

University Health System

Bexar County Hospital District d/b/a
University Health System's Operating,
Debt Service and Capital Budgets
for Fiscal Year 2019

Bexar County Commissioners Court

Tuesday, December 4, 2018
Double-Height Courtroom, Suite 2.01
Bexar County Courthouse
100 Dolorosa
San Antonio, Texas 78205-3038



**University Health System’s
Proposed Operating, Debt Service,
and Capital Budgets
For Fiscal Year 2019**

Table of Contents

| | |
|---|----|
| Strategic Vision | 3 |
| Triple-Aim <i>Plus</i> | 3 |
| 2019 Consolidated Budget Summary Briefing | 6 |
| Access (Activity) Assumptions | 10 |
| Total Operating Revenue (TOR) | 12 |
| Total Operating Expense (TOE) | 18 |
| Debt Service Requirement | 22 |
| Ongoing Capital Requirements | 23 |
| 2019 Community First Health Plans Budget | 24 |
| Exhibits | 28 |



Proposed 2019 Budget Summary

Strategic Vision

University Health System (Health System) continues to pursue its strategic vision to be the premier health system in South Texas, committed to delivering patient-centered, culturally competent and high quality healthcare, based on a strong foundation of outcomes-based research and innovative teaching. This vision serves to guide decision-making and operational execution. The 2019 Budget was developed with the strategic vision in mind. Since 2001, U.S. News has consistently ranked University Hospital among the best hospitals in Texas and the San Antonio region. University Hospital is ranked among the top 50 hospitals in the nation for urology care by U.S. News & World Report, and designated as high-performing in the care of kidney and lung disease.

Triple-Aim Plus

The Triple-Aim *Plus* concept continues to be the guiding principles of how the Health System executes its strategy to serve the community. The Health System continues to be successful in executing the aims of:

- Improving quality, safety and outcomes
- Improving the patient experience
- Improving efficiencies
- Improving access to care

These principles are the foundation of healthcare transformation and all initiatives pursued are developed in the spirit of transforming care using the Triple Aim *Plus* goals.

Major Impacts to the 2019 Budget

- Improved Medicare UC funding, positive impact of \$9 million
- Restored Medicaid UC funding to levels prior to 2018, Budgeted 2019 impact \$7 million higher than realized in 2018
- Improved supplemental funding program Uniform Hospital Rate Improvement Program (UHRIP), positive impact of \$4.5 million
- Planned reductions in federal DSH funding, negative impact of \$2.9 million
- BCCS continuation with slight expansion, positive impact of \$2.8 million
- Epic conversion activities impacting operating cost \$14 million
- Planned implementation of Pharmacy Meds to Beds retail pharmacy service
- Power UP & Power Through projects improving hospital throughput
- Resource investment to support and upgrade ambulatory physical plant
- Management of operating expenses

Capital Budget Projects

- Funded Projects that will impact operations and the 2019 budget:
 - The new Women's and Children's Tower, Heart and Vascular Institute, and Advanced Endoscopy buildout projects are underway planning, design and construction activities will ramp up in 2019.
 - The Health System has begun the design and implementation project for the EPIC electronic health record (EHR) which is now adopted by most of the Academic Medical Centers in the country. This project is perhaps the most significant and important undertaking a health system will ever make. The EHR is not only costly but also connects with every facet of the patient experience, from registration to the final bill. After a patient discharge or a clinic visit, the EHR serves as the platform for a patient's personal chart. Health system operations and revenue cycle are also reliant on the EHR. Both clinical and financial systems must interface correctly to capture charges appropriately and bill payers correctly. Significant investment, in human and financial resources, are committed to this project in 2019.

Operational Improvements – Working in conjunction with UT Physicians

- Emergency Room throughput and efficiency: Power UP
- Inpatient Care Transitions: Power Through
- Clinical Documentation improvements
- Maintain and improve patient satisfaction
- Length of stay reductions
- Improvement in quality metrics
- Employee engagement and satisfaction
- Implement strategic tactics to fulfill projected activity by:
 - Focusing on key service lines
 - Trauma
 - Transplant
 - Pediatrics / Children’s Health
 - Women’s Health Services including perinatal and neonatal care
 - Cardiovascular
 - Neurosciences
 - Oncology
 - Enhance marketing, outreach and referral development
 - Executing planned clinical integration and physician alignment initiatives with key service line physicians
- Enhance human capital through recognition programs and continuous learning
- Produce positive financial results to fund capital improvements

Learning and Development

The Health System invests significant resources in the learning and development activity of its staff. The Annual Report on Learning and Development (**Exhibit 9**) reflects the impact and scope of crucial responsibilities and strategic goals of the Center for Learning Excellence. Total Investment in 2017 is outlined below:

| 2017 Learning and Development | |
|--------------------------------------|---------------------|
| Direct | \$7,748,495 |
| Indirect | \$3,402,298 |
| Learning Hours* | \$8,690,028 |
| Total Investment | \$19,840,821 |

**Hours in training multiplied by the average hourly rate, \$26.95*

2019 Consolidated Budget Summary Briefing

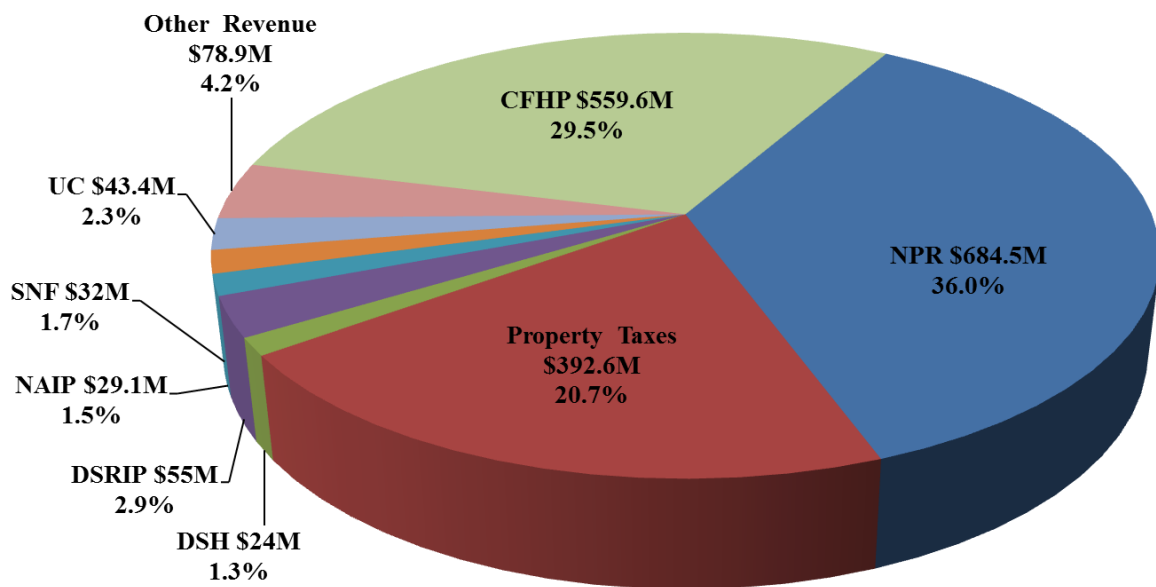
Following is a summary of the 2019 Consolidated Budget and a comparison to Projected 2018:

| Consolidated (Dollars in Millions) | 2017 Audited | 2018 Projected | 2019 Proposed Budget | Variance from Projected | % Variance |
|--|-------------------------|---------------------------|-------------------------------------|--|-----------------------|
| Total Operating Revenue | \$1,700.9 | \$1,810.8 | \$1,899.2 | \$88.4 | 4.9% |
| Total Operating Expense | \$1,597.6 | \$1,732.9 | \$1,820.8 | \$87.9 | 5.1% |
| Operating Gain | \$103.3 | \$77.9 | \$78.4 | \$.5 | 0.6% |
| Nonoperating Revenue/(Expense): | | | | | |
| Depreciation/Amortization | (\$79.1) | (\$75.9) | (\$77.4) | (\$1.5) | (2.0%) |
| Other Non-operating | \$7.8 | \$17.9 | \$16.6 | (\$1.3) | (7.1%) |
| Premium Deficiency Reserve | (\$6.1) | \$6.1 | \$0.0 | (\$6.1) | (100.0%) |
| Total Nonoperating Revenue | (\$77.3) | (\$52.0) | (\$60.8) | (\$8.8) | (16.9%) |
| Bottom Line excluding Debt Service | \$25.9 | \$25.9 | \$17.6 | (\$8.3) | (32.0%) |
| Debt Service Revenue | | | | | |
| | \$56.4 | \$62.2 | \$65.4 | \$3.2 | 5.1% |
| Debt Service | | | | | |
| | \$56.4 | \$62.2 | \$65.4 | \$3.2 | 5.1% |
| Net Debt Service | | | | | |
| | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 0.0% |
| Capital Requirements | | | | | |
| | \$30.2 | \$28.7 | \$32.5 | (\$3.8) | (13.3%) |

- The Health System Consolidated Proposed 2019 Budget (**Exhibit 1A**) reflects a gain from operations of \$78.4 million and a bottom line gain of \$17.6 million after including non-operating income/(expense) of (\$60.8) million.
- University Health System (less Community First Health Plan), the Clinical Services Division (**Exhibit 1B**) reflects a \$73.7 million gain from operations and a bottom line gain of \$13.5 million after including depreciation expense of \$75.2 million and \$15.1 million of non-operating revenue.
- CFHP (**Exhibit 1C**) reflects a gain from operations of \$4.8 million and a bottom line gain of \$4.1 million after including depreciation expense of \$2.1 million and non-operating income of \$1.5 million.

- The budget includes \$65.4 million in debt service (*page 22*) for University Health System’s Capital Improvement Program (CIP). The tax rate set to fund required debt service for 2019 is \$0.039435 per \$100 valuation (**Exhibit 7**). The BABs savings reflected in the 2019 debt service budget is \$8.0 million which is net of a 6.6% Sequestration cut (\$568,380).
- The 2019 Health System’s on-going capital budget for the clinical services includes \$31.8 million (**Exhibit 8**) in items that have been prioritized and approved by the capital committee. These capital items will be funded by cash flow from operations. Capital requests for CFHP are \$819,671 (*page 27*).
- A summary of Consolidated sources of funding is as follows:

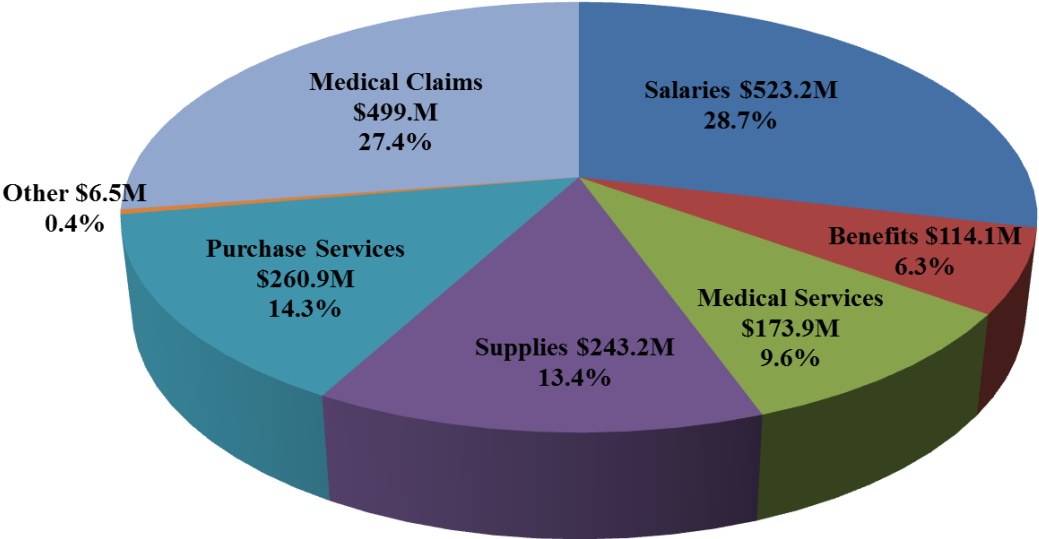
Consolidated Total Operating Revenue: \$1.9B



On a consolidated basis, Total Operating Revenue (TOR) is \$1.9 billion. Net Patient Revenue (NPR), or collections from third party payors and patients, represents the largest percent of TOR at 36.0%. Premium revenue from CFHP follows at 29.5%. Property taxes account for 20.7% of total operating revenue and DSH, DSRIP, NAIP, UHRIP and UC account for 9.7%.

