol Paret**	**2 min**
II.	**Approval of the Minutes of Previous Meeting** • Compliance and Audit Committee Meeting – November 14, 2024		**1 min**
III.	**Presentation Regarding the Harris Health Independent Auditor's Report and Overview for the Year Ended September 30, 2024** ***– Mr. Chris Clark, FORVIS MAZARS, LLC***		**10 min**
IV.	**Consideration of Acceptance of the Harris Health Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2024** ***– Mr. Chris Clark, FORVIS MAZARS, LLC***		**5 min**
V.	**Consideration of Acceptance of the Harris Health Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2024** ***– Mr. Chris Clark, FORVIS MAZARS, LLC***		**5 min**
VI.	**Presentation Regarding the Harris Health Quarterly Internal Audit Update as of February 13, 2025 – *Mr. Mike Post, Harris County Auditor and Ms. Sharon Brantley Smith, Chief Assistant County Auditor***		**10 min**
VII.	**Executive Session**	**Ms. Carol Paret**	**55 min**
A.	Presentation Regarding Harris County Auditor's Report on High-priority Management Action Plans (MAPs) Related to Vendor Payments, Pursuant to Tex. Occ. Code Ann. §151.002, Tex. Health & Safety Code Ann. §161.032 and Tex. Gov't Code Ann. §418.183 ***– Mr. Mike Post, Harris County Auditor and Ms. Sharon Brantley Smith, Chief Assistant County Auditor***		*(15 min)*

B.	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 Tex. Health & Safety Code Ann. §161.032 ***– Ms. Carolynn Jones, Mr. Anthony Williams and Ms. Vivian Ho-Nguyen***		*(40 min)*
VIII.	**Reconvene**	**Ms. Carol Paret**	**1 min**
IX.	**Adjournment**	**Ms. Carol Paret**	**1 min**

HARRIS HEALTH SYSTEM
MINUTES OF THE BOARD OF TRUSTEES
COMPLIANCE & AUDIT COMMITTEE MEETING
Thursday, November 14, 2024
10:00 AM

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
I. Call to Order and Record of Attendance	Ms. Carol Paret, Committee Chair, called the meeting to order at 10:29 a.m. It was noted there was a quorum present and the attendance was recorded. The meeting may be viewed online through the Harris Health website: http://harrishealthtx.swagit.com/live.	
II. Approval of the Minutes of the Previous Meeting	• Compliance and Audit Committee Meeting – September 12, 2024	**Moved by Mr. Jim Robinson, seconded by Mr. Paul Puente, and unanimously approved the minutes of the September 12, 2024 meeting. Motion carried.**
III. Presentation Regarding the Harris Health Independent Auditor's Pre-audit Communication for the Year Ended September 30, 2024	Mr. Chris Clark, Managing Partner, Forvis Mazars, delivered a presentation regarding the Harris Health Independent Auditor's Pre-audit Communication for the Fiscal Year which ended on September 30, 2024. He highlighted the various attest services provided by Forvis Mazars, introduced the engagement team, provided an overview of the risk areas and key disclosures, and discussed the planned audit scope and timeline. A copy of the presentation is available in the permanent record.	**As Presented.**
IV. Presentation Regarding the Harris Health Internal Audit Annual Update for the Period October 1, 2023 through September 30, 2024	Ms. Sharon Brantley Smith, Chief Assistant County Auditor for the Harris County Auditor's Office, presented the Internal Audit Annual Update for the Period October 1, 2023 through September 30, 2024. She outlined the Fiscal Year 2024 key performance indicators, status of four (4) completed engagements, and five (5) ongoing audits. Additionally, Ms. Brantley provided a summary of Harris Health's outstanding management action plans. A copy of the presentation is available in the permanent record.	**As Presented.**
V. Consideration of Recommendation for Approval of the Harris Health Fiscal Year 2025 Internal Audit Charter to the Harris Health Board of Trustees	Ms. Sharon Brantley Smith, presented the Harris Health Fiscal Year 2025 Internal Audit Charter to the Harris Health Board of Trustees. A copy of the charter is available in the permanent record.	**Moved by Mr. Jim Robinson, seconded by Mr. Paul Puente, and unanimously accepted that the Committee recommends that the Board approve item V., Harris Health Fiscal Year 2025 Internal Audit Charter. Motion carried.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
VI. Executive Session	At 10:46 a.m., Ms. Carol Paret stated that the Compliance & Audit Committee would go into Executive Session for Items 'A through D' as permitted by law under Tex. Occ. Code Ann. §151.002, Tex. Gov't Code §§418.183, and 551.089, and Tex. Health & Safety Code Ann. §161.032.	
A. Presentation Regarding the Harris County Auditor's Fiscal Year 2025 Annual Risk Assessment and Audit Plan Process, Pursuant to Tex. Occ. Code Ann. §151.002, Tex. Health & Safety Code Ann. §161.032, Tex. Gov't Code Ann. §418.183 and Tex. Gov't Code Ann. §551.089, Including Consideration of Recommendation for Approval of the Harris Health Fiscal Year 2025 Internal Audit Plan to the Harris Health Board of Trustees		**Moved by Mr. Paul Puente, seconded by Mr. Jim Robinson, and unanimously accepted that the Committee recommends that the Board approve item VI.A., Harris Health Fiscal Year 2025 Internal Audit Plan. Motion carried.**
B. Presentation Regarding Harris County Auditor's Report Related to UKG Post-implementation Audit, Pursuant to Tex. Occ. Code Ann. §151.002 and Tex. Health & Safety Code Ann. §161.032		**No Action Taken.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
C. Presentation Regarding Harris County Auditor's Report on High-priority Management Action Plans (MAPs) Related to the Telemedicine Audit, Pursuant to Tex. Occ. Code Ann. §151.002, Tex. Health & Safety Code Ann. §161.032 and Tex. Gov't Code Ann. §418.183		**No Action Taken.**
D. 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 Tex. Health & Safety Code Ann. §161.032, Including Consideration of Recommendation for Approval of the Fiscal Year 2025 Harris Health Compliance and Internal Quality Audit Plans to the Harris Health Board of Trustees		**Moved by Mr. Paul Puente, seconded by Mr. Jim Robinson, and unanimously accepted that the Committee recommends that the Board approve item VI.D., Fiscal Year 2025 Harris Health Compliance and Internal Quality Audit Plans. Motion carried.**

AGENDA ITEM	DISCUSSION	ACTION/RECOMMENDATIONS
VII. Reconvene	At 11:59 a.m., Ms. Carol Paret reconvened the meeting in open session; she noted that a quorum was present and that no action was taken in Executive Session. The Board then took action on Items "A and D" of the Executive Session agenda.	
VIII. Adjournment	There being no further business, the meeting adjourned at 12:01 p.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 14, 2024.

Respectfully submitted,

Ms. Carol Paret, BS, Committee Chair

Recorded by Cherry A. Pierson, MBA

HARRISHEALTH

Thursday, November 14, 2024
Harris Health Board of Trustees Compliance & Audit Committee Attendance

COMMITTEE MEMBERS PRESENT	COMMITTEE MEMBERS ABSENT	OTHER BOARD MEMBERS PRESENT
Carol Paret *(Committee Chair)*	Afsheen Davis	Paul Puente
Jim Robinson	Dr. Andrea Caracostis *(ex-officio)*	

HARRIS HEALTH EXECUTIVE LEADERSHIP, STAFF & SPECIAL INVITED GUESTS	
Alexander Barrie	Micah Rodriguez
Anthony Williams	Michael Hill
Arlen Alanis	Dr. Michael Nnadi
Carolynn Jones	Mike Post *(Harris County Auditor's Office)*
Cherry Pierson	Nicholas J. Bell
Chris Clark *(FORVIS)*	Olga Rodriguez
Daniel Smith	Omar Reid
Derek Curtis	Patricia Darnauer
Elizabeth Hanshaw Winn (*Harris County Attorney's Office)*	Patrick Casey
Dr. Esmaeil Porsa *(Harris Health System President & CEO)*	Randy Manarang
Dr. Esperanza "Hope" Galvan	Dr. Sandeep Markan
Dr. Glorimar Medina	Sara Thomas (*Harris County Attorney's Office)*
Dr. Jackie Brock	Sharon Brantley-Smith *(Harris County Auditor's Office)*
Dr. Jennifer Small	Shawn DeCosta
Jennifer Zarate	Dr. Steven Brass
Jerald Summers	Tekhesia Phillips
John Matcek	Dr. Tien Ko
Louis Smith	Victoria Nikitin
Maria Cowles	Vivian Ho-Nguyen
Dr. Martha Mims	

Virtual Attendee Notice: *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.*

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH

Thursday, February 13, 2025

Presentation Regarding the Harris Health Independent Auditor's Report and Overview for the Year Ended September 30, 2024

Representatives from the external audit firm FORVIS MAZARS, LLP, will provide an overview of the results of the audit engagements for the Harris Health audit reports for the Compliance and Audit Committee's consideration and approval.

A copy of the presentation is attached.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

Harris County Hospital District d/b/a Harris Health

2024 Audit Presentation

forvis mazars

Agenda

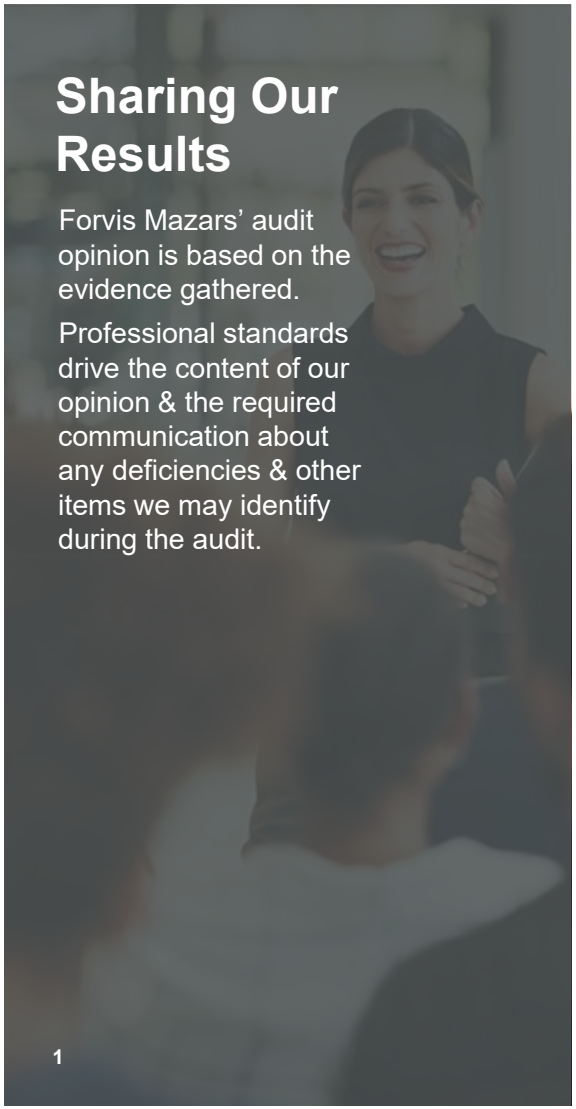
Board of Managers – Required Communications

Financial Results & Key Ratios

Industry Highlights

01

Board of Managers – Required Communications



Sharing Our Results

Forvis Mazars' audit opinion is based on the evidence gathered.

Professional standards drive the content of our opinion & the required communication about any deficiencies & other items we may identify during the audit.

1

Forvis Mazars Responsibility & Opinion

UNMATCHED CLIENT EXPERIENCE

Financial Statement Audit

- Draft Report is presented for board consideration
- Audit procedures are complete
- Forvis Mazars is prepared to issue an unmodified opinion
- No material weaknesses or significant deficiencies

Audit Coordination

- Forvis Mazars received full cooperation and assistance from the management and finance teams in completing the audit engagement

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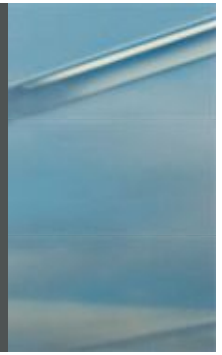
Audit Risk Areas & Key Disclosures

UNMATCHED CLIENT EXPERIENCE



Significant Judgements & Accounting Estimates

- Allowances for contractual adjustments and uncollectible accounts
- Estimated third-party payer settlements, including Medicaid Waiver and supplemental funding related settlements
- Accrual for professional, general, workers' compensation and employee heath insurance claims
- Net pension liability
- Other post-employment benefit liability
- Reserve for CHC and CHCT medical claims liability

Financial Disclosures

- Medicaid reimbursement programs
- Property tax revenue
- Benefit plans

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Financial Statement Adjustments

UNMATCHED CLIENT EXPERIENCE

Recorded Audit Adjustments Recorded - None

Unrecorded Audit Adjustments – OPEB Liability
Update to census data resulting in immaterial variance in the liability

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02

Financial Results & Key Ratios

Industry Comparisons

District	Total Assets	Total Debt	NPSR + Supplemental	Unrestricted Cash/Investments	Days Cash on Hand	Cash to Debt %
Bexar	$5,058,000	$1,413,000	$1,614,000	$2,049,000	374	145%
Dallas	3,963,000	546,000	2,074,000	1,290,000	155	233%
Harris	**2,922,000**	**292,000**	**1,446,000**	**1,462,000**	231	**444%**
JPS	2,974,000	460,000	1,149,000	1,837,000	428	400%
El Paso	708,000	356,000	663,000	44,000	18	12%

	Current Year		Prior Year	
District	Pension Funded Status	Pension Measurement Date	Pension Funded Status	Pension Measurement Date
Bexar	71.58%	12/31/2022	90.40%	12/31/2021
Dallas	70.55%	12/31/2023	92.27%	12/31/2022
Harris	**80.11%**	**12/31/2023**	**70.46%**	**12/31/2022**
JPS	88.01%	9/30/2023	85.97%	9/30/2022
El Paso	93.55%	12/31/2023	90.03%	12/31/2022

Statements of Revenues and Expenses (in thousands)

	2/28/2021	2/28/2022	7 Mo Ended 9/30/2022	9/30/2023	9/30/2024
Net patient service revenue	$ 695,234	$ 822,096	$ 396,517	$ 753,635	$ 748,066
Medicaid supplemental programs reven	563,923	561,109	583,321	719,270	697,728
Other revenue	34,168	42,552	61,422	130,799	119,178
	1,293,325	1,425,757	1,041,260	1,603,704	1,564,972
Expenses					
Salaries and employee benefits	894,277	1,052,089	631,301	1,223,621	1,246,447
Supplies and other	826,853	922,249	556,908	966,407	1,047,054
Depreciation	59,751	61,159	42,402	74,434	87,748
	1,780,881	2,035,497	1,230,611	2,264,462	2,381,249
Operating Loss	(487,556)	(609,740)	(189,351)	(660,758)	(816,277)
Ad valorem tax revenue, net	780,713	814,846	-	822,755	874,155
Provider Relief Fund revenue	22,134	34,027	20,893	-	-
Capital grants from the Foundation	-	45,900	-	9,500	-
Other revenue (expense)	7,955	9,235	20,841	80,454	81,623
Change in Net Position	$ 323,246	$ 294,268	$ (147,617)	$ 251,951	$ 139,501

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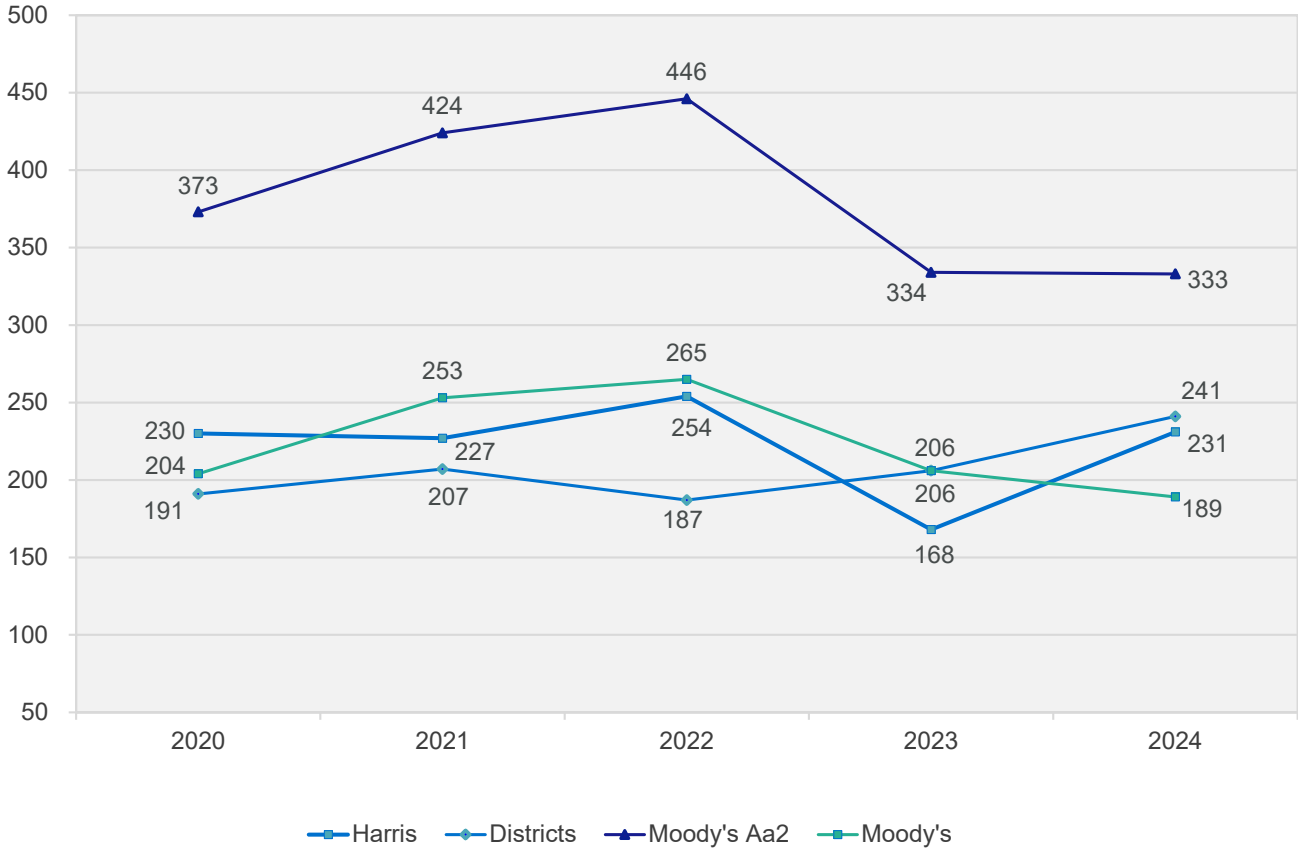
Statements of Net Position (in thousands)

	2/28/2021	2/28/2022	9/30/2022	9/30/2023	9/30/2024
Current Assets					
Cash and short-term investments	$ 1,090,584	$ 1,232,924	$ 822,808	$ 1,012,630	$ 1,462,216
Property taxes receivable, net	33,449	24,820	-	-	-
Patient accounts receivable, net	114,312	127,653	114,899	181,545	160,502
Other current assets	368,241	363,682	666,377	553,340	197,057
	1,606,586	1,749,079	1,604,084	1,747,515	1,819,775
Noncurrent Cash and Investments	47,037	84,787	78,375	88,713	67,103
Capital Assets, Net	526,484	560,291	586,683	670,357	792,232
Lease and Subscription Assets, Net	-	-	47,888	42,465	36,641
Other Assets	6,597	9,441	11,180	17,179	18,036
Deferred Outflows of Resources	187,543	160,212	195,717	241,358	188,286
	$ 2,374,247	$ 2,563,810	$ 2,523,927	$ 2,807,587	$ 2,922,073
Current Liabilities	$ 371,417	$ 314,517	$ 394,213	$ 389,648	$ 476,413
Postemployment Health Benefit Liability	572,176	445,471	445,471	432,130	453,056
Net Pension Liability	162,134	155,191	155,191	344,235	235,438
Long-term Debt	341,287	320,877	308,580	275,833	262,043
Lease and Subscription Liabilities	-	-	40,335	37,033	31,872
Deferred Inflows of Resources	112,442	218,695	218,695	115,315	110,354
Net Position	814,791	1,109,059	961,442	1,213,393	1,352,897
	$ 2,374,247	$ 2,563,810	$ 2,523,927	$ 2,807,587	$ 2,922,073

Days Cash on Hand (Harris Health Only)



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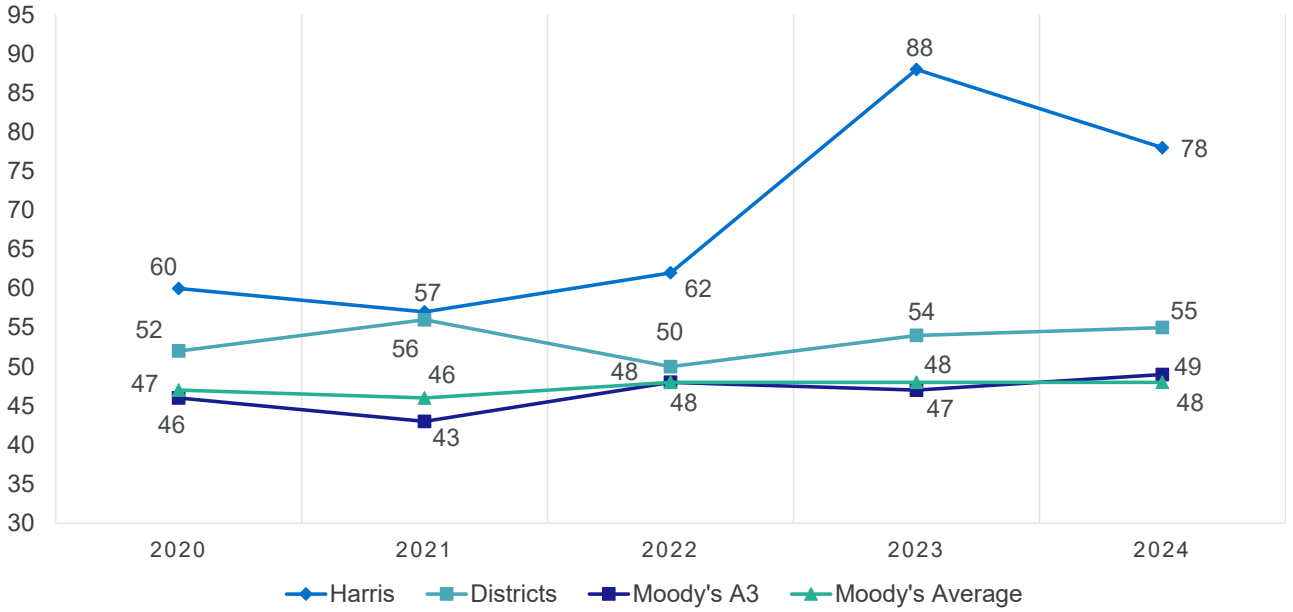
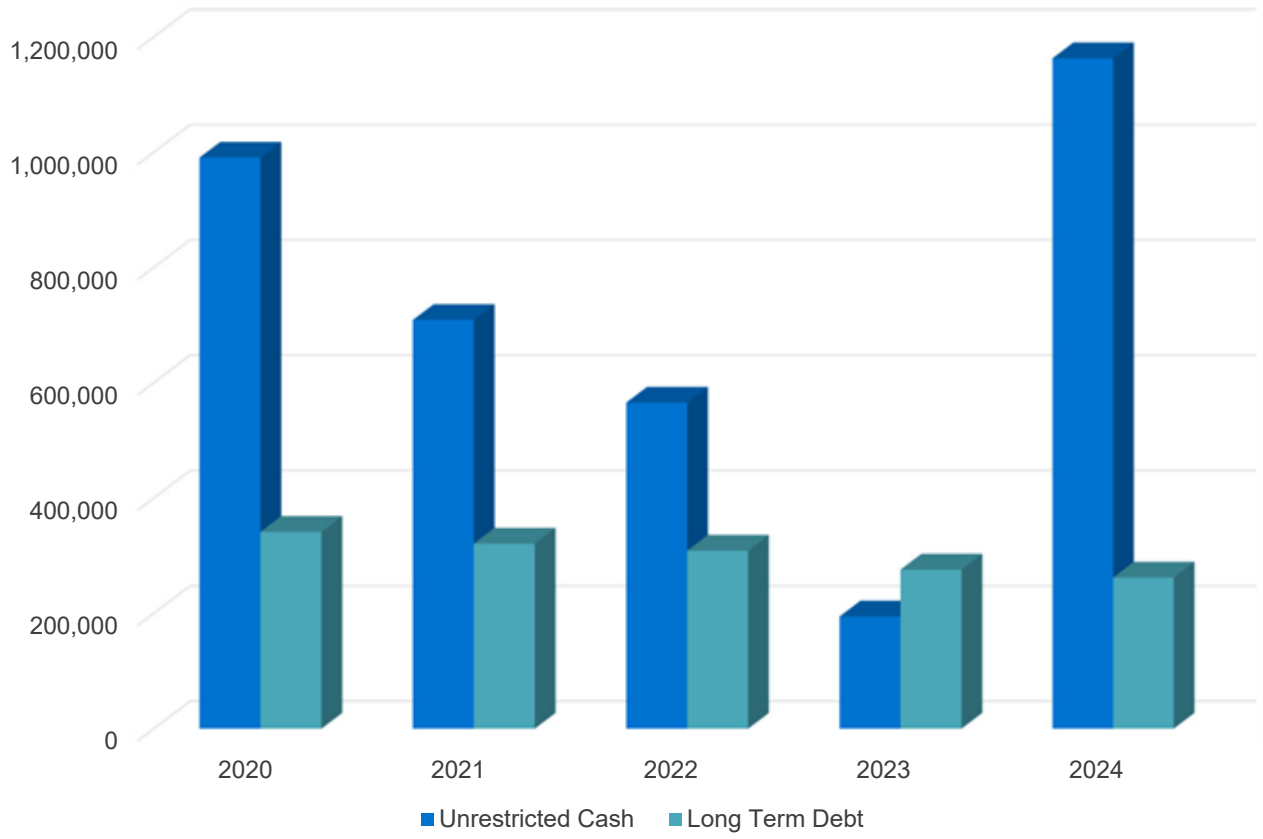
Net Days in Accounts Receivable



Unrestricted Cash and Long-Term Debt



03

Industry Highlights

Upcoming Accounting Standards

GASB Statement No 101

Compensated Absences

Defines compensated absences & requires **liabilities be estimated for leave** that is more likely to be used for time off or otherwise paid in cash or settled through noncash means

Reported **retroactively** to all periods presented

Effective for the year ending **September 30, 2025**

Industry Highlights

1. Waiver Extension- 9/30/30
2. DSH & UC pool allocation
3. Federal administration change
4. Current legislative session
5. Cybersecurity & data breaches

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Contact

Forvis Mazars

Thank you!

Chris Clark, Managing Partner
chris.clark@us.forvismazars.com
469.341.0790

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

Thursday, February 13, 2025

Consideration of Acceptance of the Harris Health Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2024

Representatives from the external audit firm FORVIS Mazars, LLP, will provide an overview of the results of the audit engagement for the Harris Health Single Audit Report of Federal and State Award Programs for the Compliance and Audit Committee's consideration and approval.

A copy of the draft report is attached.

Management recommends the acceptance of the Harris Health Single Audit Report of Federal and State Award Programs for the Year Ended September 30, 2024.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

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2.6.25

Harris County Hospital District d/b/a Harris Health

Single Audit Reports

September 30, 2024

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Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Contents
September 30, 2024

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Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2024

Federal Grantor/Passthrough 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	5H79TI084352-03	9/30/23 - 9/29/24	$ 476,485	$ -
Total - ALN 93.243				476,485	-
Coordinated Services and Access to Research for Women, Infants, Children and Youth					
Ryan White Title IV WICY and A	93.153	H12HA24800-11-00	8/1/23 - 7/31/24	370,633	-
Ryan White Title IV WICY and A	93.153	H12HA24800-12-00	8/1/24 - 7/31/25	53,862	-
Total - ALN 93.153				424,495	-
Health Center Program Cluster					
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)					
HOMELESS CARRYOVER GYE 12/23	93.224	H80CS00038-22-07	1/1/23 - 12/31/23	290,911	-
HOMELESS CARRYOVER GYE 12/24	93.224	H80CS00038-23-05	1/1/24 - 12/31/24	242,469	-
HOMELESS ENDING HIV EPIDEMIC GYE 08/24	93.224	H80CS00038-22-06	9/1/23 - 12/31/24	43,087	-
HOMELESS-DENTAL GYE12/23	93.224	H80CS00038-22-00	1/1/23 - 12/31/23	84,511	-
HOMELESS-DENTAL GYE12/24	93.224	H80CS00038-23-02	1/1/24 - 12/31/24	193,719	-
HOMELESS PRIMARY GYE 12/23	93.224	H80CS00038-22-00	1/1/23 - 12/31/23	806,627	-
HOMELESS PRIMARY GYE 12/24	93.224	H80CS00038-23-02	1/1/24 - 12/31/24	2,565,849	-
HOMELESS-QIA:UDS+	93.224	H80CS00038-23-06	5/30/24 - 12/31/24	14,720	-
COVID-19 American Rescue Plan - Health Center Program	93.224	H8FCS40542-01-00	4/1/21 - 3/31/24	1,943,473	-
Total - ALN 93.224				6,185,365	-
Grants for New and Expanded Services under the Health Center Program					
HOMELESS FY 2023 BRIDGE ACCESS PROGRAM	93.527	H8LCS51798-01-00	9/1/23 - 12/31/24	33,266	-
Total Health Center Program Cluster				6,218,631	-
Grants for Capital Development in Health Centers					
COVID-19 American Rescue Plan - Capital	93.526	C8ECS44701-01-00	9/15/21 - 9/14/25	52,471	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease					
Ryan White Part C GYE2023	93.918	H76HA00128-32	1/1/23 - 12/31/23	310,344	-
Ryan White Part C GYE2024	93.918	H76HA00128-33	1/1/24 - 12/31/24	666,488	-
Total - ALN 93.918				976,832	-
Maternal Opiod Misuse Model					
Maternal Opiod Misuse Model	93.687	HHS0008683000001	1/1/23 - 12/31/23	104,138	-
Maternal Opiod Misuse Model	93.687	HHS0008683000001	1/1/24 - 12/31/24	394,715	-
Total - ALN 93.687				498,854	-
Passed Through Harris County Public Health Department					
HIV Emergency Relief Project Grants	93.914	22GEN0391	3/1/23 - 2/28/24	3,771,184	-
HIV Emergency Relief Project Grants	93.914	22GEN0400	3/1/24 - 2/28/25	4,951,875	-
Total ALN 93.914				8,723,059	-
Research and Development Cluster					
Passed Through the University of Texas MD Anderson Cancer Center					
Minority Health and Health Disparities Research					
Minority Health and Health Disparities Research	93.307	5R01MD013715-05	3/20/23 - 12/31/23	54,702	-
Randomized Trial for HPV Self-Testing	93.307	RO1MDO13715	1/1/24 - 12/31/24	111,528	-
Total Research and Development Cluster				166,230	-
Passed Through the City of Houston					
HIV Prevention Activities - Health Department Based	93.940	21-RTN-1809	1/1/23 - 12/31/23	63,594	-
HIV Prevention Activities - Health Department Based	93.940	24-RTN-1809	1/1/24 - 12/31/24	186,405	-
Passed Through the Texas Department of State Health Services					
HIV Prevention Activities - Health Department Based	93.940	HHS000322300001	9/1/22 - 12/31/23	22,953	-
Total ALN 93.940				272,952	-
Passed Through Texas Health & Human Services Commission					
Cancer Prevention & Control Program for State, Territorial and Tribal Organizations (Fee-for-Service)	93.898	HHS 000734600039	9/1/23 - 8/31/24	271,572	-
Maternal and Child Health Services Block Grant to the States (Fee-for-Service)	93.994	HHS000136500015	9/1/23 - 8/31/24	152,295	-
Passed Through JSI Research & Training Institute					
Special Projects of National Significance					
HIV Telehealth Strategies to Maximize HIV Care	93.928	35529-02	8/1/23 - 7/31/24	142,956	-
HIV Telehealth Strategies to Maximize HIV Care	93.928	35529-02	8/1/24 - 7/31/25	19,120	-
Total ALN 93.928				$ 162,076	$ -

The accompanying notes are an integral part of this Schedule.

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2.6.25

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards **(Continued)**
Year Ended September 30, 2024

Federal Grantor/Passthrough Grantor/Federal Program Title	Assistance Listing Number	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Passed Through Univ. of Texas HSC at San Antonio					
Block Grants for Prevention and Treatment of Substance Abuse					
Medication Asst. Treatment Alcohol and other substances (MAT-AUD)	93.959	HHS001196700002	9/1/23 - 8/31/24	$ 312,775	$ -
Total U.S. Department of Health and Human Services				**18,708,727**	**-**
U.S. Department of Labor					
Employment Service Cluster					
Passed Through Texas Workforce Commission					
Employment Service/Wagner-Peyser Funded Activities	17.207	2824WPB004	9/1/23 - 8/31/24	343,180	-
Total U.S. Department of Labor				**343,180**	**-**
U.S. Department of Treasury					
Passed Through Harris County Office of County Administration					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds					
ARPA - GI Lab	21.027	SLFRFP1966	12/16/23 - 12/16/25	471,993	-
ARPA Food Farmacy	21.027	SLFRF	12/19/23 - 12/16/25	9,467	-
Total U.S. Department of Treasury				**481,460**	**-**
U.S. Department of Justice					
Passed Through Texas Office of the Governor-Criminal Justice Division					
Crime Victim Assistance	16.575	3327906	10/1/23 - 9/30/24	69,965	-
Passed Through Texas Office of the Governor					
Violence Against Women Formula Grants					
Expanding Forensic Nursing Svcs. In Response to Violence	16.588	4773401	10/1/23 - 9/30/24	13,458	-
Total U.S. Department of Justice				**83,423**	**-**
Total Expenditures of Federal Awards				**$ 19,616,790**	**$ -**

The accompanying notes are an integral part of this Schedule. ***2***

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2.6.25

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Schedule of Expenditures of Federal and State Awards **(Continued)**
Year Ended September 30, 2024

Federal Grantor/Passthrough Grantor/State Grantor/Program Title	Grantor Number	Grant Period	Expenditures	Amount Paid to Subrecipients
Office of the Texas Governor				
Enhancement of Community SAFE-Ready Facility	3942105	9/1/23 - 8/31/24	$ 43,325	$ -
Total Office of the Texas Governor			**43,325**	**-**
Texas Department of State Health Services				
Workplace Violence Against Nurses	HHS001024000002	9/1/22 - 2/29/24	70,304	-
TB-Prevention & Control - Hospitals (Fee-for-Service)	HHS000454800001	9/1/23 - 8/31/24	36,260	-
AIDS Drug-Assistance Program Eligibility	18HHS00SS-R	9/1/23 - 8/31/24	140,785	-
AIDS Drug-Assistance Program Eligibility	25HHS00SS	9/1/24 - 8/31/25	8,742	-
Total AIDS Drug-Assistance Program Eligibility			149,527	-
Total Texas Department of State Health Services			**256,091**	**-**
Texas Health and Human Services Commission				
ACS Epilepsy Program	HHS000701500003	9/1/23 - 8/31/24	135,553	-
ACS Epilepsy Program	HHS000701500003	9/1/24 - 8/31/25	11,452	-
Total ACS Epilepsy Program			147,006	-
Title V Fee for Service Prenatal Medical and Dental Grant Program	HHS000558100007	9/1/23 - 8/31/24	53,165	-
Family Plann Grant Program (Fee-for-Service)	HHS000734600039	9/1/23 - 8/31/24	3,627,479	-
Family Plann Grant Program (Fee-for-Service)	HHS000734600039	9/1/24 - 8/31/25	47,258	-
Total Family Plann Grant Program (Fee-for-Service)			3,674,737	-
Health Texas Women's Grant Program	HHS000734600039	9/1/23 - 8/31/24	76,293	-
Health Texas Women's Grant Program	HHS000734600039	9/1/24 - 8/31/25	4,452	-
Total Health Texas Women's Grant Program			80,745	-
Healthy Texas Women - Patient Navigator	HHS000734600039	9/1/23 - 8/31/24	42,178	-
Healthy Texas Women - Patient Navigator	HHS000734600039	9/1/24 - 8/31/25	5,804	-
Total Healthy Texas Women - Patient Navigator			47,982	-
Breast & Cervical Cancer Control Program (Fee-for-Service)	HHS000734600039	9/1/23 - 8/31/24	893,959	-
Total Texas Health and Human Services Commission			**4,897,594**	**-**
Cancer Prevention and Research Institute of Texas				
Colorectal Screening and Follow-up Among Urban Medically Undeserved Population	PP210007	8/31/23 - 8/30/24	216,881	-
Colorectal Screening and Follow-up Among Urban Medically Undeserved Population	PP210007	8/31/24 - 8/30/25	13,469	-
Total Colorectal Screening and Follow-up Among Urban Medically Undeserved Population			230,350	-
Texas Clinical Trial Participation Program Award	RP210143	8/31/23 - 8/30/24	87,989	-
Expanding a Community Network for Cancer Prevention to Increase HPV Vaccine Uptake and Tobacco Prevention in a Medically Undeserved Pediatric Population	PP220038	8/31/23 - 8/30/24	231,786	-
Expanding a Community Network for Cancer Prevention to Increase HPV Vaccine Uptake and Tobacco Prevention in a Medically Undeserved Pediatric Population	PP220038	8/31/24 - 8/30/25	8,079	-
Total Expanding a Community Network for Cancer Prevention to Increase HPV Vaccine Uptake and Tobacco Prevention in a Medically Undeserved Pediatric Population			239,865	-
Primary HR-HPV Testing YR 1	PP240017	3/1/24 - 2/28/25	45,927	-
Total Cancer Prevention and Research Institute of Texas			**604,131**	**-**
Total Expenditures of State Awards			**$ 5,801,141**	**$ -**

The accompanying notes are an integral part of this Schedule.

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2024

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Harris County Hospital District d/b/a Harris Health (Harris Health) under programs of the federal and state of Texas governments for the year ended September 30, 2024. 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 Harris Health, it is not intended to and does not present the financial position, changes in net position or cash flows of Harris Health.

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

Harris Health has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Programs

Harris Health did not have any federal or state loan programs during the year ended September 30, 2024.

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2.6.25

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
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 (Harris Health), a component unit of Harris County, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Harris Health's basic financial statements, and have issued our report thereon dated DATE, which includes reference to other auditors who audited the financial statements of Harris County Hospital District Foundation and an other matter paragraph regarding the omission of required supplementary information. 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 Harris Health'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 Harris Health'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 Harris Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Harris Health'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 Harris Health'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
DATE

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
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's (Harris Health) 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 Harris Health's major federal and state programs for the year ended September 30, 2024. Harris Health'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, Harris Health's 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 year ended September 30, 2024.

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 Harris Health 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 Harris Health'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 Harris Health'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 Harris Health'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 Harris Health'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 Harris Health'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 Harris Health'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 Harris Health'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 Harris Health as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Harris Health's basic financial statements. We issued our report thereon dated **DATE**, which contained unmodified opinions on those financial statements and reference to other auditors and an other matter paragraph regarding omission of required supplementary information. Our audit was 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
DATE

DRAFT
2.6.25

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

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 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
COVID-19 Coronavirus State and Local Fiscal Recovery Funds [Federal]	21.027
HIV Emergency Relief Project Grants [Federal]	93.914
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease [Federal]	93.918
Family Planning Grant Program [State]	State

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Schedule of Findings and Questioned Costs **(Continued)**
Year Ended September 30, 2024

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.

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.

DRAFT
2.6.25

Harris County Hospital District
d/b/a Harris Health
(A Component Unit of Harris County, Texas)
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2024

Reference Number	Summary of Finding	Status

No matters are reportable.

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Thursday, February 13, 2025

Consideration of Acceptance of the Harris Health Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2024

Representatives from the external audit firm FORVIS Mazars, LLP, will provide an overview of the results of the audit engagement for the Harris Health for the Compliance and Audit Committee's consideration and approval.