A summary of Consolidated Total Operating Expense (TOE) is as follows:
On a consolidated basis, TOE is \$1.82 billion. Salaries and benefits represent the largest percentage at 35.0% followed by medical claims for CFHP at 27.4%. Purchased Services at 14.3%, Supplies are 13.4% and Medical Services are at 9.6% of TOE.

Consolidated Total Operating Expenses: \$1.82B



2019 Clinical Services Division (Health System less CFHP)

The Health System developed the 2019 Clinical Services Division Budget to incorporate the strategies and initiatives described in the preceding sections. Even with several large negative impacts from State funding programs the Clinical Services Division will produce Operating gain of \$78.4 million and Bottom Line of \$13.4 million.

Below is a summary of the 2019 Proposed Budget and a comparison to Projected 2018:

| University Health System (Less CFHP) | 2017 Audited | 2018 Projected | 2019 Proposed Budget | Variance from Projected | % Variance |
|---|-------------------------|---------------------------|-------------------------------------|------------------------------------|-----------------------|
| Dollars in Millions | | | | | |
| Total Operating Revenue | \$1,180.0 | \$1,268.8 | \$1,336.9 | \$68.0 | 5.4% |
| Total Operating Expense | \$1,078.4 | \$1,170.9 | \$1,263.2 | (\$92.2) | (7.9%) |
| Gain/(Loss) from Operations | \$101.6 | \$97.9 | \$73.7 | (\$24.2) | (24.7%) |
| Depreciation Expense | (\$78.3) | (\$74.9) | (\$75.3) | (\$0.3) | (0.4%) |
| Other Non-operating | \$6.6 | \$15.9 | \$15.1 | (\$0.8) | (4.8%) |
| Total Non-Operating Revenue/Expense | (\$71.8) | (\$59.1) | (\$60.2) | (\$1.1) | (1.8%) |
| Bottom Line excluding Debt Service | \$29.8 | \$38.8 | \$13.5 | (\$25.3) | (65.2%) |
| Debt Service Revenue | \$56.4 | \$62.2 | \$65.4 | \$3.2 | 5.1% |
| Debt Service | \$56.4 | \$62.2 | \$65.4 | \$3.2 | 5.1% |
| Net Debt Service | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 0.0% |
| Capital Requirements | \$28.6 | \$26.9 | \$31.7 | (\$4.8) | (18.0%) |

- University Health System (less Community First Health Plan), reflects a \$73.7 million gain from operations and a bottom line gain of \$13.5 million after including depreciation expense of \$75.3 million and \$15.1 million of non-operating revenue (**Exhibit 1B**).

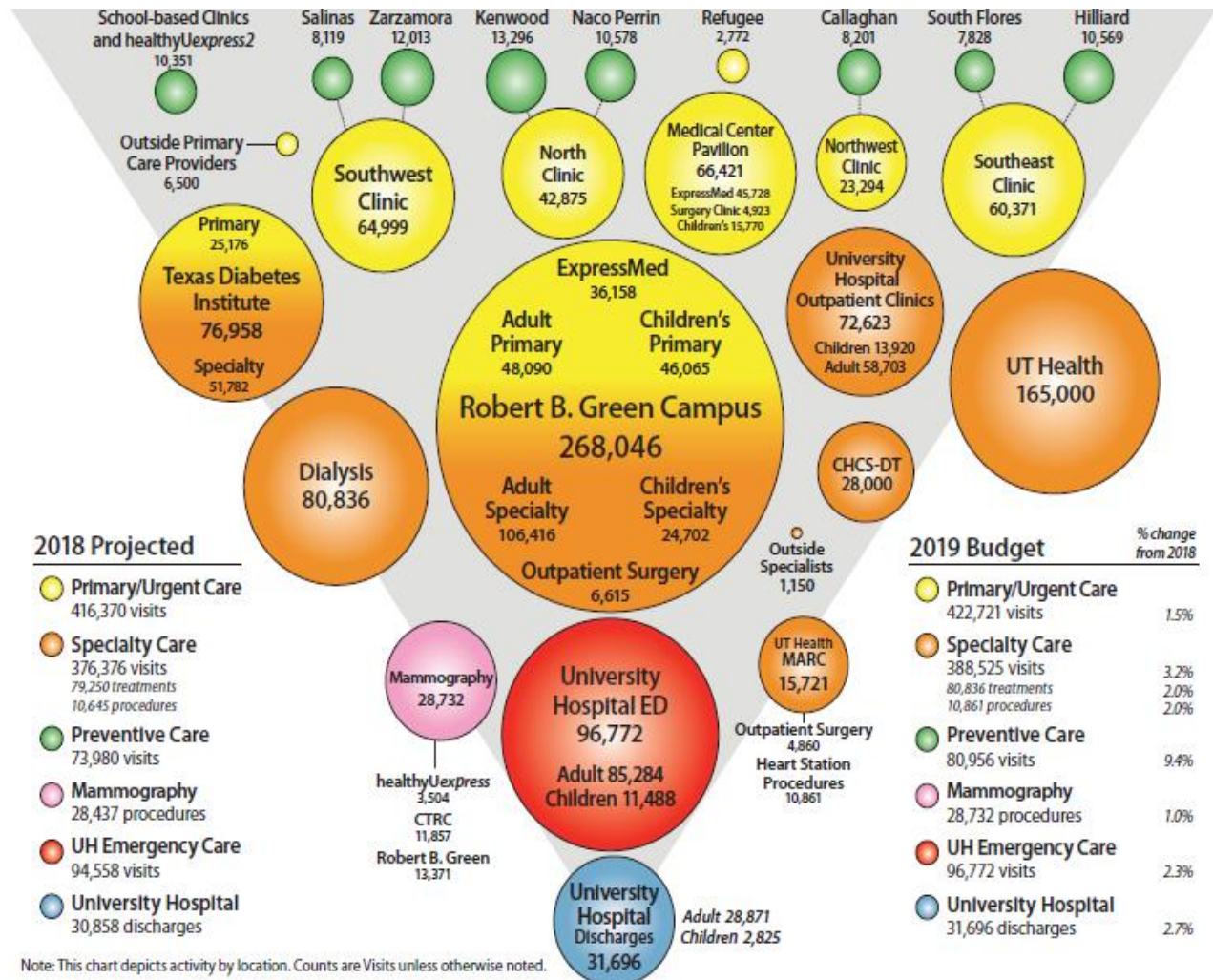
Access (Activity) Assumptions

UHS anticipates that activity in the 2019 Budget will increase 2.7% based on adjusted discharges over levels projected for 2018. A detail of Activity in the Proposed 2019 Budget can be found in **Exhibit 2**. The major factors contributing to this growth include:

- Increased volume in Adult Inpatient and Outpatient Emergency Center activity.
- Growth in the Heart and Vascular, Orthopedics and Neurology service lines.
- Plan to extend OR schedules and build out two additional OR Suites.
- Outpatient Ambulatory Clinic growth projected at 3.7%.
- Focus on improving throughput to increase access.

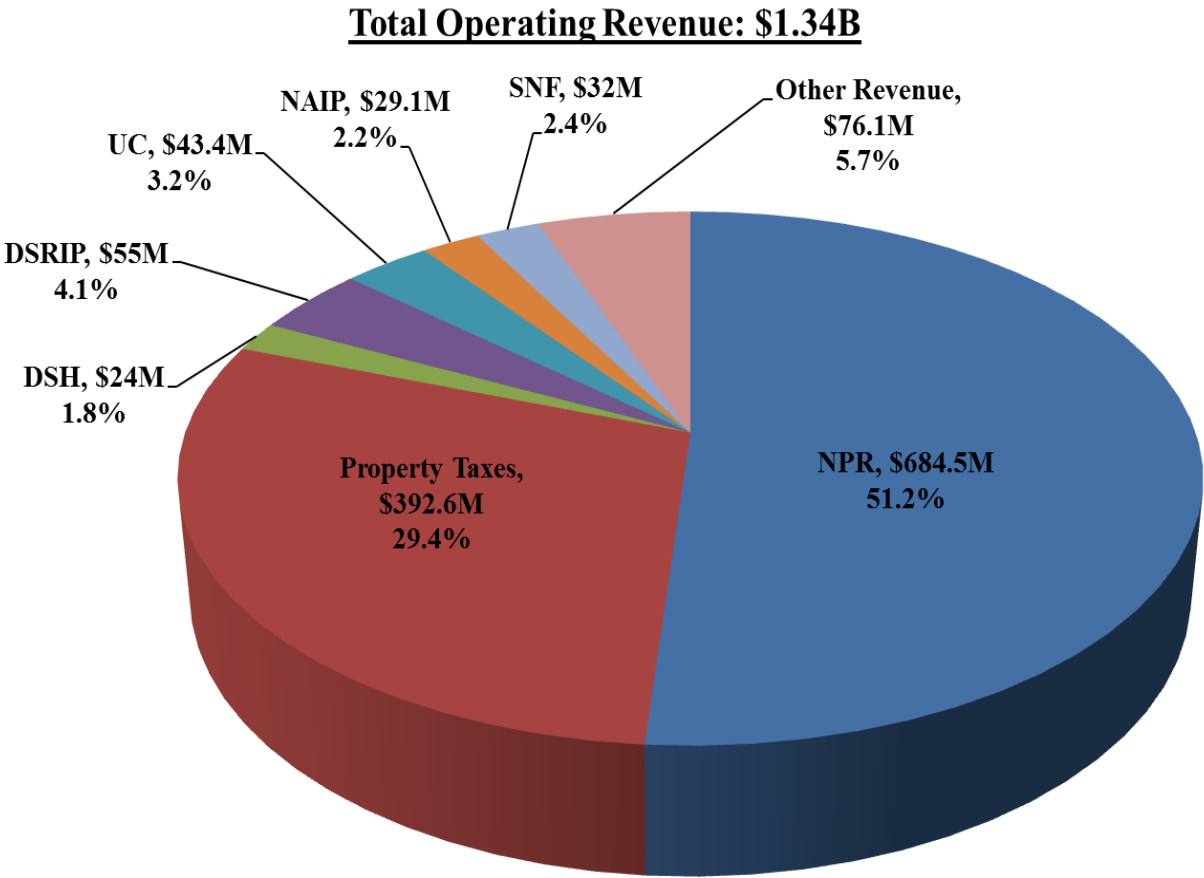
The following chart illustrates the relative magnitude of the activity projections.

Improving Access to Care Overall Activity to grow 2.7%



Total Operating Revenue (TOR) –Clinical Services Division

2019 TOR is budgeted at \$1.34 billion, which is \$68.0 million or 5.4% higher than 2018 projected. The Medicaid 1115 waiver has been extended through September 30, 2022, or DY11. The Uncompensated Care Pool (UC) may be adjusted down through negotiations between Texas and Centers for Medicare and Medicaid Services (CMS) starting in October 2019 up to 25%. DSRIP will decline by about 10% per year for DY9 and DY10 and will be zero for DY11. The Waiver currently provides approximately \$100 million in supplemental funding to the Health System. In total, the various changes to supplemental funding programs are projected to have a slightly positive impact on the 2019 budget. Increases in the M&O portion of property taxes of \$24.2 million and an increase in Net Patient Revenue of \$36.2 million are the main drivers of the increase in TOR for 2019. A detail of Legislative impacts is included (**Exhibit 4**) and a chart summarizing the changes in TOR by category and drivers that impact these changes is provided in **Exhibit 3**.