A copy of the draft report is attached.

Management recommends the acceptance of the Harris Health Independent Auditor's Report and Financial Statements for the Year Ended September 30, 2024.

Victoria Nikitin
Executive Vice President – Chief Financial Officer

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

Independent Auditor's Report and Financial Statements

September 30, 2024 and 2023

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Contents
September 30, 2024 and 2023

Independent Auditor's Report

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

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), a component unit of Harris County, Texas, as of and for the years ended September 30, 2024 and 2023, 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 audits 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, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 2.84% and 2.60% of total assets, 5.83% and 6.55% of net position, and 0.04% and 0.06% of revenues of the aggregate discretely presented component units as of and for the years ended September 30, 2024 and 2023, respectively. 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, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits 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.

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 12 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 GAAS, 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 28, 2025

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Net Position
September 30, 2024 and 2023
(In Thousands)

	2024				2023			
		Component Units				Component Units		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Harris Health	Foundation February 29, 2024	Community Health Choice, Inc. December 31, 2023	Community Health Choice Texas, Inc. December 31, 2023	Harris Health	Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
Current Assets								
Cash and cash equivalents	$ 1,162,829	$ 122	$ 37,475	$ 555,512	$ 194,456	$ 152	$ 46,807	$ 664,248
Short-term investments	299,387	-	-	-	818,174	-	3,325	100
Accounts receivable – net of allowance for uncollectible accounts of $78,757 in 2024 and $81,369 in 2023	160,502	-	-	-	181,545	-	-	-
Inventories	11,179	-	-	-	9,182	-	-	-
Medicaid supplemental programs receivable	43,972	-	-	-	434,855	-	-	-
Prepaid expenses and other current assets	45,197	2,097	331,247	48,008	54,456	3,027	235,119	66,657
Estimated third-party payor settlements	-	-	-	-	2,839	-	-	-
Due from Community Health Choice, Inc.	13,527	-	-	65,471	12,534	-	-	64,274
Restricted cash and cash equivalents – Local Provider Participation Fund	59,115	-	-	-	31,500	-	-	-
Current portion of assets limited as to use or restricted	24,067	-	-	-	7,974	-	-	-
Total Current Assets	1,819,775	2,219	368,722	668,991	1,747,515	3,179	285,251	795,279
Assets Limited as to Use or Restricted – Net of Current Portion								
Debt service	8,468	-	-	-	25,472	-	-	-
Capital gift proceeds	55,028	-	-	-	54,940	-	-	-
Series 2020 capital asset fund	1,218	-	-	-	6,019	-	-	-
Other	2,389	28,152	-	-	2,282	23,529	-	-
Total Assets Limited as to Use or Restricted – Net	67,103	28,152	-	-	88,713	23,529	-	-
Capital Assets								
Land and improvements	59,611	-	-	-	58,781	-	-	-
Buildings and fixed equipment	878,788	-	-	-	825,426	-	-	-
Major movable equipment	495,595	-	-	-	473,945	-	-	-
Less accumulated depreciation	(893,260)	-	-	-	(848,066)	-	-	-
Total Depreciable Capital Assets, Net	540,734	-	-	-	510,086	-	-	-
Construction in progress	251,498	-	869	-	160,271	-	-	-

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Net Position
September 30, 2024 and 2023
(In Thousands)

(Continued)

	2024				2023			
		Component Units				Component Units		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**Harris Health**	**Foundation February 29, 2024**	**Community Health Choice, Inc. December 31, 2023**	**Community Health Choice Texas, Inc. December 31, 2023**	**Harris Health**	**Foundation February 28, 2023**	**Community Health Choice, Inc. December 31, 2022**	**Community Health Choice Texas, Inc. December 31, 2022**
Capital Assets, Net	$ 792,232	$ -	$ 869	$ -	$ 670,357	$ -	$ -	$ -
Lease Assets, Net	35,496	-	564	-	40,923	-	1,039	-
Subscription Assets, Net	1,145	-	45	-	1,542	-	-	-
Other Assets								
Ad valorem taxes receivable – net of allowance for uncollectible taxes of $56,435 and $50,287 for 2024 and 2023, respectively	8,262	-	-	-	5,766	-	-	-
Derivative asset	-	-	-	-	2,733	-	-	-
Other assets	9,774	55	-	-	8,680	2,125	-	-
Total Other Assets	18,036	55	-	-	17,179	2,125	-	-
Total Assets	2,733,787	30,426	370,200	668,991	2,566,229	28,833	286,290	795,279
Deferred Outflows of Resources								
Resources related to pension	87,142	-	-	-	158,454	-	-	-
Resources related to OPEB	93,597	-	-	-	76,350	-	-	-
Derivative financial instrument	1,598	-	-	-	-	-	-	-
Loss on refunding revenue bonds	5,949	-	-	-	6,554	-	-	-
Total Deferred Outflows of Resources	188,286	-	-	-	241,358	-	-	-
Total Assets and Deferred Outflows of Resources	$ 2,922,073	$ 30,426	$ 370,200	$ 668,991	$ 2,807,587	$ 28,833	$ 286,290	$ 795,279

See Notes to Financial Statements

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Net Position
September 30, 2024 and 2023
(In Thousands)

(Continued)

	2024				2023			
		Component Units				Component Units		
	Harris Health	Foundation February 29, 2024	Community Health Choice, Inc. December 31, 2023	Community Health Choice Texas, Inc. December 31, 2023	Harris Health	Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
Current Liabilities								
Accounts payable and accrued liabilities	$ 197,232	$ 1,109	$ 24,113	$ 54,683	$ 147,423	$ 197	$ 23,564	$ 55,766
Interest payable	884	-	-	-	938	-	-	-
Current portion of employee compensation and related benefit liabilities	50,280	-	-	-	61,595	-	-	-
Postemployment health benefit liability	20,514	-	-	-	18,918	-	-	-
Compensated absences	67,631	-	-	-	62,036	-	-	-
Intergovernmental transfer obligation	72,917	-	-	-	45,302	-	-	-
Medical claims liability	-	-	109,932	268,901	-	-	79,133	357,927
Premium deficiency reserve	-	-	-	24,545	-	-	-	1,105
Experience rebate payable	-	-	-	346	-	-	-	77,138
Liabilities related to the Affordable Care Act	-	-	1,990	-	-	-	2,001	-
Due to Harris Health System	-	-	15,379	-	-	-	11,081	-
Due to Community Health Choice Texas, Inc.	-	-	65,471	-	-	-	64,274	-
Estimated third-party payor settlements	30,349	-	-	-	16,893	-	-	-
Current portion of long-term debt	29,494	-	-	-	29,666	-	-	-
Current portion of subscription liabilities	513	-	-		463	-	-	-
Current portion of lease liabilities	6,599	-	-	-	6,414	-	-	-
Total Current Liabilities	476,413	1,109	216,885	348,475	389,648	197	180,053	491,936
Other Long-Term Liabilities								
Postemployment health benefit liability	453,056	-	-	-	432,130	-	-	-
Net pension liability	235,438	-	-	-	344,235	-	-	-
Lease liabilities	31,360	-	567	-	36,067	-	1,061	-
Subscription liabilities	512	-	39	-	966	-	-	-
Borrowing payable	6,432	-	-	-	7,085	-	-	-
Derivative liability	1,598	-	-	-	-	-	-	-
Arbitrage liability	239	-	-	-	92	-	-	-
Long-Term Debt								
Series 2010 refunding revenue bonds	55,931	-	-	-	57,994	-	-	-
Series 2016 refunding revenue bonds – including premium of $8,149 and $8,977 for 2024 and 2023, respectively	133,569	-	-	-	139,277	-	-	-
Series 2016 certificates of obligation – including premium of $3,104 and $3,603 for 2024 and 2023, respectively	44,789	-	-	-	48,218	-	-	-
Series 2020 certificates of obligation – including premium of $1,855 and $2,497 for 2024 and 2023, respectively	19,485	-	-	-	23,167	-	-	-
Total Liabilities	1,458,822	1,109	217,491	348,475	1,478,879	197	181,114	491,936

See Notes to Financial Statements

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Net Position
September 30, 2024 and 2023
(In Thousands)

(Continued)

	2024				2023			
		Component Units				Component Units		
	Harris Health	Foundation February 29, 2024	Community Health Choice, Inc. December 31, 2023	Community Health Choice Texas, Inc. December 31, 2023	Harris Health	Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
Deferred Inflows of Resources								
Resources related to pension	$ -	$ -	$ -	$ -	$ 1,192	$ -	$ -	$ -
Derivative financial instrument	-	-	-	-	2,733	-	-	-
Resources related to OPEB	110,354	-	-	-	111,390	-	-	-
Total Deferred Inflows of Resources	110,354	-	-	-	115,315	-	-	-
Net Position								
Net investment in capital assets	469,289	-	-	-	355,254	-	-	-
Restricted for debt service	32,536	-	-	-	33,446	-	-	-
Restricted by donors for capital acquisitions	55,028	-	-	-	54,940	-	-	-
Restricted – other	2,389	25,740	-	-	1,307	24,737	-	-
Unrestricted	793,655	3,577	152,709	320,516	768,446	3,899	105,176	303,343
Total Net Position	1,352,897	29,317	152,709	320,516	1,213,393	28,636	105,176	303,343
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,922,073	$ 30,426	$ 370,200	$ 668,991	$ 2,807,587	$ 28,833	$ 286,290	$ 795,279

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023
(In Thousands)

	2024				2023			
		Component Units				Component Units		
	Harris Health	Foundation February 29, 2024	Community Health Choice, Inc. December 31, 2023	Community Health Choice Texas, Inc. December 31, 2023	Harris Health	Foundation February 28, 2023	Community Health Choice, Inc. December 31, 2022	Community Health Choice Texas, Inc. December 31, 2022
Operating Revenues								
Net patient service revenue	$ 748,066	$ -	$ -	$ -	$ 753,635	$ -	$ -	$ -
Medicaid supplemental programs revenue	697,728	-	-	-	719,270	-	-	-
Premium revenue	-	-	1,186,598	1,750,349	-	-	897,108	1,892,084
Other operating revenues	119,178	1,148	468	-	130,799	1,574	489	-
Total Operating Revenues	1,564,972	1,148	1,187,066	1,750,349	1,603,704	1,574	897,597	1,892,084
Operating Expenses								
Salaries, wages, and benefits	1,246,447	506	21,896	68,649	1,223,621	478	14,734	64,448
Pharmaceuticals and supplies	322,272	-	2,321	13,781	293,412	-	3,681	11,974
Physician services	443,730	-	-	-	419,537	-	-	-
Medical claims expense	-	-	1,027,450	1,599,758	-	-	808,627	1,667,186
Purchased services and other	281,052	5,282	85,751	83,650	253,458	4,102	64,647	96,326
Depreciation and amortization	87,748	-	766	2,366	74,434	-	297	1,187
Total Operating Expenses	2,381,249	5,788	1,138,184	1,768,204	2,264,462	4,580	891,986	1,841,121
Operating Income (Loss)	(816,277)	(4,640)	48,882	(17,855)	(660,758)	(3,006)	5,611	50,963
Nonoperating Revenues (Expenses)								
Ad valorem tax revenues, net	874,155	-	-	-	822,755	-	-	-
Tobacco settlement revenues	15,210	-	-	-	15,184	-	-	-
Investment income	76,779	5,321	2,032	35,094	76,715	(1,328)	820	10,701
Interest expense	(13,679)	-	(3,381)	(66)	(14,963)	-	(2,847)	-
Capital grants to Harris Health System	-	-	-	-	-	(9,500)	-	-
Other, net	3,313	-	-	-	3,518	-	-	2,695
Total Nonoperating Revenues (Expenses), Net	955,778	5,321	(1,349)	35,028	903,209	(10,828)	(2,027)	13,396
Surplus Transfer Between Affiliates	-	-	-	-	-	-	20,000	(20,000)
Income (Loss) Before Capital Grants and Gifts	139,501	681	47,533	17,173	242,451	(13,834)	23,584	44,359
Capital grants from the Foundation	-	-	-	-	9,500	-	-	-
Changes in Net Position	139,501	681	47,533	17,173	251,951	(13,834)	23,584	44,359
Net Position, Beginning of Year	1,213,396	28,636	105,176	303,343	961,442	42,470	81,592	258,984
Net Position, End of Year	$ 1,352,897	$ 29,317	$ 152,709	$ 320,516	$ 1,213,393	$ 28,636	$ 105,176	$ 303,343

See Notes to Financial Statements

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Cash Flows
Years Ended September 30, 2024 and 2023
(In Thousands)

	2024	2023
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 788,624	$ 745,161
Receipts from Medicaid supplemental programs	1,088,611	765,767
Receipts from incentive programs and grants	29,091	11,483
Receipts from other revenues	109,677	106,546
Payments to suppliers	(1,040,931)	(973,129)
Payments to employees and for employee benefits	(1,287,193)	(1,185,941)
Net Cash Used in Operating Activities	(312,121)	(530,113)
Cash Flows from Noncapital Financing Activities		
Contributions and other, net	2,729	3,377
Ad valorem taxes, net	862,242	811,496
Interest paid	(900)	(901)
Repayment of long-term debt	(2,091)	(1,990)
Tobacco settlement revenues	15,210	15,184
Net Cash Provided by Noncapital Financing Activities	877,190	827,166
Cash Flows from Capital and Related Financing Activities		
Receipt of property taxes for debt service	8,940	8,628
Acquisitions and construction of capital assets	(183,385)	(143,634)
Contributions restricted for the acquisition and construction of capital assets	-	9,500
Interest paid on long-term debt, lease liabilities, and subscription arrangement liabilities	(14,704)	(16,270)
Principal paid on long-term debt, lease liabilities, and subscription arrangement liabilities	(18,683)	(20,165)
Net Cash Used in Capital and Related Financing Activities	(207,832)	(161,941)
Cash Flows from Investing Activities		
Receipts of investment income – including realized gains and losses	87,915	65,118
Increase (decrease) in cash equivalents included in assets limited as to use or restricted	115	(925)
Purchases of investment securities	(333,350)	(1,797,977)
Proceeds from sale and maturities of investment securities	856,456	1,227,702
Net Cash Provided by (Used in) Investing Activities	611,136	(506,082)
Net Increase (Decrease) in Cash and Cash Equivalents	968,373	(370,970)
Cash and Cash Equivalents, Beginning of Year	194,456	565,426
Cash and Cash Equivalents, End of Year	$ 1,162,829	$ 194,456

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Statements of Cash Flows
Years Ended September 30, 2024 and 2023
(In Thousands) **(Continued)**

	2024	2023
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (816,277)	$ (660,758)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	87,748	74,434
Changes in operating assets and liabilities		
Accounts receivable	21,043	(66,646)
Inventories	(1,997)	1,487
Medicaid supplemental programs receivable	390,883	46,497
Prepaid expenses and other assets	(1,309)	(16,506)
Estimated third-party payor settlements receivable	2,839	53,732
Accounts payable and accrued liabilities	31,651	(6,750)
Net pension liability	(108,797)	189,044
Employee compensation and related benefit liabilities	(11,315)	11,987
Compensated absences	5,595	4,255
Estimated third-party payor settlements payable	13,456	3,356
Postemployment health benefit liability	22,522	(11,480)
Deferred inflows of resources – pension	(1,192)	(86,961)
Deferred outflows of resources – pension	71,312	(85,673)
Deferred inflows of resources – OPEB	(1,036)	(19,152)
Deferred outflows of resources – OPEB	(17,247)	39,021
Total adjustments	504,156	130,645
Net Cash Used in Operating Activities	$ (312,121)	$ (530,113)
Supplemental Disclosures of Noncash Operating, Capital, Financing, and Investing Activities		
Unrealized gain (loss) on investments	$ (12,378)	$ 6,538
Amounts related to acquisition of capital assets in accounts payable and accrued liabilities	$ 53,457	$ 35,299
Lease obligations incurred for lease assets	$ 2,544	$ 2,898

Note 1. Organization and Mission

Harris County Hospital District d/b/a Harris Health (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. Harris Health operates two acute care hospitals with a total of 617 licensed beds. The System also operates a large outpatient services care platform that includes 16 primary care health centers, seven homeless shelter health clinics, four large multi-specialty clinics, three same day clinics, an urgent care clinic, a freestanding dental center, and a mobile immunization and medical outreach program. Through a cooperative arrangement with Harris County, Harris Health also provides the correctional healthcare services within the Harris County Jail, which is the third largest jail in the U.S. 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 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).

The Harris County Hospital District Strategic Fund (Strategic Fund) was organized in 2023. The Strategic Fund is a nonprofit, tax-exempt corporation organized under Section 501(c)(3) of the Internal Revenue Code whose primary purpose is to lead the private fundraising efforts for the implementation of the Harris Health strategic plan. The Strategic Fund will be reported as a discretely presented component unit of the System. The Strategic Fund staff team began forming in 2024, including hiring its first Executive Director. More than $23 million was pledged to the Strategic Fund's capital campaign in 2024, with fundraising efforts continuing in 2025 to ensure achievement of its $100 million goal.

Community Health Choice, Inc. (CHC) and Community Health Choice Texas, Inc. (CHCT) (collectively, HMOs) are Texas not-for-profit corporations organized under Section 501(c)(4) of the Internal Revenue Code to operate as health maintenance organizations. CHC was incorporated on May 8, 1996, licensed by the Texas Department of Insurance on February 27, 1997, and as of December 31, 2023, offered three Medicaid insurance products as well as individual health insurance on the Health Insurance Marketplace. CHCT was formed in August 2016 to allow the Health Insurance Marketplace and the Medicaid insurance products to be provided and served by

separate corporations. CHC is the Health Insurance Marketplace and commercial HMO with 131,705 enrollees as of December 31, 2023, and CHCT is the Medicaid Managed Care HMO with 292,186 enrollees as of December 31, 2023. 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 (Board) 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 statements 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@Community HealthChoice.org).

Unless otherwise noted, the following notes do not include the Foundation or the HMOs.

The accompanying statements of revenues, expenses, and changes in net position of the System reflect its activities for the years ended September 30, 2024 and 2023. The financial statements of the Foundation are as of and for the years ended February 29, 2024 and February 28, 2023. The financial statements of the HMOs are as of and for the years ended December 31, 2023 and 2022. These years 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 have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and ad valorem tax revenues) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, ad valorem taxes, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses.

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, lease, and subscription 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, use, construction, or improvement of those 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 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 GASB 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, Foundation, and 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 Foundation as discretely presented component units in its financial statements. The Strategic Fund will also be reported as a discretely presented component unit. As of September 30, 2024, the Strategic Fund has more than $23 million pledged as part of its capital campaign, with fundraising efforts continuing in 2025. 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 $4 million and $3 million for the years ended September 30, 2024 and 2023, respectively, is included as a revenue and expense in the System's financial statements. The System pays a portion of the premiums for enrollees to CHC for insurance coverage under the insurance plans that are offered as part of the HMOs' mission. Premiums paid on behalf of enrollees were approximately $9 million and $7 million for the years ended September 30, 2024 and 2023, respectively, which is included as revenue in the HMOs' financial statements and expense in the System's financial statements.

The System supports the Foundation with payments for goods and services of approximately $587 thousand and $557 thousand for the years ended September 30, 2024 and 2023, respectively, 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 approximately $3 million and $13 million for the years ended September 30, 2024 and 2023, respectively.

Cash, Cash Equivalents, and 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 HMOs' cash, cash equivalents, and 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 are required by the Board of the System. The Foundation's investments, however, are not subject to these laws.

Investments are reported at amortized cost or fair value, with realized and unrealized gains and losses included in investment income in the statements 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 statements 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 $5,000 of payments over the lease term.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. The system has a capitalization policy to only record SBITA assets related to agreements with more than $5,000 of payments over the agreement term.

Capital, Lease, and Subscription Asset Impairment

The System evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription 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 years ended September 30, 2024 and 2023.

Deferred Outflows and Inflows of Resources

The System reports the consumption of net assets and an acquisition of net assets that is applicable to a future reporting period as deferred outflows and inflows of resources, respectively, in a separate section of its statement of net position.

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 75.0%, or at the time of termination, are payable at 75.0%. Changes in the System's liability for compensated absences for the years ended September 30, 2024 and 2023 are as follows (in thousands):

	Beginning of Year Liability	Current Year Claims and Change in Estimates	Claim Payments	End of Year Liability
September 30, 2024	$ 62,036	$ 108,156	$ 102,561	$ 67,631
September 30, 2023	$ 57,781	$ 94,236	$ 89,981	$ 62,036

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 collectibility 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 $79 million and $81 million as of September 30, 2024 and 2023, respectively. 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 year the related services are rendered, and such amounts are adjusted in future years 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.

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 years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
Charges foregone, based on established rates	$ 1,049,019	$ 996,213
Cost of foregone charges, estimated	$ 713,528	$ 757,252

Premium Revenue

Premium revenue is recognized as revenue by the HMOs during the coverage period of the subscriber agreement. Under these agreements, the HMOs received monthly premium payments based on the number of participants. 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 years ended December 31, 2023 and 2022, the HMOs' fiscal year-end.

Medical and Hospital Claims Expenses and Claim Adjustment Expenses

The HMOs' contract with various healthcare providers for the provision of medical care to its members. The HMOs compensate hospitals on either a discounted fee-for-service or per diem basis and compensates physicians and other healthcare providers primarily on a discounted fee-for-service basis. The cost to the HMOs for healthcare services provided by providers is accrued in the period in which it is provided to members, based in part on estimates, including accruals for medical services provided but not billed and estimates of claims incurred but not yet reported to the HMOs. Medical and hospital expenses and claims adjustment expenses net of reinsurance recoveries represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred through the years ended December 31, 2023 and 2022.

The estimate for unpaid medical expenses, claims payable, and unpaid claims adjustment expenses is actuarially determined based on historical claims payment experience. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. Although considerable variability is inherent in such estimates, management believes the reserves for unpaid claims are appropriate.

Changes in the HMOs' aggregate liability for medical claims for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 437,060	$ 292,733
Current year claims incurred and changes in estimates	2,630,707	2,505,209
Claims paid	2,688,934	2,360,882
Balance, end of year	$ 378,833	$ 437,060

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, 2023 and 2022, the HMOs' fiscal year-end, CHCT recognized a premium deficiency reserve for the Health Insurance Marketplace business of $25 million and $1 million, respectively.

CHCT is subject to a premium experience rebate based on the excess of allowable Medicaid revenue over related expenses. As of December 31, 2023 and 2022, CHCT recorded an experience rebate liability of $346 thousand and $77 million, respectively.

In the fiscal year ended December 31, 2023, the HMOs in aggregate paid $2,299 million in claims related to the current fiscal year and $390 million in claims related to the prior fiscal year. In the fiscal year ended December 31, 2022, the HMOs in aggregate paid $2,083 million in claims related to the current fiscal year and $278 million in claims related to the prior fiscal year.

Reinsurance

CHC is party to a reinsurance agreement that limits losses on cumulative inpatient hospital claims. Under the terms of the agreement, CHC is reimbursed 30%, subject to certain limitations as specified in the contract, of the cost of each member's annual inpatient hospital services. CHC carries reinsurance coverage for which the reinsurer reimburses CHC 70% of each member's annual medical services in excess of $1,000,000, up to a limitation of $1,666,667 per member per agreement period for the year.

CHCT carries reinsurance coverage for which the reinsurer reimburses the Company 90% of each member's annual services in excess of a $1,000,000 deductible for CHIP, Perinate, and DSNP and $1,100,000 for STAR, up to a limitation of $5,000,000 per member per agreement period.

The HMOs remain obligated for amounts ceded in the event that the reinsurances do not meet their obligations. Reinsurance contracts do not relieve the HMOs from obligations to policyholders.

Patient Protection and ACA

CHC participates in the federally facilitated health insurance exchange in 20 southeast Texas counties. The exchange was created pursuant to the *Patient Protection and Affordable Care Act* (ACA) under regulations established by the U.S. Department of Health and Human Services (HHS). Under these rules, HHS pays CHC a portion of the policy premium, in the form of the Advanced Premium Tax Credit (APTC). HHS also administers certain risk management programs as detailed below.

CHC recognizes premiums received from its exchange members and the APTC received from HHS as premium revenue when earned and cost-sharing reductions (CSR) offset healthcare costs when incurred. CHC recognized APTC amounts of approximately $798 million and $508 million for 2023 and 2022, respectively. CHC did not record an allowance for the APTC as of December 31, 2023 and 2022.

CHC is currently involved in a dispute with the United States government regarding the payment of CSR for the years 2018 and 2017. The U.S. Court of Appeals for the Federal Circuit ruled in favor of CHC for unpaid CSR payments through December 31, 2017. CHC received a payment related to the 2017 CSR of $11 million in 2022. There is significant uncertainty surrounding any amounts due for 2018 CSR, as there is ongoing debate as to the amount of additional premium tax credit payments that should offset the 2018 CSR receivable. Due to the uncertainty, CHC has not recorded a receivable for the 2018 CSR.

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. CHC issues individual plans and is therefore subject to the risk adjustment program.

The risk adjustment program contains an inherent degree of risk dependent upon the Centers for Medicare & Medicaid Services' (CMS) ability to collect payments under the program from other participating plans in the state of Texas. Under this program, CHC recorded a risk adjustment receivable in the amount of approximately $243 million and $193 million at December 31, 2023 and 2022, respectively, which is reflected in prepaid expenses and other current assets in the accompanying statements of net position.

The Risk Adjustment program was amended beginning for the 2018 benefit year in order to incorporate a high-cost risk pool (HCRP) calculation. The HCRP program funds an insurer's costs for members with claims above $1,000,000 while assessing a fee to all insurers using membership and standard charge percentages based on premiums. At December 31, 2023 and 2022, CHC recorded a receivable of approximately $10 million and $6 million, respectively, related to this program, which is reflected in prepaid expenses and other current assets in the accompanying statements of net position.

The ACA contains a provision where insurers are required to pay rebates to policyholders when minimum medical loss ratio (MLR) thresholds are not met or exceeded over a cumulative three-year period. At December 31, 2023 and 2022, CHC met the minimum MLR threshold for its commercial individual and large group lines of business.

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 year 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* (PRTAA), Chapter 312, as well as its own guidelines and criteria, which is required under the PRTAA.

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 healthcare costs. Under the program guidelines, the System is free to use the funds in either the immediate or future years without restriction. The System recognizes all funds received from the settlement as nonoperating revenue in the year 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.

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, 2021.

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, 2018.

Cash received from the Medicare program accounted for approximately 53% and 54% of the System's total cash collections for net patient service revenue for the years ended September 30, 2024 and 2023, respectively. Cash received from the Medicaid program (including managed Medicaid) accounted for approximately 20% and 21% of the System's total cash collections for net patient service revenue for the years ended September 30, 2024 and 2023, respectively.

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.

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. Revenue recognized related to the DSH program was approximately $96 million in 2024 and $42 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

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% 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 allowed 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 provided incentive payments for healthcare providers based on improvements in quality of care. Revenue recognized related to the UC pool was approximately $430 million in 2024 and $475 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

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 transitioned participating hospitals away from the DSRIP program, which is discussed more fully below.

In 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 that participated in the DSRIP program and provides additional funding to hospitals to assist in offsetting the costs hospitals incur while providing Medicaid services. HARP revenue was approximately $89 million in 2024 and $136 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

The System also receives supplemental payments through the Public Hospital Medicaid Graduate Medical Education (GME) program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals. Revenue recognized related to the GME program was approximately $26 million in 2024 and $15 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

The System is also a participant in the Network Access Improvement Program (NAIP). NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating health-related institutions (HRI). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, costs incurred with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as the System. This program runs through 2027. Revenue recognized related to NAIP was approximately $24 million in 2024 and $33 million in 2023 and is recognized as a component of Medicaid supplemental funding programs revenue in the accompanying statements of revenues, expenses, and changes in net position.

The System also participates in the Comprehensive Hospital Increased Reimbursement Program (CHIRP), which added a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP), a directed payment program that ended on August 31, 2021. Participating hospitals may opt into this second component. Under CHIRP, HHSC directs 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 will require annual approval by CMS and has been approved through August 31, 2025. Beginning on September 1, 2024, HHSC provided for a third component to CHIRP, Alternative Participating Hospital Reimbursement for Improving Quality Award (APHRIQA), that provides an additional pay-for-performance component open to urban and children's hospitals for state fiscal year 2025. The System has not recognized any revenue from APHRIQA as of September 30, 2024. Revenue from CHIRP is recognized as a component of net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

The System recognizes all funds received under these programs as operating revenues in the year 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 statements of net position. These receivables can be subject to adjustments that are reflected in the year they become known. The System recorded no material adjustments for the year ended September 30, 2024 for prior years' programs. The System's financial statements reflect receivables of approximately $44 million and $435 million at September 30, 2024 and 2023, respectively related to 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 statements of revenues, expenses, and changes in net position. As of September 30, 2024 and 2023, the System held approximately $59 million and $32 million, respectively, in LPPF funds which is reported as restricted cash in the statements of net position. At September 30, 2024 and 2023, the System had approximately $73 million and $45 million, respectively, in intergovernmental transfer liability, of which approximately $59 million and $32 million, respectively, 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% 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 are carried at fair value and investments in non-negotiable certificates of deposit are carried at amortized cost.

The System also invests in Texas CLASS and Lone Star Investment pools (collectively, 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* (PFIA) 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.

Texas CLASS pool is rated AAAm by Standard & Poor's. Lone Star Investment pool is rated AAAf 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, 2024 and 2023.

The components of assets limited as to use or restricted are as follows at September 30, 2024 and 2023 (in thousands).

Description of Assets	Total	Restricted Debt Service	Capital Gift Proceeds	Series 2020 Capital Asset Fund	Restricted Cash and Cash Equivalents LPPF	Other
2024						
Money market mutual funds	$ 60,530	$ -	$ -	$ -	$ 59,115	$ 1,415
Investment pools	57,618	398	55,028	1,218	-	974
United States Treasury obligations	32,137	32,137	-	-	-	-
	150,285	32,535	55,028	1,218	59,115	2,389
Less funds required for current liabilities	(83,182)	(24,067)	-	-	(59,115)	-
	$ 67,103	$ 8,468	$ 55,028	$ 1,218	$ -	$ 2,389
2023						
Money market government funds	$ 33,030	$ -	$ -	$ 170	$ 31,500	$ 1,360
Investment pools	62,342	631	54,940	5,849	-	922
United States Treasury obligations	32,815	32,815	-	-	-	-
	128,187	33,446	54,940	6,019	31,500	2,282
Less funds required for current liabilities	(39,474)	(7,974)	-	-	(31,500)	-
	$ 88,713	$ 25,472	$ 54,940	$ 6,019	$ -	$ 2,282

Foundation – Assets limited as to use of approximately $28 million at February 29, 2024 and approximately $24 million at February 28, 2023 are restricted subject to donor-imposed stipulations that will be met by actions of the Foundation or the passage of time.

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, HMOs, and 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 PFIA and 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.

The System's investment policy is to be reviewed and approved annually by the Board 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 PFIA, 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% 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 tables indicate the value and maturity amount of the System's cash equivalents, assets limited as to use, and investments 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 as of September 30, 2024 and 2023 (in thousands):

	2024				
Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P/Moody's
Investment Pools					
Texas CLASS – Pool (Corporate)	$ 259,892	17.16 %	$ 259,892	0.003	AAAm
Lone Star – Pool (Corporate)	201,858	13.33	201,858	0.003	AAAf
United States Treasury obligations	211,526	13.97	212,850	0.165	Aaa/AA+
Commercial paper					
Barclays Bk PLC US DISC CP	23,819	1.57	24,000	0.166	A1+/P1
DNB Bank ASA DCP	96,178	6.35	96,500	0.068	A1+/P1
Money market mutual funds	720,914	47.62	720,914	0.003	AAAm/Aaa-mf/AAAmmf
Total cash equivalents, assets limited as to use, and investments	$ 1,514,187	100.00 %	$ 1,516,014	0.032	

Security	2023 Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P/Moody's
Investment Pools					
Texas CLASS – Pool (Corporate)	$ 102,548	9.74 %	$ 102,548	0.003	AAAm
Lone Star – Pool (Corporate)	46,756	4.44	46,756	0.003	AAAm
United States Treasury obligations	121,679	11.56	122,175	0.117	Aaa/AA+
Federal Agency obligations	374,446	35.57	375,000	0.435	Aaa/AA+
Municipal Bond	18,449	1.75	18,460	0.088	Aa1/AAA
Commercial paper					
Barclays Bk PLC US DISC CP	189,831	18.02	192,200	0.222	A-1+/P-1
L'Oreal SA DCP	19,846	1.89	20,000	0.141	A-1+/P-1
LVMH Moet Hennessy DCP	29,693	2.82	30,000	0.188	A-1+/P-1
Canadian Imperial Bk Comm Bank Disc	24,722	2.35	25,000	0.205	A-1+/P-1
Halkin Finance DISC CP	24,629	2.34	25,000	0.267	A-1+/P-1
Metlife FDG DISC CP	9,896	0.94	10,000	0.188	A-1+/P-1
Glaxosmithkline LLC DISC CP	23,565	2.24	23,700	0.102	A-1/P-1
Nestle Finance INTL DISC CP	14,233	1.35	14,300	0.085	A-1/P-1
Money market mutual funds	52,520	4.99	52,520	0.003	AAAm/Aaa-mf
Total cash equivalents, assets limited as to use, and investments	$ 1,052,813	100.00 %	$ 1,057,659	0.234	

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.

According to the System's investment policy, no more than 50.0% 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% 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% of the overall portfolio in the time deposits, including certificates of deposit, of a single issuer. As of September 30, 2024 and 2023, 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 CHC as of December 31, 2023 and 2022, 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
December 31, 2023					
Money market mutual funds	$ 37,475	100.00 %	$ 37,475	0.003	AAAm
	$ 37,475	100.00 %	$ 37,475	0.031	
December 31, 2022					
Money market mutual funds	$ 46,807	93.37 %	$ 46,807	0.003	AAAm
Certificates of deposit	3,325	6.63	3,325	0.429	AAAm
	$ 50,132	100.00 %	$ 50,132	0.031	

The following table indicates the fair value and maturity amount of the cash equivalents, assets limited as to use, and investments of CHCT as of December 31, 2023 and 2022, respectively, 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
December 31, 2023					
Money market mutual funds	$ 555,512	100.00 %	$ 555,512	0.003	AAAm
	$ 555,512	100.00 %	$ 555,512	0.003	
December 31, 2022					
Money market mutual funds	$ 664,248	99.98 %	$ 664,248	0.003	AAAm
Certificates of deposit	100	0.02	100	0.132	AAAm
	$ 664,348	100.00 %	$ 664,348	0.003	

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, 2024 and 2023 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)
2024				
Assets				
Commercial paper	$ 119,997	$ -	$ 119,997	$ -
United States Treasury obligations	211,526	211,526	-	-
Money market mutual funds	720,914	720,914	-	-
Total cash equivalents, assets limited as to use, and investments by fair value	$ 1,052,437	$ 932,440	$ 119,997	$ -
Derivative instruments				
Derivative financial instrument	$ 1,598	$ 1,598	$ -	$ -
2023				
Assets				
Commercial paper	$ 336,415	$ -	$ 336,415	$ -
United States Treasury obligations	121,679	121,679	-	-
Federal agency obligations	374,446	374,446	-	-
Money market mutual funds	52,520	52,520	-	-
Municipal bond	18,449	-	18,449	-
Total cash equivalents, assets limited as to use and investments by fair value	$ 903,509	$ 548,645	$ 354,864	$ -
Derivative instruments				
Derivative financial instrument	$ 2,733	$ 2,733	$ -	$ -

The following is a summary of the hierarchy of the fair value of investments and cash equivalents of CHC as of December 31, 2023 and 2022 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)
December 31, 2023				
Assets				
Money market mutual funds	$ 37,475	$ 37,475	$ -	$ -
Total investments and cash equivalents by fair value level	$ 37,475	$ 37,475	$ -	$ -
December 31, 2022				
Assets				
Money market mutual funds	$ 46,807	$ 46,807	$ -	$ -
Total investments and cash equivalents by fair value level	$ 46,807	$ 46,807	$ -	$ -

The following is a summary of the hierarchy of the fair value of investments and cash equivalents of CHCT as of December 31, 2023 and 2022 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)
December 31, 2023				
Assets				
Money market mutual funds	$ 555,512	$ 555,512	$ -	$ -
Total investments and cash equivalents by fair value level	$ 555,512	$ 555,512	$ -	$ -
December 31, 2022				
Assets				
Money market mutual funds	$ 664,248	$ 664,248	$ -	$ -
Total investments and cash equivalents by fair value level	$ 664,248	$ 664,248	$ -	$ -

Note 7. Capital and Lease Assets

The System's capital assets activity consists of the following for the years ended September 30, 2024 and 2023 (in thousands):

	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
2024				
Land and improvements	$ 58,781	$ 830	$ -	$ 59,611
Buildings and fixed equipment	825,426	53,362	-	878,788
Major movable equipment	473,945	56,665	(35,015)	495,595
Total historical cost	1,358,152	110,857	(35,015)	1,433,994
Less accumulated depreciation				
Land and improvements	(17,359)	(828)	-	(18,187)
Buildings and fixed equipment	(478,933)	(34,327)	-	(513,260)
Major moveable equipment	(351,774)	(44,274)	34,235	(361,813)
Total accumulated depreciation	(848,066)	(79,429)	34,235	(893,260)
Construction in progress	160,271	91,227	-	251,498
Capital assets, net	$ 670,357	$ 122,655	$ (780)	$ 792,232
2023				
Land and improvements	$ 47,449	$ 11,332	$ -	$ 58,781
Buildings and fixed equipment	729,395	99,730	(3,699)	825,426
Major movable equipment	439,439	50,172	(15,666)	473,945
Total historical cost	1,216,283	161,234	(19,365)	1,358,152
Less accumulated depreciation				
Land and improvements	(16,508)	(851)	-	(17,359)
Buildings and fixed equipment	(454,747)	(27,823)	3,637	(478,933)
Major moveable equipment	(330,109)	(35,375)	13,710	(351,774)
Total accumulated depreciation	(801,364)	(64,049)	17,347	(848,066)
Construction in progress	171,764	(11,493)	-	160,271
Capital assets, net	$ 586,683	$ 85,692	$ (2,018)	$ 670,357

The System's lease assets activity consists of the following for the years ended September 30, 2024 and 2023 (in thousands):

	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
2024				
Buildings	$ 46,874	$ 2,516	$ (66)	$ 49,324
Equipment	7,118	28	(2,377)	4,769
Total lease assets	53,992	2,544	(2,443)	54,093
Less accumulated amortization				
Buildings	(9,722)	(6,436)	66	(16,092)
Equipment	(3,347)	(1,265)	2,107	(2,505)
Total accumulated amortization	(13,069)	(7,701)	2,173	(18,597)
Lease assets, net	$ 40,923	$ (5,157)	$ (270)	$ 35,496
2023				
Buildings	$ 45,887	$ 2,691	$ (1,704)	$ 46,874
Equipment	7,959	207	(1,048)	7,118
Total lease assets	53,846	2,898	(2,752)	53,992
Less accumulated amortization				
Buildings	(3,861)	(7,567)	1,706	(9,722)
Equipment	(2,097)	(2,254)	1,004	(3,347)
Total accumulated amortization	(5,958)	(9,821)	2,710	(13,069)
Lease assets, net	$ 47,888	$ (6,923)	$ (42)	$ 40,923

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.