Net Patient Revenue (NPR)

2019 NPR was budgeted at the strategic service line level using the projected activity, gross revenue and actual payment rate by payer. The impact of the legislative changes has been estimated in light of information currently available. The following is a summary of the key NPR assumptions:

- Increased funding and a change in the distribution formula for Medicare UC benefited the Health System in 2018 and will provide an additional \$9 million in 2019.
- The second year of the UHRIP program will increase Managed Medicaid rates by \$2.4 million.
- Increased volume is projected to add \$5.2 million to NPR, additional Inpatient volume is projected to add \$3.5 million and Outpatient volume \$1.8 million.
- Managed care contract renegotiated rates and improvements in the revenue cycle process will increase NPR by \$8.7 million.
- Actual inpatient payment rates by service line from calendar year 2017 were utilized as the base for NPR. These rates were adjusted for known payment changes including; Commercial, State and Federal Legislative updates. **Exhibit 3** details changes to the Total Operating Revenue, including NPR, that illustrates impacts due to volume and rate improvements.
- Retail Pharmacy sales and the “Meds to Beds” program will add \$8.6 million in NPR. Meds to Beds is a program where discharged patients are afforded the opportunity fill their prescriptions prior to leaving the hospital or clinic setting.

Property Tax for M&O

- Property tax revenue for operations (M&O) is projected to increase \$24.2 million due to higher property values and new properties for Bexar County. Of this increase, \$8.9 million relates to taxes on new property values. Excluding CFHP, property taxes for operations as a percent of TOR increases slightly from 28.9% projected for 2018 to 29.0% in the 2019 Budget.

A summary of the property taxes reflected is as follows:

2019 Budget: Analysis of Tax Rate

| Dollars in Thousands | Existing Tax Rate | Proposed Tax Rate | Tax Rate Change from Existing Rate | % Change from Existing Tax Rate | 2018 Estimated Net Taxes | 2019 Proposed Net Taxes | Proposed Net Change From Prior Year | % Increase |
|----------------------|-------------------|-------------------|------------------------------------|---------------------------------|--------------------------|-------------------------|-------------------------------------|------------|
| Operating Rate | 0.237609 | 0.236800 | (0.000809) | -0.34% | \$368,418 | \$392,572 | \$24,154 | 6.56% |
| Debt Rate | 0.038626 | 0.039435 | 0.000809 | 2.05% | \$62,458 | \$65,376 | \$2,918 | 4.67% |
| Total Tax Rate | 0.276235 | 0.276235 | - | 0.00% | \$430,876 | \$457,948 | \$27,072 | 6.28% |

Exhibit 7 reflects the tax rate calculation.

Legislative and Regulatory Assumptions Impacting Operating Revenue

The Medicaid 1115 waiver has been extended through September 30, 2022, or DY11. The Uncompensated Care Pool (UC) may be adjusted down through negotiations between Texas and CMS starting in October of 2019 by between 0% and 25%. DSRIP will decline by about 10% per year for DY9 and DY10 and will be zero for DY11. However, the allocation methodology is still being debated for the current year, DY7, because of unanticipated changes due to the settlement of a lawsuit brought by Children’s Hospital Association of Texas (CHAT) and the increased number of urban hospitals claiming “Rider 38” status. Both of these change the allocation of UC away from Large Public Hospitals, including the Health System. The Health System utilized the best information available as of October 2018 to prepare the impact of Regulatory and Legislative actions (**Exhibit 4**). All of the changes reflected in this chart, which total \$16.5 million, have been reflected in the Projected 2018 and Proposed 2019 budget. The following are the key assumptions relative to legislative impacts on operating revenue:

Federal Rate Impacts

- In 2017 CMS began phasing in a new way to pay hospitals for the Medicare DSH add-on to the DRG payment. They began moving away from using Medicaid patient days to using charity care as reported on worksheet S-10 of the Medicare cost report. This shift benefits the Health System by \$9 million for 2019 compared to 2018.

- The Health System strategically became a Rural Referral Center in 2017, which allowed a move to the Austin Metropolitan Service Area (MSA) in October of 2018 for the wage component of our Medicare payments, this will increase our Medicare payments by \$2.8 million in 2019.
- Proposed CMS regulations for Medicare outpatient reimbursement will reduce payments for clinic visits. This change will reduce Health System payments by \$2.0 million. The Health System is working with the American Hospital Association and American Essential Hospitals who are fighting this change.
- Federal Sequestration reductions of 2% will continue throughout 2019 and this impacts all Medicare payments.

State Waiver Related Programs

- Uncompensated Care (UC) program for DY 7, the year ending September 30, 2018, is currently under debate. Because of the settlement of lawsuits brought by children's hospitals and the increase of the number of urban 'Rider 38' hospitals, there would be a massive reduction of UC payments to large public hospitals. The current budget assumes that urban 'Rider 38' hospitals will not get all of their potential payments. This would mitigate the impact, however, for 2018 as it is estimated that UC will be \$36.4 million, well short of the 2018 budget of \$43.4 million. For the proposed 2019 budget, we expect the UC formula to be changed again, this time in favor of large public hospitals.
- CMS has challenged the model used in some Texas markets for UC funding to non-public hospitals. Bexar County area hospitals are working to develop a Local Provider Participation Fee (LPPF) program as a backup option if the current model is not allowed in the future.

DSRIP Funding

- DSRIP payments for 2019 are budgeted at \$55.3 million. This is a slight decrease of \$1.6 million from 2018 levels due to the reduction of the DSRIP pool which is winding down to an end date of September 30, 2021. DSRIP funding will be based on patient outcomes as compared to the historical program which has been based on projects.

Other State Programs

- Federal regulations will reduce Texas' DSH allocation by 28%. This will have a \$2.9 million negative impact on the Health System. This reduction has been delayed before and will hopefully be delayed again or completely deleted by the Federal Government.
- The Network Access Improvement Program (NAIP) was designated as a pass through program and will be reduced by 10% per year over the next 10 years. The NAIP program will provide \$29 million in funding for 2019 which is a reduction of \$3 million in reimbursement compared to 2018.
- Uniform Hospital Rate Improvement Program (URHIP) is a newer program that improves Managed Medicaid rates for all hospitals in specific Service Delivery Areas (SDAs). This program was piloted in the Bexar and El Paso markets and has now been rolled out throughout the state. It is projected that this program will benefit the Health System by \$14 million which is up approximately \$4.5 million over 2018.
- The Health System has been working with Teaching Hospitals of Texas (THOT) to establish a new program that would provide reimbursement for non-funded Graduate Medical Education (GME) costs of residents. Texas Health and Human Services Commission (HHSC) has agreed to seek a state plan amendment with CMS for this program. Since this program is so preliminary and tentative, no dollars have been budgeted in 2019.
- The Nursing Home Quality Incentive Payment Program (QIPP) is projected to have a \$1.1 million positive impact on the Health System's 2019 Budget. The Health System owns the licenses for four SNF's in our operating area.
- Tobacco funding is budgeted at \$7.8 million; consistent with 2018 funding.