The following is a summary of long-term debt transactions for the years ended September 30, 2024 and 2023:

	Beginning Balance	Additions	Amortization	Reductions	Ending Balance
2024					
Series 2010 Refunding Revenue Bonds	$ 77,325	$ -	$ -	$ (2,750)	$ 74,575
Series 2016 Refunding Revenue Bonds	134,950	-	-	(4,650)	130,300
Series 2016 Refunding Revenue Bonds premium	8,977	-	(828)	-	8,149
Series 2016 Certificate of Obligation Bonds	47,405	-	-	(2,790)	44,615
Series 2016 Certificate of Obligation Bonds premium	3,603	-	(499)	-	3,104
Series 2020 Certificate of Obligation Bonds	23,565	-	-	(2,895)	20,670
Series 2020 Certificate of Obligation Bonds premium	2,497	-	(642)	-	1,855
	$ 298,322	$ -	$ (1,969)	$ (13,085)	$ 283,268
Current portion					$ 29,494
Long-term portion					253,774
					$ 283,268
2023					
Series 2010 Refunding Revenue Bonds	$ 79,975	$ -	$ -	$ (2,650)	$ 77,325
Series 2016 Refunding Revenue Bonds	139,380	-	-	(4,430)	134,950
Series 2016 Refunding Revenue Bonds premium	9,834	-	(857)	-	8,977
Series 2016 Certificate of Obligation Bonds	50,065	-	-	(2,660)	47,405
Series 2016 Certificate of Obligation Bonds premium	4,132	-	(529)	-	3,603
Series 2020 Certificate of Obligation Bonds	26,320	-	-	(2,755)	23,565
Series 2020 Certificate of Obligation Bonds premium	3,222	-	(725)	-	2,497
	$ 312,928	$ -	$ (2,111)	$ (12,495)	$ 298,322
Current portion					$ 29,666
Long-term portion					268,656
					$ 298,322

Revenue Bonds

On October 3, 2007, the System issued two Series of Harris County Hospital District Senior Lien Refunding Revenue 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. In February 2017, the System paid the non-refunded principal balance due and related interest. 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 had 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 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 $5.9 million and $6.6 million at September 30, 2024 and 2023, respectively. 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 (LOC) 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, 2025. Unreimbursed advances will accrue interest at the higher of (i) the Prime Rate, (ii) one-month or (ii) 7.5% per annum. The System is also required to pay to the JPMorgan Chase Bank an annual facility fee for the LOC of 0.9% per annum of the outstanding principal amount of the bonds. No amounts were outstanding on the LOC as of September 30, 2024 and 2023.

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.

Pursuant to the terms of the LOC, any drawing made under the LOC on the stated expiration date as a result of the expiration may be repaid by the System in quarterly installments commencing on the date which is the first day of the month following the stated expiration date and on the first day of each third month thereafter, with the final installment in the amount equal to the entire then outstanding principal amount due and payable on the date which is one year after the stated expiration date. Based on these terms and the current expiration date of August 12, 2025, one quarter of the outstanding balance of the Series 2010 Refunding and Revenue bonds has been reflected in the statement of net position as a current liability.

Compliance

The System is in compliance with its debt covenants at September 30, 2024 and 2023.

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%.

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 ($1.6) million and $2.7 million at September 30, 2024 and 2023, respectively, and is reported as a derivative liability and asset, respectively, 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, 2024 and 2023.

Credit Risk – The risk of a change in the credit quality or credit rating of the System and/or its counterparty. At September 30, 2024, the swap counterparty was rated A by Standard & Poor's, A1 by Moody's Investor Services, and A- by Fitch. At September 30, 2024, the System was rated AA- by Standard & Poor's, Aa1 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, 2024 and 2023, 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, 2024 and 2023, termination of the original swap agreement would create a liability of $9 million and $5 million, respectively, 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 years ended September 30, 2024 and 2023, 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.

Annual scheduled debt service requirements of the revenue bonds to maturity are as follows as of September 30, 2024 (in thousands):

Years ending September 30	Principal	Interest	Swaps, Net	Total
2025	$ 7,755	$ 8,452	$ 158	$ 16,365
2026	8,125	8,115	91	16,331
2027	8,510	7,763	93	16,366
2028	8,900	7,415	94	16,409
2029	9,310	7,009	84	16,403
2030-2034	53,090	28,636	346	82,072
2035-2039	64,220	16,259	200	80,679
2040-2042	44,965	2,750	37	47,752
Total	$ 204,875	$ 86,399	$ 1,103	$ 292,377

The scheduled payments above do not reflect an additional $15.8 million of the Series 2010 Revenue and Refunding Bonds that is reflected as a current liability in the statement of net position due to the current expiration date of the LOC as discussed above.

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 was as follows for the years ended September 30, 2024 and 2023 (in thousands).

	2024	2023
Beginning balance	$ 7,085	$ 7,762
Reductions	(653)	(677)
Ending balance	$ 6,432	$ 7,085

The following table sets forth the amortization of the hybrid instrument borrowings for the next five years and thereafter as of September 30, 2024 (in thousands):

Years ending September 30	
2025	$ 629
2026	604
2027	577
2028	550
2029	521
2030-2034	2,130
2035-2039	1,216
2040-2042	205
Total	$ 6,432

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 were 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 $45 million and $47 million in outstanding principal and $3 million and $4 million in unamortized premium related to this debt at September 30, 2024 and 2023, respectively. Principal and interest totaling $5 million was paid in both the years ended September 30, 2024 and 2023.

Certificates of Obligation, Series 2020

In April 2020, the System issued the combination tax and revenue Certificates of Obligation, Series 2020 (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 $21 million and $24 million in outstanding principal and $2 million in unamortized premium related to this debt at September 30, 2024 and 2023, respectively. Principal and interest totaling $4 million was paid in both the years ended September 30, 2024 and 2023.

Annual debt service requirements of the certificates of obligation to maturity are as follows as of September 30, 2024 (in thousands):

Years ending September 30	Principal	Interest	Total
2025	$ 5,970	$ 2,659	$ 8,629
2026	6,240	2,384	8,624
2027	6,520	2,080	8,600
2028	6,845	1,746	8,591
2029	7,190	1,395	8,585
2030-2034	23,675	3,427	27,102
2035-2036	8,845	357	9,202
Total	$ 65,285	$ 14,048	$ 79,333

Line of Credit

In 2022, the HMOs obtained a $115 million unsecured revolving line of credit and a $15 million swingline note with an expiration date of December 31, 2026. The line of credit and note will be used to pay claims and assist with liquidity. The interest rate on the line of credit and note are subject to change based on changes in independent indexes of which is the highest of either the Prime Rate in effect on such day, the Federal Funds Rate in effect on such day plus 0.50%, or the adjusted Term Secured Overnight Financing Rate (SOFR) for a one-month term in effect on such day plus 2.00%. At December 31, 2023 and 2022, the interest rate was 9% and 8%, respectively, per annum. As of December 31, 2023 and 2022, there were no amounts borrowed against the line of credit or amounts drawn down on the swingline note.

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 Board 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% 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%. 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, 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. Effective July 2007, the System enhanced the 401(k) Plan with an employer match up to 5.0% of the participant's compensation for eligible employees, which is 100.0% 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 $65 million and $56 million for the years ended September 30, 2024 and 2023, respectively. Total System contributions were $29 million and $27 million for the years ended September 30, 2024 and 2023, respectively.

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 years ended September 30, 2024 and 2023, System contributions were reduced by $4 million and $2 million, respectively, from forfeited non-vested accounts.

Pension Plan

The System has a noncontributory, defined benefit pension plan (Plan). It is a single-employer, self-administered, trusteed plan for which a separate standalone financial report is issued. The Plan is administered by an Administrative Committee appointed by the Board, which is responsible for administering the Plan under the terms that are established. The Board 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% 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% 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, 2023 and 2022 (measurement dates), the following employees were covered by the benefit terms:

	December 31, 2023	December 31, 2022
Inactive employees or beneficiaries currently receiving benefits	3,647	3,395
Inactive employees entitled to but not yet receiving benefits	1,289	1,315
Active employees	1,549	1,860
	6,485	6,570

The Board 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 years ended September 30, 2024, and 2023, the System contributed $68 million, or 54%, and $60 million, or 39.9%, respectively, of covered payroll.

Net Pension Liability

The System's net pension liability was measured as of December 31, 2023 and 2022, 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:

	December 31, 2023	December 31, 2022
Valuation date	January 1, 2023	January 1, 2022
Measurement date	December 31, 2023	December 31, 2022
Actuarial cost method	Entry age normal	Entry age normal
Equivalent single amortization period	20 years, closed	20 years, closed
Asset valuation method	Market value	Market value
Actuarial assumptions		
Inflation	2.5%	2.5%
Investment rate of return (net of expenses)	5.75	5.75
Projected salary increases (ultimate rate)		
Initial rate	5.25	5.25
Ultimate rate	3.00	3.00
Mortality rates		
Healthy	Pub-2010 Total Dataset Mortality Table, with generational mortality improvements projected after year 2010 using Scale MP-2021	Pub-2010 Total Dataset Mortality Table, with generational mortality improvements projected after year 2010 using Scale MP-2021
Disabled	Pub-2010 Disability Mortality Table, with generational mortality improvements projected after year 2010 using Scale MP-2021	Pub-2010 Disability Mortality Table, with generational mortality improvements projected after year 2010 using Scale MP-2021

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 for each major asset class are summarized in the following table as of December 31, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity-large cap	26 %	7.05 %
Domestic equity-small/mid cap	4	7.62
International equity	25	7.72
Core fixed income	35	4.30
Hedge funds	5	6.13
Real estate funds	5	6.24
	100 %	

The discount rate used to measure the total pension liability was 5.75%, net of expenses, as of December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that System contributions would be made at rates equal to the actuarially determined contribution, and the Plan's fiduciary net position is projected to cover benefit payments and administrative expenses. 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 at December 31, 2022	$ 1,165,437	$ 821,202	$ 344,235
Changes for the year			
Service cost	9,705	-	9,705
Interest	66,288	-	66,288
Differences between expected and actual experience	6,480	-	6,480
Contributions – employer	-	68,000	(68,000)
Net investment income	-	123,475	(123,475)
Benefit payments	(64,129)	(64,129)	-
Administrative expense	-	(205)	205
Net changes	18,344	127,141	(108,797)
Balances at December 31, 2023	$ 1,183,781	$ 948,343	$ 235,438

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2021	$ 1,121,564	$ 966,373	$ 155,191
Changes for the year			
Service cost	9,567	-	9,567
Interest	65,269	-	65,269
Differences between expected and actual experience	28,224	-	28,224
Changes of assumptions	(2,611)	-	(2,611)
Contributions – employer	-	60,000	(60,000)
Net investment income	-	(146,104)	146,104
Benefit payments	(56,576)	(56,576)	-
Administrative expense	-	(2,491)	2,491
Net changes	43,873	(145,171)	189,044
Balances at December 31, 2022	$ 1,165,437	$ 821,202	$ 344,235

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 5.75%, 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 (4.75%) or 1.0 percentage point higher (6.75%) than the current rate (in thousands):

	1% Decrease	Current Discount	1% Increase
System's net pension liability	$ 372,453	$ 235,438	$ 119,708

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

For the years ended September 30, 2024 and 2023, the System recognized pension expense of and $32 million and $81 million, respectively. The System reported deferred outflows and deferred inflows of resources related to pensions from the following sources at September 30, 2024 and 2023 (in thousands):

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,352	$ -
Net difference between projected and actual earnings on pension plan investments	31,975	-
Employer contributions remitted subsequent to the measurement date	52,815	-
Total	$ 87,142	$ -

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,192
Differences between expected and actual experience	12,885	-
Net difference between projected and actual earnings on pension plan investments	95,883	-
Employer contributions remitted subsequent to the measurement date	49,686	-
Total	$ 158,454	$ 1,192

At September 30, 2024 and 2023, the System reported approximately $53 million and $50 million, respectively, 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.

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	
2025	$ 4,622
2026	19,343
2027	25,590
2028	(15,228)
2029	-
	$ 34,327

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 are not recorded in the accompanying statements of net position, are not subject to creditors. The Deferred Compensation Plan assets at September 30, 2024 and 2023 were approximately $178 million and $146 million, respectively.

Note 10. Other Postemployment Benefits (OPEB) Healthcare Plan

Plan Description and Benefits Provided

The OPEB is sponsored by the System, which provides certain healthcare 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. 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 years ended September 30, 2024 and 2023, the System contributed $23 million and $21 million, respectively, to the Plan for current premiums and administrative costs. Plan members receiving benefits during both the years ended September 30, 2024 and 2023 contributed $5 million, or approximately 17.9% and 19.9%, respectively, of the total premiums through their required contribution. 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.

The following employees were covered by the benefit terms at September 30, 2024 and 2023 (measurement date):

	2024	2023
Inactive employee or beneficiaries currently receiving benefits	2,204	2,161
Active employees	4,848	5,259
	7,052	7,420

Total OPEB Liability

The System's total OPEB liability of $474 million and $451 million, was measured as of October 1, 2023 and 2022 for the years ended September 30, 2024 and 2023, respectively, was determined by an actuarial valuation as of those dates, and rolled forward to the measurement date of September 30, 2024 and 2023.

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 years included in the measurement, unless otherwise specified.

	2024	2023
Salary increases	3% to 5.25%	2.5%
Discount rate	4.06%	4.87%
Healthcare cost trend rates	7.00% for 2023, decreasing to 5.60% over 3 years and following the Getzen model thereafter	6.5% for 2022, decreasing to 5.20% over 3 years and following the Getzen model thereafter

The discount rate used to measure the total OPEB liability was 4.06%, which is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates for healthy pre-commencement and post-participants were based on PubG-2010 Headcount 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)

	2024	2023
Total OPEB liability, beginning of year	$ 451,048	$ 462,528
Changes for the year		
Service cost	4,622	7,480
Interest	21,080	12,713
Experience loss	(33,817)	(8,328)
Change of assumptions	53,441	(2,542)
Benefit payments	(22,804)	(20,803)
Net changes	22,522	(11,480)
Total OPEB liability, end of year	$ 473,570	$ 451,048

Sensitivity of the System's Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The total OPEB liability has been calculated using a discount rate of 4.06%. The following table presents the total OPEB liability of the System using a discount rate 1.0% higher and 1.0% lower than the current discount rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 534,454	$ 473,570	$ 422,635

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 healthcare cost trend rates that are 1.0% higher and 1.0% lower than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Healthcare Cost Trends Rate	1% Increase
Total OPEB Liability	$ 414,343	$ 473,570	$ 545,929

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

The System recognized OPEB expense of $26 million and $28 million during the years ended September 30, 2024 and 2023, respectively. The System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at September 30, 2024 and 2023 (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Changes of assumptions	$ 89,771	$ 69,797
Differences between expected and actual experience	3,826	40,557
Total	$ 93,597	$ 110,354
2023		
Changes of assumptions	$ 71,249	$ 92,921
Differences between expected and actual experience	5,101	18,469
Total	$ 76,350	$ 111,390

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows at September 30, 2024 (in thousands):

Years ending September 30,	
2025	$ 1,341
2026	(4,263)
2027	(20,434)
2028	992
2029	2,803
Thereafter	2,804
	$ (16,757)

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 is as follows at September 30, 2024 and 2023.

	2024	2023
Medicaid	15%	22%
Medicare	51%	51%
Commercial	21%	15%
Self-pay patient	13%	12%
	100%	100%

Note 12. Commitments and Contingencies

At September 30, 2024 and 2023, 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* (TTCA). Under the TTCA, 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, 2024 and 2023 that may result in the assertion of additional claims.

The System provides medical care in the Harris County jail. Detainees can bring claims against the System under state or federal law for constitutional violations. The TTCA does not protect the System against these claims and such claims are not subject to formal limitations such as damages caps.

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 are as follows for the years ended September 30, 2024 and 2023 (in thousands):

	Beginning-of-Year Liability	Current-year Claims and Changes In Estimates	Claim Payments	End-of-Year Liability
Hospital professional and general liability				
2024	$ 2,242	$ 6,397	$ 4,865	$ 3,774
2023	$ 3,203	$ 973	$ 1,934	$ 2,242
Workers' compensation liability				
2024	$ 1,351	$ 1,720	$ 1,632	$ 1,439
2023	$ 2,291	$ 554	$ 1,494	$ 1,351
Employee healthcare benefits liability				
2024	$ 14,875	$ 169,355	$ 168,819	$ 15,411
2023	$ 12,689	$ 162,638	$ 160,452	$ 14,875

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 statements 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, 2024 and 2023, the System had commitments outstanding in the amount of $467 million and $64 million, respectively, related to improvements at existing facilities and $1 million and $4 million, respectively, 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.

Note 13. Lease Liabilities

The System, as lessee, leases equipment and office space, the terms of which expire in various years through 2033. 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 1.10% to 6.54% based on the commencement date and term of the lease.

During the years ended September 30, 2024 and 2023, the System recognized $16 million and $10 million, respectively, 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, 2024 (in thousands):

Years Ending September 30,	Total to Be Paid	Principal	Interest
2025	$ 7,875	$ 6,599	$ 1,276
2026	7,021	5,967	1,054
2027	6,565	5,722	843
2028	12,073	11,003	1,070
2029	6,030	5,795	235
2030-2033	2,988	2,873	115
	$ 42,552	$ 37,959	$ 4,593

The System's lease liability activity consists of the following for the years ended September 30, 2024 and 2023 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2024					
Lease liabilities	$ 42,481	$ 2,544	$ (7,066)	$ 37,959	$ 6,599
2023					
Lease liabilities	$ 48,566	$ 2,898	$ (8,983)	$ 42,481	$ 6,414

Note 14. GASB Statements Issued but Not Yet Effective

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. 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
A Component Unit of Harris County, Texas
Schedule of Changes in the System's Net Pension Liability and Related Ratios (Unaudited)
December 31,
(Dollar Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 9,705	$ 9,567	$ 8,601	$ 8,036	$ 8,057	$ 8,280	$ 6,803	$ 7,232	$ 7,795	$ 8,642
Interest	66,288	65,269	64,147	64,307	63,183	60,495	61,427	59,397	57,482	52,342
Difference between expected and actual experience	6,480	28,224	1,782	3,807	243	8,000	1,718	(4,063)	4,637	(1,909)
Changes of assumptions	-	(2,611)	61,527	50,545	23,528	15,748	10,709	-	-	40,689
Benefit payments	(64,129)	(56,576)	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Net change in total pension liability	18,344	43,873	82,793	76,511	47,644	47,811	38,094	22,388	25,891	65,320
Total pension liability – beginning	1,165,437	1,121,564	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432	715,112
Total pension liability – ending (a)	1,183,781	1,165,437	1,121,564	1,038,771	962,260	914,616	866,805	828,711	806,323	780,432
Plan fiduciary net position										
Contributions – employer	68,000	60,000	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Net investment income	123,475	(146,104)	88,725	138,087	119,362	(35,426)	107,519	37,401	(4,891)	37,069
Benefit payments	(64,129)	(56,576)	(53,264)	(50,184)	(47,367)	(44,712)	(42,563)	(40,178)	(44,023)	(34,444)
Administrative expense	(205)	(2,491)	(2,725)	(2,366)	(3,010)	(2,442)	(2,478)	(232)	(2,389)	(2,302)
Net change in plan fiduciary net position	127,141	(145,171)	89,736	139,315	102,606	(51,596)	91,911	29,684	(19,544)	31,615
Plan fiduciary net position – beginning	821,202	966,373	876,637	737,322	634,716	686,312	594,401	564,717	584,261	552,646
Plan fiduciary net position – ending (b)	948,343	821,202	966,373	876,637	737,322	634,716	686,312	594,401	564,717	584,261
System's net pension liability – ending (a) – (b)	$ 235,438	$ 344,235	$ 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	80.11%	70.46%	86.16%	84.39%	76.62%	69.40%	79.18%	71.73%	70.04%	74.86%
Covered payroll	$ 126,784	$ 150,963	$ 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	185.70%	228.03%	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%.

Changes of assumptions – In 2022, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the Pub-2010 total dataset mortality and disability tables based on the 2022 Experience Study.

Changes of assumptions – In 2023, there were no changes in plan provisions, actuarial assumptions, or actuarial methods.

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Schedule of System Pension Contributions (Unaudited)
September 30,
(Dollar Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 38,610	$ 38,858	$ 36,225	$ 36,056	$ 33,621	$ 30,984	$ 29,433	$ 32,693	$ 31,759	$ 31,292
Contributions in relation to the actuarially determined contribution	68,000	60,000	57,000	53,778	33,621	30,984	29,433	32,693	31,759	31,292
Contribution deficiency (excess)	$ (29,390)	$ (21,142)	$ (20,775)	$ (17,722)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 126,784	$ 150,518	$ 148,657	$ 156,479	$ 163,835	$ 169,885	$ 173,272	$ 182,060	$ 197,360	$ 210,728
Contributions as a percentage of covered payroll	53.63%	39.86%	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, five-year smoothing
Inflation	2.5%
Salary increases	5.25% 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	Pub-2010 Mortality Tables, with generational mortality improvements projected after year 2010 using Scale MP-2021

Harris County Hospital District d/b/a Harris Health
A Component Unit of Harris County, Texas
Schedule of Changes in the System's Total OPEB Liability and Related Ratios (Unaudited)
September 30,
(Dollar Amounts in Thousands)

	2024	2023	2022	2021	2020	2019
Total OPEB liability						
Service cost	$ 4,622	$ 7,480	$ 13,425	$ 9,895	$ 9,424	$ 9,746
Interest	21,080	12,713	7,067	11,990	15,195	13,820
Experience gains	(33,817)	(8,328)	7,652	(3,056)	(30,004)	-
Changes of assumptions	53,441	(2,542)	(136,205)	100,078	63,631	-
Benefit payments	(22,804)	(20,803)	(18,017)	(16,731)	(16,137)	(20,173)
Net change in total OPEB liability	22,522	(11,480)	(126,078)	102,176	42,109	3,393
Total OPEB liability – beginning	451,048	462,528	588,606	486,430	444,321	440,928
Total OPEB liability – ending	$ 473,570	$ 451,048	$ 462,528	$ 588,606	$ 486,430	$ 444,321
Covered employee payroll	$ 413,101	$ 417,272	$ 432,158	$ 449,724	$ 514,871	$ 491,810
System's total OPEB liability as a percentage of covered payroll	114.64%	108.09%	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 seven years to 7.50% grading uniformly to 6.75% over three 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 three years to 6.50% grading uniformly to 5.75% over three 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 three years to 6.25% grading uniformly to 5.50% over three years and following the Getzen model thereafter.

Changes of assumptions – In 2023, amounts reported as changes of assumptions resulted primarily from a change in the discount rate to 4.87% and the medical trend assumption was updated to 6.50% grading uniformly to 5.20% over three years and following the Getzen model thereafter. Additionally, no further migration of existing retirees to the Plan is assumed (prior assumption was 50%).

Changes of assumptions – In 2024, amounts reported as changes of assumptions resulted primarily from a change in the discount rate to 4.06% and the medical trend assumption was updated to 7.00% grading uniformly to 5.60% over three years and following the Getzen model thereafter. In addition, mortality, termination, retirement, and salary scale rates were updated to be consistent with the 2022 pension plan experience study.

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

Thursday, February 13, 2025

Presentation Regarding the Harris Health Quarterly Internal Audit Update as of February 13, 2025

Sharon Brantley Smith, MBA, CIA, CFE, CISA, CGAP
Executive Vice President – Chief Financial Officer
Chief Assistant County Auditor, Harris Health
Harris County Auditor's Office

Harris Health Internal Audit

Quarterly Update as of February 13, 2025

Sharon Brantley Smith, Chief Assistant County Auditor – Harris Health

HARRISHEALTH

Our Purpose

Provide independent, risk-based, and objective assurance, advice, insight, and foresight.

Our Mission

Add value by helping Harris Health:

- Improve operations and enhance its ability to achieve objectives
- Ensure effective governance, risk management, and control processes
- Improve decision-making and oversight
- Protect its reputation and credibility with stakeholders

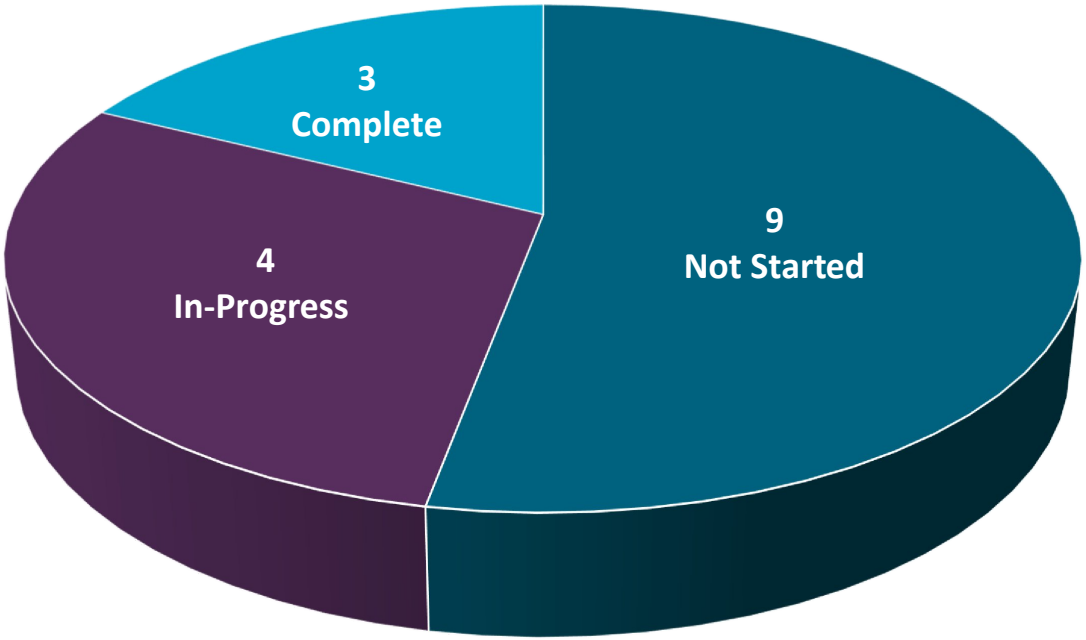
Our Goal

Complete at least 75% of the annual Audit Plan by fiscal year-end and achieve at least a 4.5 average rating on the Post-Engagement Surveys.

Audit Plan Status

HARRISHEALTH

Summary Status of FY 2025 Audit Plan



Recently Completed Engagements

Audit	Objective	Overall Conclusion
Outpatient Appointment Utilization	Evaluate operational processes for identifying and following up on trends and root causes for outpatient appointment cancellations, no-shows, and rescheduling.	Multiple reports are available within Ambulatory Care Services (ACS) to monitor information such as appointment cancellation rate by provider, provider workdays and average visits, projected versus budgeted appointments by clinic, and appointment no-show rates. Internal Audit recommends increased collaboration between the Chief Operating Officer, ACS, and other key departments to review the available reports. This will help determine what additional information, analyses, and follow-up are needed to address trends and anomalies and ultimately enhance operational decision-making related to outpatient appointment utilization. ***A detailed memo is included in the Compliance and Audit Committee packet.***
Inpatient Non-Formulary Drug Process	Evaluate processes and controls for the utilization of non-formulary drugs and related trends.	The Epic workflow for requesting non-formulary medications in the inpatient setting is successful at communicating and recording orders and maintaining patient records within the system. Additionally, the non-formulary order form is used to initiate the workflow, and the Pharmacy department is periodically reporting non-formulary drug usage to the Pharmacy and Therapeutics Committee as required. There is, however, room for improvement in documenting the review of non-formulary orders in Epic and ensuring proper approval of the order forms. ***See Appendix for full report.***
Drug Oversight Assessment	Determine whether the Controlled Substances Oversight Committee and the Opioid Task Force are fulfilling their responsibilities in preventing or detecting irregularities in medication management.	***As of late January 2025, the audit report was being finalized with Harris Health leadership. The report will be presented at the next Compliance and Audit Committee meeting.***

In-Progress Engagements

Audit	Objective	Scope Period	Status
Outsourced Medical Services Contract Payments	Evaluate controls for ensuring correct payments to outsourced medical services vendors.	October 2023 – September 2024	**Fieldwork**
Correctional Health Provider Invoices	Evaluate controls for ensuring provider invoices are complete and accurate prior to payment and providers worked their scheduled time.	October 2023 – September 2024	**Fieldwork**
Contractor Onboarding and Security Audit	Determine whether corrective actions from the 2021 Contractor Onboarding Audit are sustained and controls are in place to minimize the security risk of having contractors on site.	TBD	**Planning**
MOVEit Incident Response Assessment	Evaluate the organization's response to the MOVEit incident and identify any opportunities to enhance the overall IT major incident response process.	May 2023 – December 2024	**Fieldwork**

Follow-up on Management Action Plans

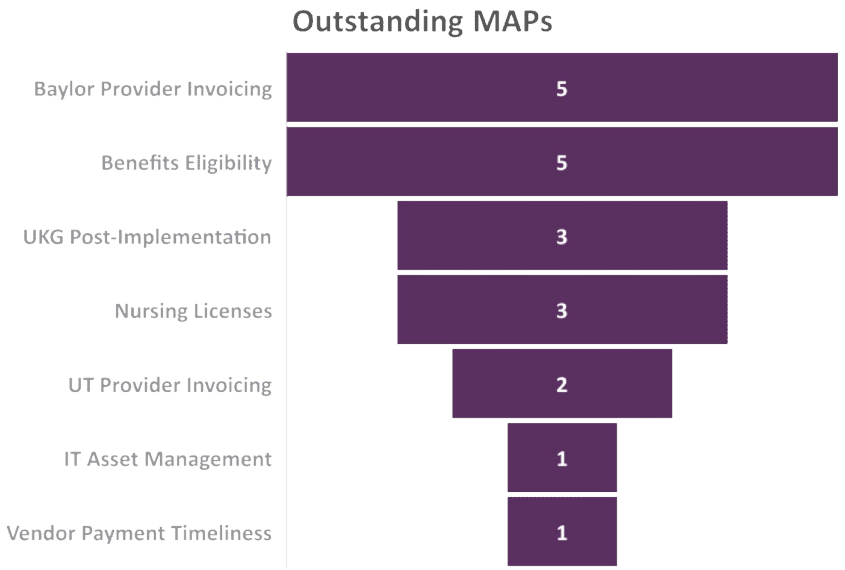
At the end of each engagement, Internal Audit requests action plans and implementation dates from management to remediate the risks identified during the audit. Internal Audit follows up to confirm implementation of management's action plans (MAPs) and provides a monthly update on all outstanding MAPs to the responsible Executive Vice Presidents. Additionally, Internal Audit provides updates to the Compliance and Audit Committee on any past-due MAPs with a high priority for implementation.

When this report was prepared (January 22, 2025), a total of **20** MAPs were outstanding for seven engagements (***Figure 1***). Due dates for the 20 MAPs range from January 1 to December 31, 2025, and Internal Audit was still validating the two MAPs that were due on January 1.

The table below indicates **one** of the 20 MAPs is high-priority and past-due. The revised due date for the MAP is March 31, 2025, and details will be discussed in Executive Session.

Project Name	High-Priority Past-Due MAPs
Vendor Payment Timeliness Review	1
Total	**1**

Figure 1



Appendix

Internal Audit Report
Inpatient Non-Formulary Drug Process Audit

Audit Team: Arlen Garcia, Juliet Ashaolu

HARRISHEALTH

Leslie Wilks Garcia, M.Jur., CPA, CFE
First Assistant County Auditor

MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

Glenn Holloway, CPA, CIA, CFE
Chief Assistant County Auditor – Audit Division

Sharon Brantley Smith, MBA, CIA, CFE
Chief Assistant County Auditor – Harris Health

January 28, 2024

Dear Louis Smith - *Senior Executive Vice President and Chief Operating Officer* and Dr. Michael Nnadi – *Senior Vice President and Chief Pharmacy & Lab Officer*:

Harris Health Internal Audit (Internal Audit) has completed an audit of the Inpatient Non-Formulary Drug Process. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post-Engagement Survey. We look forward to your feedback. If you have any questions, please contact Sharon Brantley Smith, Chief Assistant County Auditor at (713) 274-5689.

Sincerely,

Michael Post
County Auditor

Report Copies: Dr. Esmail Porsa, Carolynn Jones, Victoria Nikitin, Ron Fuschillo, Jabeen John, Pollie Martinez, Clement Gerard, Nishat Patel, Anna Vaughn, Leonid Gokhman, Jessica Njoku, Sara Thomas

Executive Summary

OVERALL CONCLUSION

The Epic workflow for requesting non-formulary medications in the inpatient setting is successful at communicating and recording orders and maintaining patient records within the system. Additionally, providers and medical personnel are using the non-formulary order form to initiate the workflow, and the Pharmacy department is periodically reporting non-formulary drug usage to the Pharmacy and Therapeutics Committee as required.

Furthermore, controls in Epic were found to be adequate for:

- Recognizing when a non-formulary or restricted medication is entered and prompting the end-user to use a non-formulary request form.
- Requiring the completion of all fields on the non-formulary order form before it is submitted for clinical review.
- Associating a non-formulary medication request form to a patient medical record.

There is, however, room for improvement in documenting the review of non-formulary orders in Epic and ensuring proper approval of the request forms.

The audit issues, management's action plans to address the issues, and background information regarding this audit are discussed in detail on the following pages. Each audit issue is ranked based on the likelihood and impact of the risk to Harris Health.

Audit Objective and Scope

OBJECTIVE

The objective was to evaluate the processes and controls for the approval of non-formulary drugs in the inpatient setting.

SCOPE

The scope included processes and information for the period March 2024 through August 2024, related to the following business objectives for the inpatient setting:

- Ensure Harris Health's drug formulary is regularly reviewed and updated, including assessing the need for new non-formulary drugs and removing outdated or less effective options.
- Establish a non-formulary drug ordering process that incorporates clinical review, ensuring non-formulary medications are prescribed appropriately and only when necessary.
- Provide accurate and timely charges for non-formulary medications ordered.

The outpatient non-formulary drug process was not included, as the process is under development.

Issues & Management's Action Plans

1. Inconsistent Pharmacy Reviews [HIGH]

What is the Issue: The documentation of Pharmacy review and approval of non-formulary medication orders was inconsistent in the established Epic in-basket workflow and, in some instances, did not align with Pharmacy guidelines for processing non-formulary orders. For 34 non-formulary orders sampled for the audit period, the following was noted:

- Twenty-five orders (73%) did not have the required Pharmacy review and approval in the Epic in-basket workflow. For 18 of the 25, the medication was ordered and billed to the patient's account. Twelve of the 25 orders were high-cost drugs (greater than $1,000).
- Fourteen orders (41%) did not include the medications' associated cost per treatment, which is necessary for determining whether the cost is greater than $1,000 and director approval is needed.
- Two orders exceeded the 72-hour period for Pharmacy review.
- One of the ordered medications was administered prior to Pharmacy approval.

Why it Happened: The non-formulary review process in Epic is relatively new (implemented January 2024) and there has not been an assessment to determine whether the process is functioning as intended and retrain users as needed.

Why it Matters: Inconsistent workflow processes can result in inefficiencies in the review and approval of non-formulary medications. These inconsistencies may increase the risk of unauthorized non-formulary medications and compromise patient safety. In addition, failure to adhere to the established non-formulary workflow in Epic undermines the investment of time and resources dedicated to its development and implementation and negates the intended benefits of the workflow.

What is Expected: Per Policy 500.40, *Non-Formulary Drug Management*, non-formulary drug requests, regardless of various factors like formulation, insurance status, or dosage, must undergo review for clinical and medical necessity. The quick reference guide, *Epic Inpatient Non-formulary Workflow*, states that Epic in-basket messages are to be used for internal communication between Pharmacy team members, documentation of non-formulary reviews and final decisions, and escalation of requests.

What Actions are Suggested: Pharmacy reviews and approvals should be consistently documented in the established Epic in-basket workflow. Pharmacy leadership should evaluate the current non-formulary order process and establish clear guidelines for reviews, ensure employees receive adequate training, and implement mechanisms to ensure consistency across the department.

1. Management's Action Plan

Responsible Executive Vice President: Louis Smith, Sr EVP Chief Operating Officer / Dr. Michael Nnadi, SVP Chief Pharmacy and Lab Officer

Due Date: September 1, 2025

The following steps will be taken to ensure that all the documentation is completed in the Epic in-basket message generated with non-formulary requests:

- *All inpatient pharmacists will be retrained on the correct process for non-formulary medication reviews, with a quick reference guide (QRG) provided.*
- *Once training has been complete, a weekly audit of 100% of non-formulary requests will be implemented to ensure proper documentation, including clinical review, cost assessment, and approval/ denial. Compliance with the 72-hour review period and the dispensing of medications only after approval will also be tracked. Any deficiencies identified in audits will be addressed with the responsible pharmacist.*
- *Once documentation is consistently completed, audits will transition to a monthly schedule with continued follow-up on deficiencies as part of a quality measure.*

2. Improper Authorization of Non-formulary Medication Request Forms [LOW]

What is the Issue: Two (2%) of 87 non-formulary medication request forms were not submitted and approved by an authorized physician or prescriber. Instead, they were submitted and approved by a resident.

Why it Happened: Epic does not restrict non-formulary orders authorizations to physicians or authorized prescribers.

Why it Matters: A medication could be ordered without proper consent and could lead to the patient safety concerns and suboptimal care. Additionally, without the prescribers' involvement in the review process, they may not be informed of the additional costs associated with non-formulary medications and not be held accountable for managing and mitigating costs.

What is Expected: Per Policy 500.40, *Non-Formulary Drug Management*, the prescriber shall complete the electronic Non-Formulary Medication Request Form in Epic, and the Chief of Service and/or Medical Director should be aware of and cosign non-formulary requests.

What Actions are Suggested: Pharmacy should implement a process to ensure that all non-formulary medication requests are authorized by the appropriate parties in accordance with policy.

2. Management's Action Plan

Responsible Executive Vice President: Dr. Steven Brass Executive Vice President & Chief Medical Executive/ Dr. Michael Nnadi, SVP Chief Pharmacy and Lab Officer

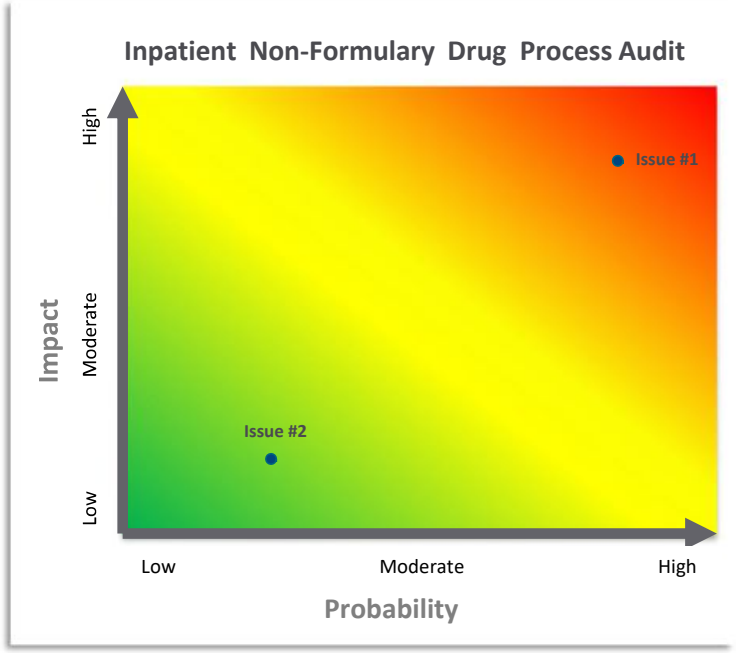
Due Date: September 1, 2025

The following steps will be taken to ensure non-formulary medications are ordered and approved by authorized providers:

1. *Policy 500.40 (Non-Formulary Drug Management) currently states the Chief of Service and/or Medical Director is required for approval of all non formulary requests. The pharmacist reviewing the request will ensure compliance.*
2. *The QRG for the Inpatient Non-formulary Workflow will be revised to include a validation step for the approving providers by the pharmacist reviewing the request. Additional training will be provided to pharmacists to ensure compliance with this updated policy and workflow.*
3. *Monthly audits will monitor compliance with additional training provided to pharmacists for any identified non-compliance.*

Issue Ranking

Internal Audit ranks audit issues as High, Moderate, or Low based in the impact and probability to related business process risks. The assessment is based on auditor judgment and consideration of the controls and/or control gaps identified. Impact represents the auditor's perceived effect of the risk on the achievement of the business function's goals, strategies, reputation, and/or finances. Probability relates to the perceived likelihood that the risk will occur.