Other Revenue

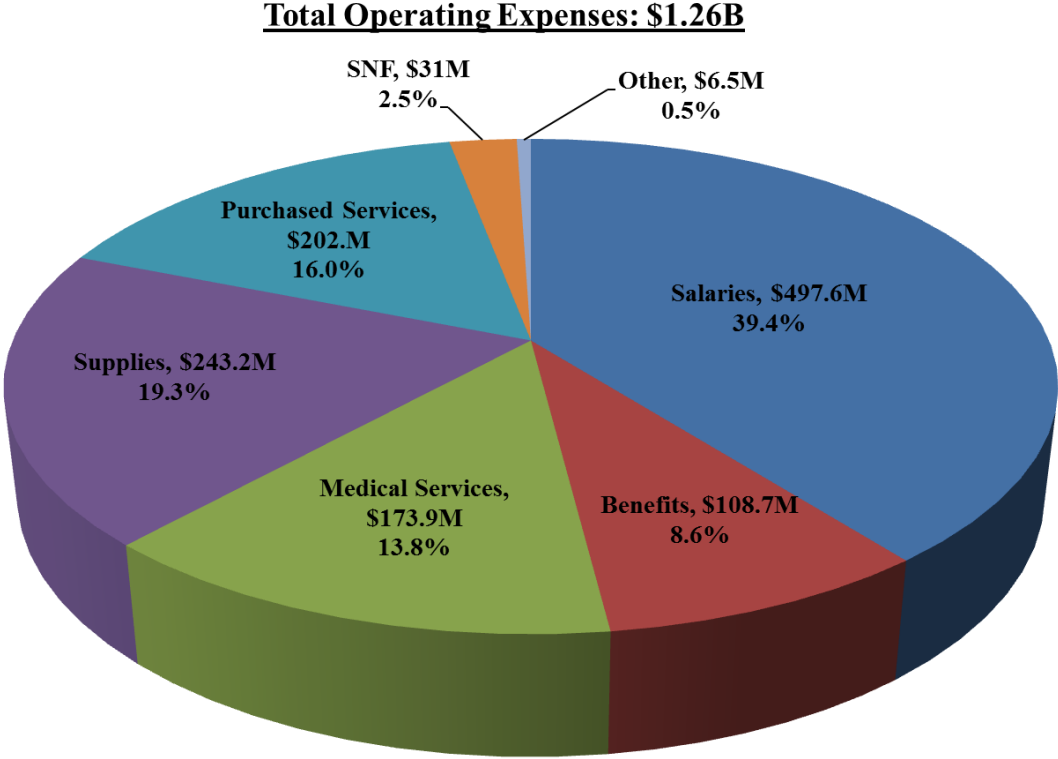
| Other Revenue | | | |
|-----------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Other Revenue | \$60.1 | \$68.3 | |
| Change | | \$8.2 | 13.7% |

Other Revenue of \$68.3 million includes reimbursement for residents that work in non UHS systems, Grants, Foundation revenue, cafeteria revenue for visitors and staff, sundry revenue from parking, disposal of assets, clinical research studies, UT leased space at UH and TDI, pharmacy rebates, vendor rebates, medical records copies, lease payments, reimbursement under the 1115 waiver for anchor administrative costs, and other miscellaneous items.

- The \$8.2 million increase for 2019 is the net impact of multiple revenue changes. Primarily, additional grant revenue for the administration of the Ryan White program which is being transitioned from the County.

Total Operating Expense (TOE)

TOE is budgeted at \$1.26 billion which is a \$92.2 million or 7.9% increase over the 2018 projected total. Clinical Services salaries and benefits make up 48.0% of TOE. Medical Services, Purchased Services, and Supplies make up 13.8%, 16.0%, 19.3%, respectively. A chart summarizing the changes in TOE by category and drivers that impact the changes is provided in **Exhibit 5**.



Salaries

| Salaries | | | |
|-----------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Salaries | \$467.8 | \$497.6 | |
| Volume Driven | | (\$8.4) | |
| Merit | | (\$14.0) | |
| Living Wage | | (\$4.0) | |
| New Fixed | | (\$3.3) | |
| Total Change | | (\$29.8) | (6.4%) |

Salary cost of \$497.6 million is \$29.8 million or 6.4% higher than 2018 projected.

- The staffing budget was built in EPSI (the UHS budgeting and financial reporting system) using historical and benchmark productivity standards at the cost center / job class level. The salary budget was built based on the departmental activity budgets then multiplied by the productivity targets for each job class and the hourly rates.
- The budget includes an average 3% or \$14.0 million merit increase and a \$4.0 million salary investment to increase the living wage and associated decompression.
- The combination of increased activity and improved efficiency will increase salary expense by a net impact of \$8.4 million.
- A total of 8,018 FTEs are budgeted for 2019, which is an increase of 443.7 FTEs compared to the 2018 run rate. The majority of the increase is due to budgeting of positions vacant for a period during 2018, totaling 157 FTEs. Other large changes are the retail pharmacy program 45 FTEs, volume increases in Ambulatory 35 FTEs, Revenue Cycle 25, and Hospital volume increase 48 FTEs, the total additional budgeted FTEs total a 5.9% increase, which is covered by increased net patient revenue and/or reduction in other expenses such as contract labor and overtime hours. Detail of FTE increases can be found in **Exhibit 6**.

Employee Benefits

| Benefits | | | |
|-----------------------|---------------------------|------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Budget | % Var |
| Benefits | \$101.8 | \$108.7 | |
| Benefits | | (\$6.8) | |
| Total Change | | (\$6.8) | (6.7%) |

Benefits of \$108.7 million are \$6.8 million or 6.7% higher than in 2018 projected.