#1 – Inconsistent Pharmacy Reviews

#2 – Improper Authorization of Non-formulary Medication Request Forms

Background

A formulary is a list of approved medications that are deemed safe, effective, and cost-efficient for treatment. Non-formulary drugs are those that fall outside the list and require special approval for use.

In January 2024, Harris Health implemented a workflow in Epic for the review and approval of electronic non-formulary medication orders in the inpatient setting. The orders are entered by physicians and other authorized clinical staff and are transmitted to Clinical Pharmacy Specialists in the Pharmacy department for clinical and medical necessity reviews. Due to the increased cost typically associated with non-formulary medications, Harris Health requires orders greater than $1,000 to be reviewed by the Pharmacy Director. Harris Health's non-formulary medication orders totaled $1,776,310 for Ben Taub and $3,021,055 for Lyndon B. Johnson for fiscal year 2024. **Note:** The Lyndon B. Johnson non-formulary spend encompasses both inpatient and outpatient settings.

Accountability

Internal Audit conducted this engagement in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The work performed required our staff to exercise professional judgment. Since the engagement's scope did not include a detailed examination of all transactions, there is a risk that some instances of fraud, errors, or omissions may not have been detected during this engagement. Management is responsible for ensuring sufficient internal controls are in place to minimize the risk of significant fraud, errors, or omissions.

Thank You

Michael Post, CPA, CIA
Harris County Auditor
Mike.Post@aud.hctx.net
Phone: 832-927-4560

Sharon Brantley Smith, MBA, CIA, CFE, CISA
Chief Assistant County Auditor, Harris Health
Sharon.BrantleySmith@harrishealth.org
Phone: 713-274-5689

Harris County Auditor's Office

MEMORANDUM

To: Louis Smith, Senior Executive Vice President & Chief Operating Officer for Harris Health

From: Mike Post, Harris County Auditor
Sharon Brantley Smith, Chief Audit Executive

CC:
Dr. Esmaeil Porsa
Dr. Jennifer Small
Carolynn Jones
Victoria Nikitin
Binta Baudy
Adrienne Mendoza
Heena Patel
Lydia Rogers
Precious Udensi
L. Sara Thomas

RE: Outpatient Appointment Utilization Engagement

Date: January 7, 2025

EXECUTIVE SUMMARY

During fiscal year 2024 risk assessment discussions with Harris Health Internal Audit (Internal Audit), risks were identified that could impact the full utilization of available appointments in Harris Health's outpatient clinics. These risks include, but are not limited to:

- Cancellations due to provider unavailability
- Provider or clinic productivity issues
- Routine cancellations and no-shows by the patient
- Cancellations due to ineligibility for financial assistance

Internal Audit interviewed key personnel in Ambulatory Care Services (ACS), Patient Financial Services (PFS), Patient Access Management (PAM), and Patient Appointment Center (PAC) and determined that patient follow-up and data collection generally do not occur to identify trends or ascertain the reasons for appointment cancellations and no-shows, except for Emergency Center (EC) specialty appointment cancellations and no-shows for specific acute factors (e.g., congestive heart failure). However, the following reports are available within ACS to monitor information such as appointment cancellation rate by provider, provider workdays and average visits, projected versus budgeted appointments by clinic and appointment no-show rates:

1. Provider Cancellation Report
2. Physician Utilization Report

3. Daily Activity Report
4. Operation Metrics Report
5. Primary Care Operations Scorecard
6. EC Orders for Specialty – Follow Up Analysis Report

The reports are generated monthly and reviewed by ACS executive leadership and the Center Triad (Medical Director, Nurse Manager, Senior Operations Manager) within each ACS clinic. The Triad develops corrective action plans for any operational issues that have occurred for three consecutive months and present the information in monthly and quarterly strategic meetings with ACS executive leadership. Any provider trends or patterns are escalated to the Medical Director and then to the Assistant Chief of Staff if necessary.

The intent of this memo is to outline the available reports in detail. The memo also provides additional information about the impact of the financial eligibility process which, according to PFS, is not a material root cause for appointment no-shows. Internal Audit recommends further collaboration between the Chief Operating Officer and ACS, PFS, PAM, and PAC to review the available reports and determine what additional information, analyses, and follow-up are needed to address trends and anomalies and enhance operational decision-making related to outpatient appointment utilization.

AVAILABLE REPORTS

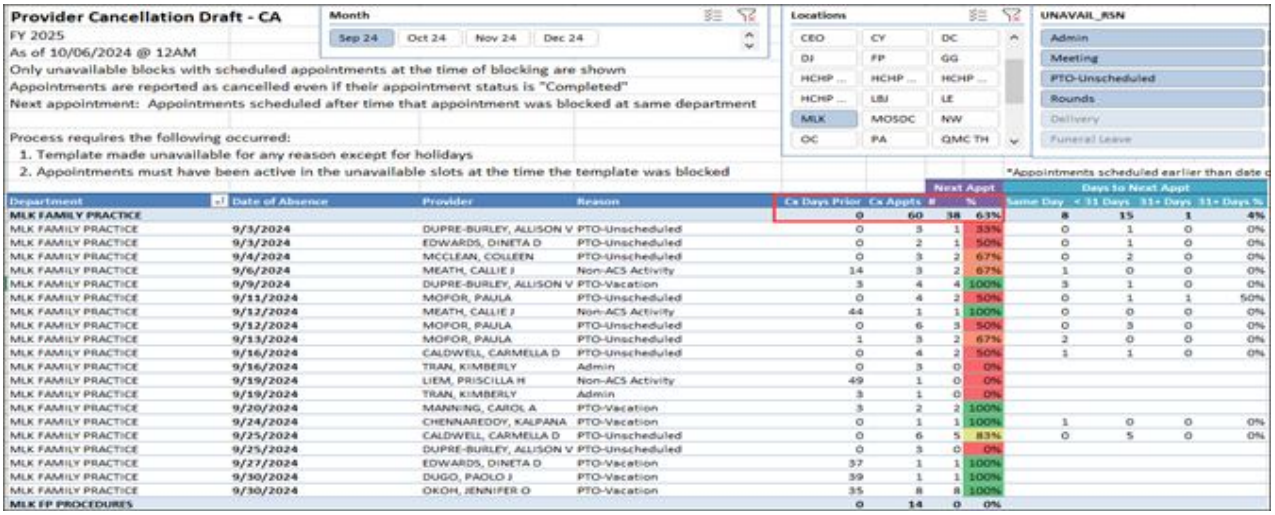
1 – Provider Cancellation Report, *Contact: Administrative Directors – ACS Clinical Operations*

A **Provider Cancellation Report** shows whether a provider has cancelled a patient appointment after the scheduling template was finalized and whether the affected patient was rescheduled timely.

For example, for the Martin Luther King (MLK) Family Practice in September 2024:

- 60 patient appointments were affected due to a provider cancelling. *Note: the "Cx Days Prior" column lists the number of days that a patient appointment was cancelled from its original scheduled date.*
- 63% of these appointments were able to be rescheduled.

Screenshot of the Provider Cancellation Report for the MLK Family Practice for September 2024:



Provider Cancellation Draft - CA
FY 2025
As of 10/06/2024 @ 12AM
Only unavailable blocks with scheduled appointments at the time of blocking are shown
Appointments are reported as cancelled even if their appointment status is "Completed"
Next appointment: Appointments scheduled after time that appointment was blocked at same department

Process requires the following occurred:
1. Template made unavailable for any reason except for holidays
2. Appointments must have been active in the unavailable slots at the time the template was blocked

Month: Sep 24 | Oct 24 | Nov 24 | Dec 24

Locations: CEO, CY, DC, DI, FP, GG, HCHP ..., HCHP ..., HCHP ..., HCHP ..., LBJ, LE, MLK, MOSDC, NW, OC, PA, QMC TH

UNAVAIL_RSN: Admin, Meeting, PTO-Unscheduled, Rounds, Delivery, Funeral Leave

*Appointments scheduled earlier than date c

Department	Date of Absence	Provider	Reason	Next Appt: Cx Days Prior	Next Appt: Cx Appts	Next Appt: #	Next Appt: %	Days to Next Appt: Same Day	Days to Next Appt: < 15 Days	Days to Next Appt: 15+ Days	Days to Next Appt: 15+ Days %
MLK FAMILY PRACTICE				0	60	38	63%	8	15	1	4%
MLK FAMILY PRACTICE	9/3/2024	DUPRE-BURLEY, ALLISON V	PTO-Unscheduled	0	3	1	33%	0	1	0	0%
MLK FAMILY PRACTICE	9/3/2024	EDWARDS, DINETA D	PTO-Unscheduled	0	2	1	50%	0	1	0	0%
MLK FAMILY PRACTICE	9/4/2024	MCCLEAN, COLLEEN	PTO-Unscheduled	0	3	2	67%	0	2	0	0%
MLK FAMILY PRACTICE	9/6/2024	MEATH, CALLIE J	Non-ACS Activity	14	3	2	67%	1	0	0	0%
MLK FAMILY PRACTICE	9/9/2024	DUPRE-BURLEY, ALLISON V	PTO-Vacation	3	4	4	100%	3	1	0	0%
MLK FAMILY PRACTICE	9/11/2024	MOFOR, PAULA	PTO-Unscheduled	0	4	2	50%	0	1	1	50%
MLK FAMILY PRACTICE	9/12/2024	MEATH, CALLIE J	Non-ACS Activity	44	1	1	100%	0	0	0	0%
MLK FAMILY PRACTICE	9/12/2024	MOFOR, PAULA	PTO-Unscheduled	0	6	3	50%	0	3	0	0%
MLK FAMILY PRACTICE	9/13/2024	MOFOR, PAULA	PTO-Unscheduled	1	3	2	67%	2	0	0	0%
MLK FAMILY PRACTICE	9/16/2024	CALDWELL, CARMELLA D	PTO-Unscheduled	0	4	2	50%	1	1	0	0%
MLK FAMILY PRACTICE	9/16/2024	TRAN, KIMBERLY	Admin	0	3	0	0%				
MLK FAMILY PRACTICE	9/19/2024	LIEM, PRISCILLA H	Non-ACS Activity	49	1	0	0%				
MLK FAMILY PRACTICE	9/19/2024	TRAN, KIMBERLY	Admin	3	1	0	0%				
MLK FAMILY PRACTICE	9/20/2024	MANNING, CAROL A	PTO-Vacation	3	2	2	100%				
MLK FAMILY PRACTICE	9/24/2024	CHENNAREDDY, KALPANA	PTO-Vacation	0	1	1	100%	1	0	0	0%
MLK FAMILY PRACTICE	9/25/2024	CALDWELL, CARMELLA D	PTO-Unscheduled	0	6	5	83%	0	5	0	0%
MLK FAMILY PRACTICE	9/25/2024	DUPRE-BURLEY, ALLISON V	PTO-Unscheduled	0	3	0	0%				
MLK FAMILY PRACTICE	9/27/2024	EDWARDS, DINETA D	PTO-Vacation	37	1	1	100%				
MLK FAMILY PRACTICE	9/30/2024	DUGO, PAOLO J	PTO-Vacation	39	1	1	100%				
MLK FAMILY PRACTICE	9/30/2024	OKOH, JENNIFER O	PTO-Vacation	35	8	8	100%				
MLK FP PROCEDURES				0	14	0	0%				

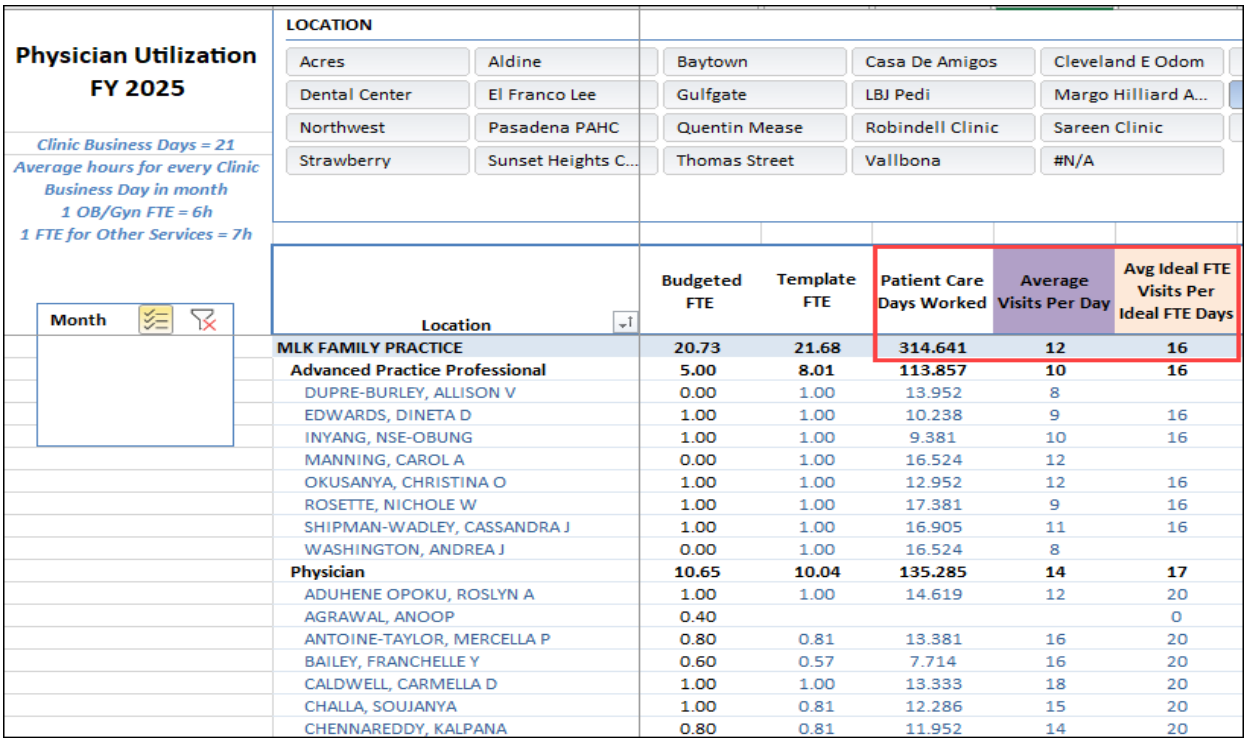
2 – Physician Utilization Report, *Contact: Administrative Directors – ACS Clinical Operations*

A **Physician Utilization Report** lists the patient care days worked during the month and the average visits per day for each provider in each clinic, as compared to budget.

For example, for the MLK Family Practice in September 2024:

- Providers worked 314 patient care days.
- Average visits per day was 12.
- Average ideal FTE (full time employee) visits per ideal FTE days was 16.

Screenshot of the Physician Utilization Report for the MLK Family Practice for September 2024:



Physician Utilization FY 2025

Clinic Business Days = 21
Average hours for every Clinic Business Day in month
1 OB/Gyn FTE = 6h
1 FTE for Other Services = 7h

Month

LOCATION

Acres	Aldine	Baytown	Casa De Amigos	Cleveland E Odom	
Dental Center	El Franco Lee	Gulfgate	LBJ Pedi	Margo Hilliard A...	
Northwest	Pasadena PAHC	Quentin Mease	Robindell Clinic	Sareen Clinic	
Strawberry	Sunset Heights C...	Thomas Street	Vallbona	#N/A	

Location	Budgeted FTE	Template FTE	Patient Care Days Worked	Average Visits Per Day	Avg Ideal FTE Visits Per Ideal FTE Days
MLK FAMILY PRACTICE	**20.73**	**21.68**	**314.641**	**12**	**16**
Advanced Practice Professional	**5.00**	**8.01**	**113.857**	**10**	**16**
DUPRE-BURLEY, ALLISON V	0.00	1.00	13.952	8	
EDWARDS, DINETA D	1.00	1.00	10.238	9	16
INYANG, NSE-OBUNG	1.00	1.00	9.381	10	16
MANNING, CAROL A	0.00	1.00	16.524	12	
OKUSANYA, CHRISTINA O	1.00	1.00	12.952	12	16
ROSETTE, NICHOLE W	1.00	1.00	17.381	9	16
SHIPMAN-WADLEY, CASSANDRA J	1.00	1.00	16.905	11	16
WASHINGTON, ANDREA J	0.00	1.00	16.524	8	
Physician	**10.65**	**10.04**	**135.285**	**14**	**17**
ADUHENE OPOKU, ROSLYN A	1.00	1.00	14.619	12	20
AGRAWAL, ANOOP	0.40				0
ANTOINE-TAYLOR, MERCELLA P	0.80	0.81	13.381	16	20
BAILEY, FRANCHELLE Y	0.60	0.57	7.714	16	20
CALDWELL, CARMELLA D	1.00	1.00	13.333	18	20
CHALLA, SOUJANYA	1.00	0.81	12.286	15	20
CHENNAREDDY, KALPANA	0.80	0.81	11.952	14	20

The report allows additional filtering for details by physician and a drilldown of hours worked:

FTE Drilldown
September 2024

Clinic Business Days = 21
Average hours for every Clinic Business Day in month
1 OB/Gyn FTE = 6h
1 FTE for Other Services = 7h

Provider

ADUHENE OPOKU, ROSLY...
AGRAWAL, ANOOP
AKLEPI, GABRIELA E
ALI, TANTRA Y
ALKADHEM, ZAHRA
AN, JESSICA Z
ANGELIDES, PHILIP
ANTOINE-TAYLOR, MERCE...
ARMENDARIZ, MARCOS
ARTHURTON, ZANDRA
BAILEY, FRANCHELLE Y
BELL, SHAQUANA
BHATHENA, SHAYAN N
BIRKENSTOCK, LYENA J

			Patient Minutes	Days	Actual FTE for Month
Week #36			**1,300**	**3.095**	**0.15**
Monday, September 2, 2024					
MLK FAMILY PRACTICE					
	07:20 - 11:00	Holiday			
	12:20 - 15:40	Holiday			
Tuesday, September 3, 2024					
MLK FAMILY PRACTICE					
	07:20 - 11:00	Actual FTE	**220**	**0.524**	**0.02**
	12:20 - 13:20	Admin			
	13:20 - 15:40	Actual FTE	**140**	**0.333**	**0.02**
Wednesday, September 4, 2024					
MLK FAMILY PRACTICE					
	07:20 - 11:00	Actual FTE	**220**	**0.524**	**0.02**
	12:20 - 15:40	Non-ACS Activi			
Thursday, September 5, 2024					
MLK FAMILY PRACTICE					
	07:20 - 11:00	Actual FTE	**220**	**0.524**	**0.02**
	12:20 - 13:20	Admin			
	13:20 - 15:40	Actual FTE	**140**	**0.333**	**0.02**
Friday, September 6, 2024					
MLK FAMILY PRACTICE					
	07:20 - 11:00	Actual FTE	**220**	**0.524**	**0.02**
	12:20 - 13:20	Admin			
	13:20 - 15:40	Actual FTE	**140**	**0.333**	**0.02**
Week #37			**1,300**	**3.095**	**0.15**

3 – Daily Activity Report, *Contact: Administrative Directors – ACS Clinical Operations*

A **Daily Activity Report** lists the projected and budgeted appointments and the variances for each clinic. The information is presented daily and month-to-date, from a clinic and telehealth perspective.

Screenshot of the Daily Activity Report as of October 6, 2024:

Daily Activity Report

BI_Admin@harrishealth.org
To Rogers, Lydia

Daily Activity Report
As Of: October 6, 2024

FY25 Budget Spread is still in progress. This message will be updated when the Spread is Final.

HARRISHEALTH SYSTEM

ACS Clinics

	Clinic		Telehealth							
	Daily	MTD	Daily	MTD	MTD	Daily Avg	Projection	Budget	Var	Var Pct
Acres Home Health Center	10	611	0	86	697	116	3,744	3,815	-71	-1.9%
Aldine Health Center	11	406	0	40	446	74	2,538	2,728	-190	-6.9%
Baytown Health Center	37	377	0	58	435	73	2,312	1,835	477	26.0%
Ben Taub Same Day Clinic	0	0			0	0	0	0	0	
Casa De Amigos Health Center	20	483	0	84	567	95	3,244	3,417	-173	-5.1%
CHP Dental Center	0	49			49	8	66	132	-66	-49.8%
Cypress Health Center	0	199	0	41	240	40	1,533	1,333	200	15.0%
Danny Jackson Family Practice	3	245	0	57	302	50	1,892	1,528	364	23.8%
E. A. Squatty" Lyons HC"	13	368	0	62	430	72	2,201	1,606	595	37.1%
El Franco Lee Health Center	4	789	0	140	929	155	5,926	5,705	221	3.9%
Gulfgate Health Center	28	534	0	55	589	98	3,776	3,930	-154	-3.9%
Homeless Shelters	0	152	0	4	156	26	221	1,342	-1,121	-83.6%
Margo Hilliard Alford Clinic	0	313			313	52	1,726	1,552	174	11.2%
Martin Luther King Health Cntr	29	864	0	89	953	159	5,311	4,737	574	12.1%
Monroe Same Day Clinic	0	262	0	11	273	46	1,538	1,537	1	0.0%
Northwest Health Center	4	621	0	42	663	111	3,347	3,362	-15	-0.4%
Pasadena Pedi Clinic	2	217	0	64	281	47	1,423	1,279	144	11.2%
Pedi/Adolescent Health Center	2	190	0	8	198	33	912	1,086	-174	-16.0%
Sareen Clinic	0	81	0	32	113	19	704	480	224	46.6%
Settegast Health Center	30	375	0	29	404	67	2,261	2,009	252	12.5%
Strawberry Health Center	8	429	0	57	486	81	3,135	3,284	-149	-4.6%
Sunset Heights Same Day Clinic	0	246	0	0	246	41	1,513	1,728	-215	-12.4%
Thomas Street Health Center	7	229	0	27	256	43	1,489	1,541	-52	-3.4%
Vallbona Health Center	11	963	0	176	1,139	190	6,176	5,243	933	17.8%
Grand Total	219	9,003	0	1,162	10,165	1,694	56,987	55,209	1,778	3.2%

4 – Operation Metrics Report, *Contact: Administrative Directors – ACS Clinical Operations*

An **Operation Metrics Report** shows various metrics for the clinics, such as completed visits, no-show percentages, and patients who left and were not seen.

For example, the following table and graph show completed visits for the MLK Health Center Practice as of September 2024. The report allows selection of the other available metrics.

Operation Metrics - Complet

08/31/24 - 09/30/24

Partial Dates

Completed | Cycle Time | Left Not Seen | Last 30 Days | Last 8 Weeks | Months

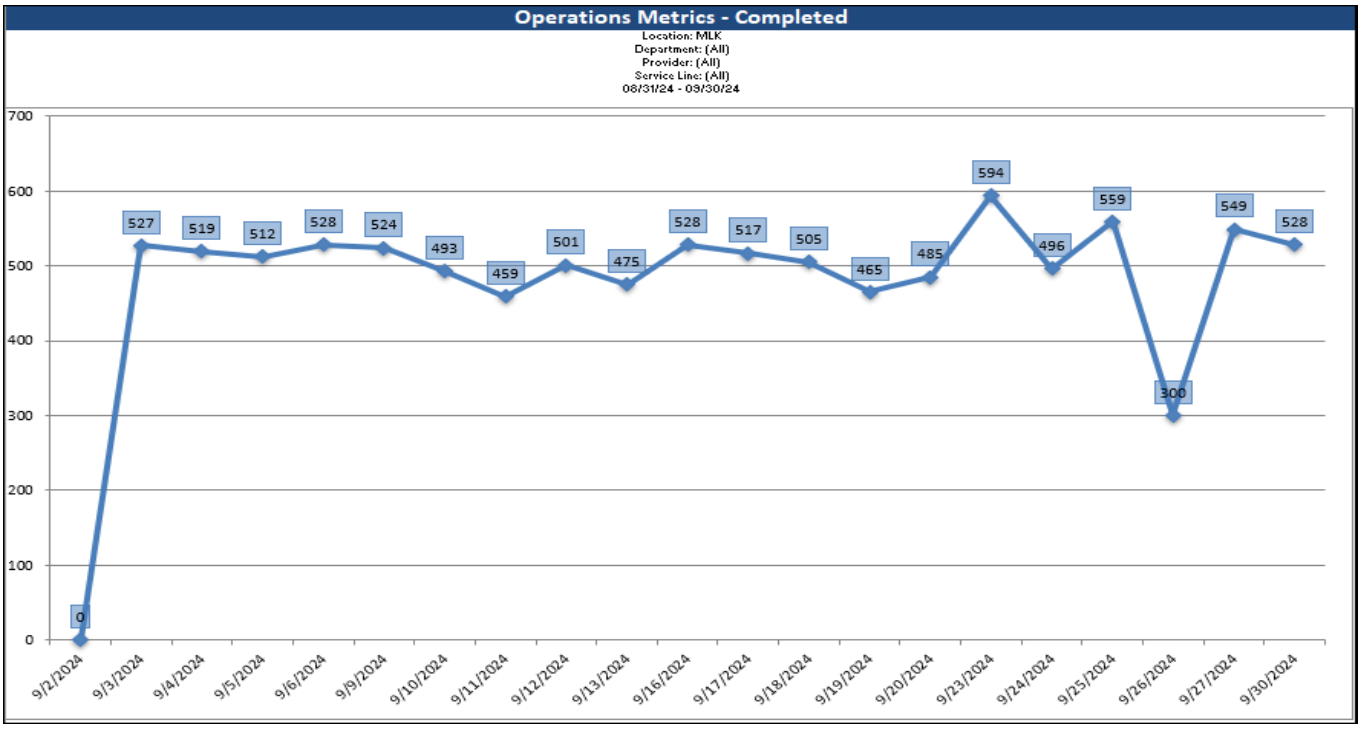
Left Not Seen % | No Show % | No Shows | Weeks

Same Day Cx | Same Day Cx %

Service Lines (Use CTRL+Click to Select Multiple)

Same Day [4] | Surgical [15] | Thomas Street [... | (blank)

	9/02	9/03	9/04	9/05	9/06	9/09	9/10	9/11	9/12	9/13	9/16	9/17	9/18	9/19	9/20	9/23	9/24	9/25	9/26	9/27	9/30
MLK	0	527	519	512	528	524	493	459	501	475	528	517	505	465	485	594	496	559	300	549	528
MLK BEHAVIORAL HEALTH/COUNSELING	0	7	7	13	12	4	9	8	9	4	14	11	14	10	12	8	11	11	8	7	11
MLK CHW HOME VISIT	0	0	2	3	0	0	0	0	0	2	0	0	0	2	0	1	2	0	1	1	0
MLK CLINICAL PHARMACY	0	32	20	19	0	23	36	15	15	9	31	27	17	19	2	32	30	15	3	9	13
MLK DENTAL	0	6	14	18	19	17	16	13	18	18	9	17	20	19	14	19	18	19	12	18	19
MLK FAMILY PRACTICE	0	217	192	191	195	212	196	200	181	173	207	186	193	163	193	228	192	207	94	227	216
MLK FP PROCEDURES	0	3	0	0	17	11	0	0	0	12	14	15	0	0	9	0	0	0	19	10	0
MLK LABORATORY	0	133	125	110	136	121	107	104	114	112	103	111	109	105	116	157	113	163	67	116	123
MLK MAMMOGRAPHY	0	15	11	15	20	17	14	12	14	14	13	13	16	14	19	12	9	18	8	17	15
MLK NURSING	0	6	10	4	7	6	5	10	4	4	4	6	7	2	7	9	8	9	6	12	10
MLK NUTRITION	0	8	10	9	10	5	13	9	11	12	5	13	9	7	12	10	17	6	7	14	9
MLK OB/GYN	0	0	15	0	17	14	0	8	5	16	12	8	15	7	17	8	7	6	4	19	5
MLK OPHTHALM/OPTOM	0	28	43	36	35	35	34	26	43	31	33	34	42	37	22	37	19	39	22	18	34
MLK PATIENT EDUCATION	0	9	6	9	8	6	12	8	7	8	7	8	5	7	0	0	3	6	4	8	11
MLK PHYSICAL THERAPY	0	17	23	23	8	9	12	21	28	18	21	11	24	19	13	22	15	25	9	14	14
MLK PODIATRY	0	0	0	0	19	13	0	0	0	16	21	0	0	0	17	18	0	0	0	18	16
MLK PSYCHIATRY	0	9	0	9	0	0	0	0	11	0	0	10	0	10	0	0	0	0	5	0	0
MLK RADIOLOGY	0	18	24	21	21	20	17	20	23	18	20	14	21	17	19	19	19	20	13	24	19
MLK REMOTE MONITORING	0	6	17	20	4	11	6	5	4	8	14	14	13	11	13	14	15	15	18	17	13
MLK RENAL CLINIC	0	0	0	0	0	0	4	0	0	0	0	6	0	0	0	0	6	0	0	0	0
MLK RHEUMATOLOGY	0	13	0	12	0	0	12	0	14	0	0	13	0	16	0	0	12	0	0	0	0
Grand Total	0	527	519	512	528	524	493	459	501	475	528	517	505	465	485	594	496	559	300	549	528



5 – Primary Care Operations Scorecard, *Contact: Administrative Directors – ACS Clinical Operations*

A **Primary Care Operations Scorecard** shows each clinic's no-show rate, average cycle time from patient check-in to check-out, and Third Next Available status. *Note: Third Next Available Appointment (3NAA) is the healthcare industry's standard measure of access to care and indicates how long a patient waits to be seen. This measure is used to assess the average number of days to the third next available appointment for an office visit for each clinic and/or department. This measure does differentiate between "new" and "established" patients.*

For example, for the MLK Health Center as of September 2024:

- The No Show Rate was 22% for the MLK Medical Home and 24% for the overall practice. This was higher than the goal of less than 20%.
- The average cycle time from patient check-in to check-out was 62 minutes, which met the goal of less than 75 minutes.
- The 3NAA for obstetrician patients (new and returning) met the goal of less than 30 days. 3NAA metrics for family practice categories are also available.

Note: Goal metrics were based on industry and community standards.

Screenshot of the Primary Care Operations Scorecard for MLK as of September 2024:

September 24	FP - Med Home No Show Rate			FP - Overall No Show Rate			FP - Average Cycle Time Check In to Check Out			3rd Available OB New Appointment			3rd Available OB Return Appointment			3rd Available Pedi New			3rd Available Pedi Return			3rd Available FP New				3rd Available FP Return				
	≤ 20% Goal			≤ 20% Goal			≤ 75 minutes			≤ 30 Days			≤ 30 Days			≤ 30 Days		90 Day	≤ 30 Days		≤ 90	≤ 30 Days			≤ 45	≤ 30 Days				≤ 45
Reporting Period	Jul 24	Aug 24	Sep 24	Jul 24	Aug 24	Sep 24	Jul 24	Aug 24	Sep 24	Jul 24	Aug 24	Sep 24	Jul 24	Aug 24	Sep 24	OA Newborn	Pedi	OA WC & OA Adol	Pedi	Video	OA WC & OA Adol	OB	Pedi	Video	OA Adult	OB	Pedi	MH	Video	OA Adult
ACS	22	19	20	23	20	21	62	61	61							39	48	57	27	22	59	14	27	30	22	12	27	7	14	25
UT																														
Acres Home	25	19	21	26	20	22	49	50	48	9	7	6	5	10	22							14	31		32	14	30	8	20	26
Aldine	26	22	20	27	23	22	50	50	52	16	27	36	14	32	44							11	48	41	40	10	48	4	19	37
Baytown	17	17	17	18	18	18	67	68	67							4	2	5	1	3	16				7			6	13	10
E.A. "Squatty" Lyons	20	17	18	22	18	19	68	63	66	2	2	2	12	14	9								18	3	8		19	9	11	11
El Franco Lee	23	18	19	25	19	21	52	54	52	24	19	38	23	20	37	50	89	89	4	4	87				17			8	16	19
Settegast	29	23	25	30	24	25	62	60	59														44		18		44	6	4	16
Danny Jackson	19	17	13	20	17	14	68	66	65							9	13	14	4	4	6			15	32			6	12	49
Cleveland Odom-PAHC										25	20	12	8	15	12	29	54	65	57	45	73									
BCM																														
Casa De Amigos	22	20	22	23	21	22	41	41	39	3	4	2	2	3	1	14	18	26	8	8	40			26	26			7	21	31
Gulfgate	20	17	18	21	18	18	94	83	83	7	11	10	3	4	3	5	44	66	4	1	67	21			21	18		6	10	40
Pasadena-PAHC																47	49	55	13	13	52									
Martin Luther King	26	22	22	27	24	24	64	63	62	26	29	25	10	13	11								23		14		24	5	12	13
Northwest	22	23	20	23	24	22	65	63	65													20	20	42	34	12	22	6	20	31
Strawberry	18	15	17	18	16	18	66	64	66															56	7			5	7	38
Vallbona	21	19	19	22	20	20	63	65	64	3	2	2	3	3	2	8	64	62	11	9	76				18			6	15	38
Cypress	16	20	20	17	21	21	76	73	74							13	25	67	10	9	43			20	30			10	14	28

Met
Not Met
Data Not Collected

6 – EC Orders for Specialty - Follow Up Analysis, *Contact: Director of Operations - PAC*

The **EC Orders for Specialty - Follow-Up Analysis** tracks patient follow-up after EC specialty appointment cancellations. No-show statistics for specialty appointments are available by patient type, financial class, specialty and by survey data. The intent by the PAC is to perform a clinical review of orders for specialty follow-up to determine if the patient meets acceptance criteria prior to scheduling. To date, the average percentage of orders that do not meet criteria is 25.5% in which case, they are not scheduled.

There is no follow-up for patient no-shows or cancellations in other areas so there is no data available for reporting. However, Case Management does perform follow-up for patients who no-show for specific acute factors (e.g., congestive heart failure).

Screenshot of the report as of August 2024 by patient type:

Patient Type →	Total					New					Established				
Month-Year	Canceled	Completed	No Shows	Total Appts	Total No Show Rate	Canceled	Completed	No Shows	Total Appts	New Pt No Show Rate	Canceled	Completed	No Shows	Total Appts	Est Pt No Show Rate
June 2023	22	97	66	185	36%	17	52	50	119	42%	5	45	16	66	24%
July 2023	58	214	153	425	36%	34	116	110	260	42%	24	98	43	165	26%
August 2023	78	282	212	572	37%	56	147	150	353	42%	22	135	62	219	28%
September 2023	79	242	208	529	39%	54	141	151	346	44%	25	101	57	183	31%
October 2023	51	270	259	580	45%	28	139	198	365	54%	23	131	61	215	28%
November 2023	50	262	272	584	47%	34	140	196	370	53%	16	122	76	214	36%
December 2023	57	242	280	579	48%	39	145	211	395	53%	18	97	69	184	38%
January 2024	88	206	267	561	48%	51	122	182	355	51%	37	84	85	206	41%
February 2024	51	218	246	515	48%	31	125	176	332	53%	20	93	70	183	38%
March 2024	54	258	222	534	42%	37	145	151	333	45%	17	113	71	201	35%
April 2024	56	309	243	608	40%	34	183	181	398	45%	22	126	62	210	30%
May 2024	64	330	268	662	40%	46	212	220	478	46%	18	118	48	184	26%
June 2024	77	300	238	615	39%	57	196	195	448	44%	20	104	43	167	26%
July 2024	143	256	207	606	34%	99	149	160	408	39%	44	107	47	198	24%
August 2024	100	344	292	736	40%	65	206	229	500	46%	35	138	63	236	27%
Overall	**1028**	**3830**	**3433**	**8291**	**41%**	**682**	**2218**	**2560**	**5460**	**47%**	**346**	**1612**	**873**	**2831**	**31%**
								75%	66%				25%	34%	
								% of NS	% of Total				% of NS	% of Total	

Screenshot of the report as of August 2024 by survey data:

Reason for No-show - Combined	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Total	% of Total
I didn't know I had an appointment	9	20	20	11	11	8	7	3	3	12	14	8	14	154	28.7%
Schedule conflict	7	9	14	4	4	4	5	5	4	10	6	4	12	104	19.4%
I forgot that I had an appointment	4	8	4	5	4	3	0	4	2	3	3	2	7	56	10.4%
Did not have money for copay	3	3	6	1	2	1	3	1	0	4	1	1	3	42	7.8%
Transportation	4	7	1	3	2	2	2	1	0	13	2	7	6	57	10.6%
No FAP or expired FAP	0	4	3	4	1	0	1	3	0	4	7	1	6	37	6.9%
Patient/Provider canceled	2	7	0	0	1	0	0	0	0	1	0	0	3	18	3.4%
Sick/Didn't feel well	0	2	0	1	2	0	0	0	0	1	4	1	1	14	2.6%
I didn't believe it was necessary (didn't care)	1	1	2	0	1	1	2	3	1	1	4	1	0	21	3.9%
I was readmitted	0	0	3	1	1	0	0	1	0	2	1	0	3	12	2.2%
Seen outside HHS	1	0	2	0	0	1	0	0	0	0	0	0	0	6	1.1%
Arrived at wrong location/arrived late and attended appt	0	1	2	0	0	0	0	0	0	1	1	0	0	7	1.3%
Feeling better	0	1	1	0	0	0	0	0	0	0	0	0	0	2	0.4%
I have not been discharged	0	1	0	0	1	0	0	0	0	3	0	0	0	6	1.1%
Total	31	64	58	30	30	20	20	21	10	55	43	25	55	536	100.0%
Total No Shows	212	208	259	272	280	267	246	222	243	268	238	207	292	3433	
Survey Response Rate	14.6%	30.8%	22.4%	11.0%	10.7%	7.5%	8.1%	9.5%	4.1%	20.5%	18.1%	12.1%	18.8%	15.6%	

Additional Information: *Impact of the Financial Eligibility Screening Process on Outpatient Appointment Utilization*

During fiscal year 2024 risk assessment discussions, there was a concern that ineligibility for financial assistance and inability to pay could cause patients to cancel appointments and affect overall appointment utilization. According to PAM and PFS:

- Typically, an appointment is not scheduled for uninsured patients until financial assistance eligibility is determined. An appointment is not scheduled for patients without current third-party insurance coverage, validation that their financial assistance status is current, or confirmation that they have completed the Financial Assistance Program application.
- The PAM team receives a report that lists patients who had a change in insurance after the appointments were scheduled. The team performs a review to ensure all patients are in-network, and patients are routed to the Eligibility department if they need financial assistance.
- Patients can check-in via My Health and “fast pass” the initial paperwork aspect before they arrive to reduce administrative time upon arrival.
- As part of the No Surprises Act, self-pay patients receive a cost estimate within 72 hours of the appointment being scheduled. Payments are not collected until the day of the appointment.
- If a self-pay patient cannot pay, then the appointment is cancelled, unless the medical personnel deem it necessary to see the patient.
- A patient is not penalized for the co-pay amount if they cancel an appointment.
- Indigent patients are not charged a co-pay.

Per PFS, the financial eligibility screening process is not a material root cause for appointment no-shows.

Upcoming Process Improvements

A workgroup has been created to improve the scheduling process by removing the scheduling responsibility from the nursing staff. Currently, nurses handle the clinical care and perform scheduling duties. This initiative is focused on a reduction in the percentage of primary care follow-up appointments scheduled by nursing staff by implementing patient self-scheduling of follow-up appointments via My Health and other Epic technology.

INTERNAL AUDIT STANDARDS

Internal Audit conducted this engagement in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH

Thursday, February 13, 2025

Executive Session

Presentation Regarding Harris County Auditor's Report on High-priority Management Action Plans (MAPs) Related to Vendor Payments, Pursuant to Tex. Occ. Code Ann. §151.002, Tex. Health & Safety Code Ann. §161.032 and Tex. Gov't Code Ann. §418.183.

Sharon Brantley Smith, MBA, CIA, CFE, CISA, CGAP
Executive Vice President – Chief Financial Officer
Chief Assistant County Auditor, Harris Health
Harris County Auditor's Office

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BOARD OF TRUSTEES

Compliance and Audit Committee

HARRISHEALTH

Thursday, February 13, 2025

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, Including Status of Fraud and Abuse Investigations, Pursuant to Tex. Health & Safety Code Ann. §161.032.

Carolynn Jones, JD, CHC
Executive Vice President, Chief Compliance and Risk Officer

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