- Social Security and other employee benefits are correlated to the increase in employed salary expense.
- A change in accounting rules for the OPEB plan will add \$5 million in additional benefit expense.
- The pension plan expense is decreasing by \$3.6 million in 2019

Medical Services

| Medical Services | | | |
|-----------------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Medical Services | \$167.7 | \$173.9 | |
| BCCS Net Impact | | (\$3.7) | |
| UT Health Contracts | | (\$2.0) | |
| Strategic Planning | | (\$0.4) | |
| Increased Carelink Services | | (\$0.6) | |
| General, House Staff | | \$0.5 | |
| Total Change | | (\$6.3) | (3.7%) |

Medical Services of \$173.9 million reflects an increase of \$6.3 million or 3.7% from the projected 2018 amount. The major increase in Medical Services is related to the current BCCS charity expansion program with a net expense increase of \$3.7 million. Other impacts in Medical Services are in UT Health provider contracts for \$2.0 million, as well as Strategic Planning and Business Development with an expected \$400,000 increase. An expected increase in Carelink utilization impacts Medical Services by \$600,000.

Purchased Services

| Purchased Services | | | |
|---------------------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Purchased Services | \$202.3 | \$233.2 | |
| EPIC Project | | (\$14.2) | |
| Maintenance Contracts | | (\$8.0) | |
| Planning, Design & Construction | | (\$7.8) | |
| Ryan White (Bexar County) | | (\$5.2) | |
| Transplant Programs | | (\$2.4) | |
| Net Other Purchased Services | | \$6.8 | |
| Total Change | | (\$30.9) | (15.3%) |

Purchased Services are budgeted overall at \$233.2 million, a \$30.9 million or a 15.3% increase from the 2018 projection. Contributing to this change are the following:

- Epic EMR conversion costs for 2019 are estimated at \$14.2 million.
- Maintenance Contracts for IT and Biomedical infrastructure and support increase by \$8 million due to contractual changes and planned system upgrades.
- Planning, Design and Construction are budgeted with a \$7.8 million dollar increase for Ambulatory Repairs, Non-Capital Projects carry-over, and additional leases.
- Professional Services are budgeted with a \$5.2 million dollar increase over 2018 Projection due to Ryan White Grant Administration contracts assumed from Bexar County. The increase in expense is offset by an increase in Grant Revenue.
- Support for the American Kidney Fund increases by \$2.4 million in 2019 to improve the health of our dialysis community.

Other Purchased Services for Information Services, University Hospital Dialysis, Behavioral Medicine, Operating Room, and Pharmacy have a net \$6.8 million dollar impact over the 2018 Projection.

Supplies

| Supplies | | | |
|-----------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Supplies | \$226.1 | \$243.2 | |
| Medical Supplies | | (\$16.3) | |
| Non-Medical Supplies | | (\$0.8) | |
| Total Change | | (\$17.2) | (7.6%) |

In 2019, supplies are budgeted at \$243.2 million which is an \$17.2 million or 7.6% increase over the projected 2018. Major impacts to the increase in supply cost are due to the following:

- \$11.6 million increase in pharmaceutical expense driven by the Meds to Beds program and retail pharmacy sales, offset by additional Net Patient Revenue.
- \$1 million increase in implantable supplies due to increased procedural volumes.
- \$1.3 million increase due to inpatient volume increases.
- \$1 million is due to support physical building and infrastructure maintenance needs.

Other Expenses

| Other Expense | | | |
|-----------------------|---------------------------|-------------------------------------|--------------|
| (Dollars in Millions) | 2018 Projected | 2019 Proposed Budget | % Var |
| Other Expenses | \$5.3 | \$6.5 | |
| CHCS Match | | (\$1.3) | |
| Total Change | | (\$1.3) | (23.7%) |

Other Expenses are budgeted at \$6.5 million and reflect a 23.7% increase from 2018.

- Center for Health Care Services (CHCS) and Alamo Area Council of Governments (AACOG) expense is budgeted at the UHS sponsorship obligation level.
- An additional \$1.3 million was approved for CHCS in 2019 to fund a program in the Bexar County Jails.

Non-Operating Revenue/Expense Assumptions

- Depreciation is budgeted at \$75.3 million and is up \$0.3 million or 0.4% related to new assets placed in service in 2018.

Debt Service Requirement

- Debt payments by the Health System for 2019 are estimated at \$65.4 million. The 2019 debt tax rate is \$0.039435 per \$100 valuation. This rate is \$0.000809 or 2.09% higher than the existing debt tax rate of \$0.038626. The required debt payment for 2019 increased \$3.2 million from \$62.2 million to \$65.4 million due to a full year of interest on the Certificates of Obligation Series 2018.
- A Debt Service tax levy of \$65.4 million to cover payments due in 2019 was approved by Commissioners Court on September 11, 2018.

| Debt Service | | | | |
|---------------------------------------|---------------------------|-------------------------------------|--|-----------------------|
| Dollars in millions | 2018 Projected | 2019 Proposed Budget | Variance from Projected | % Variance |
| Debt Service I&S Tax Funds | \$ 62.2 | \$ 65.4 | \$ 3.2 | 5.1% |
| Debt Service Payment | \$ 62.2 | \$ 65.4 | \$ 3.2 | 5.1% |
| Net Debt Service Revenue | \$ - | \$ - | \$ - | 0.0% |

Ongoing Capital Requirements

The capital budget for 2019 is recommended to be set at \$31.7 million. In prioritizing the capital needs for 2019, the Capital Committee met and focused on items that were considered as “Essential: Cannot Function Without”, “Important: Necessary for Improvement”, and “Proactive: Necessary to Avoid Problems”.

A summary of the capital by category used to prioritize projects is as follows:

| 2019 Ongoing Capital Requirements | | | | |
|--|--|----------------------|--|----------------------|
| Priority | Mandated (Regulatory Safety & Required Maintenance) | Replacement | Strategic (New Service / Expansion) | Grand Total |
| Essential: Cannot Function Without | \$ 1,649,425 | \$ 7,468,383 | \$ 4,144,171 | \$ 13,261,979 |
| Important: Necessary For Improvement | \$ 663,201 | \$ 5,807,704 | \$ 2,773,744 | \$ 9,244,649 |
| Proactive: Necessary To Avoid Problems | \$ 4,901,091 | \$ 161,500 | \$ 4,152,254 | \$ 9,214,845 |
| Total Clinical Services | \$ 7,213,717 | \$ 13,437,587 | \$ 11,070,169 | \$ 31,721,473 |

A detailed listing of capital requests can be found in **Exhibit 8**.

2019 Community First Health Plans Budget (CFHP)

CFHP's 2019 Budget assumes Net Income of \$4.1 Million, and Net Underwriting Income (excluding Investment Income) of \$2.6 Million. Resources have been allocated in the 2019 Budget to:

- 1) Increase market share in Medicaid and STAR Kids .3% and .6% respectively, and stop the decline of market share in CHIP despite the expected decline in overall market membership through new outreach initiatives and implementation of marketing initiatives recommended in the 2018 marketing study.
- 2) Stabilize core processing system after January 1, 2019 conversion.
- 3) Enhance the care management system's capabilities and efficiencies including the addition of long term support services (LTSS) capabilities.
- 4) Change the cost structure of administrative costs for the new core processing system, recognizing depreciation of perpetual licenses, additional annual systems/hosting costs and reducing costs where efficiencies are to be gained with the new system.
- 5) Continue the development and implementation of alternative payment models (APMs) with provider groups.
- 6) Improve and refresh look and capabilities of CFHP's internal and external communications and website.
- 7) Develop a recommendation for participation in the STAR+Plus program should CFHP be awarded a contract.

The 2019 Budget includes 1,649,917 member months for which CFHP is at risk, and 198,822 member months for which CFHP is not at risk. This is compared to 2018 projected at risk member months of 1,662,350 and non-risk member months of 197,273. While the Bexar market is projected to decline, similar to 2018, CFHP projects to increase market share in Medicaid and STAR Kids and to stop the decline of market share in CHIP. Budget resources are added to re-align staffing, re-configure marketing communications and make the provider's experience better.

Premium Revenue is budgeted to increase by just under \$19 Million, with increases in Medicaid and STAR Kids being primary drivers with increases of \$9.3 Million and \$8.3 Million respectively. Commercial is also anticipated to increase \$1.4 Million. Increases are driven by increases in premium per member, as member months are declining in both Medicaid and STAR Kids.

Medical Expense is anticipated to decrease year over year, due primarily to lower volume of member months. While Medical inflation is anticipated to increase some, the increase is limited to \$2 per member per month. Cost savings initiatives and a less severe flu season are anticipated to reduce the cost of care, while premium revenue is anticipated to move up to a more actuarially sound level. This is the primary driver in the change of financial performance year over year.

Administrative costs are projected to decrease \$1.6 Million year over year as CFHP moves to a new, more efficient core processing system in January 2019. While implementation costs will go down by \$3 Million from 2018 to 2019, amortization of the licenses will partially offset that reduction, adding \$917,000 beginning in January of 2019. The Plan is expected to add six new positions to reflect the changing skill sets necessary for APMs and new system capabilities and by year end, reduce by 16 positions to reflect the efficiencies of new systems, reduced implementation staff and care management staff consistent with membership trends.

Below is CFHP’s proposed Consolidated Operating Budget for 2019:

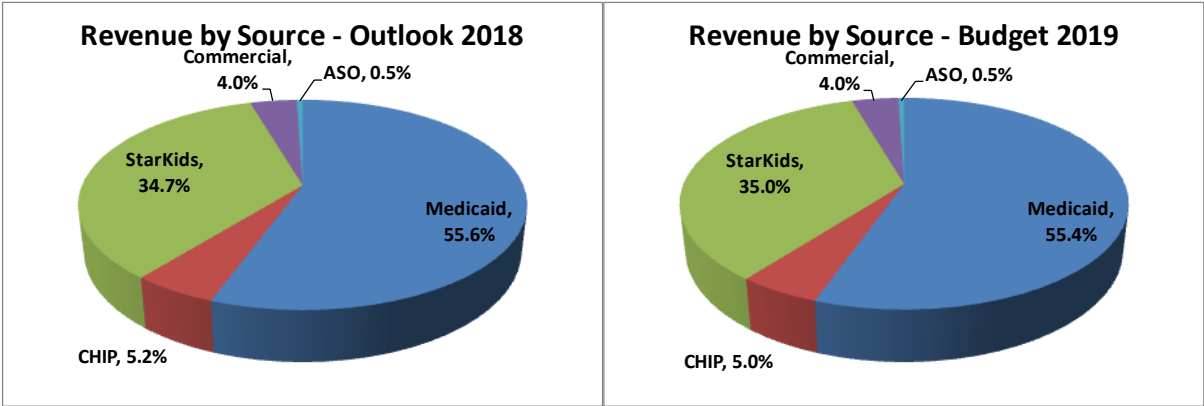
Community First Health Plans, Inc.
2016 Actual, 2017 Actual, 2018 Outlook, and 2019 Budget
ALL LOB NEW (W/ GHSC)

| Income Statement | 2016 | | 2017 | | 2018 | | 2019 | |
|-----------------------------------|----------------------|-------------------|-----------------------|-------------------|------------------------|-------------------|---------------------|-------------------|
| | Actual | % of pmpm Premium | Actual | % of pmpm Premium | Outlook | % of pmpm Premium | Budget | % of pmpm Premium |
| Membership | 159,744 | | 156,628 | | 155,372 | | 153,785 | |
| Member Months | 1,858,025 | | 1,857,944 | | 1,868,688 | | 1,846,739 | |
| Revenue | | | | | | | | |
| Premium Revenue | \$ 428,944,031 | \$231 | \$ 498,553,399 | \$268 | \$ 521,889,058 | \$ 279 | \$ 542,254,949 | \$ 294 |
| Experience Rebate | 290,610 | | - | | - | | - | |
| NAIP and Other Revenue | 238,733 | | 22,321,820 | | 20,110,650 | | 20,135,960 | |
| Total Revenue | 429,473,374 | | 520,875,219 | | 541,999,708 | \$ 290 | 562,390,909 | \$ 305 |
| Expenses | | | | | | | | |
| Medical Expenses | 334,634,781 | \$180 78.0% | 446,692,327 | \$240 89.6% | 480,824,777 | \$257 92.1% | 479,263,322 | \$260 88.4% |
| NAIP - UHS Pass Thru Payments | 32,070,103 | | 18,868,083 | | 19,706,208 | | 19,733,240 | |
| Service Coordination | 865,917 | \$0 | 5,703,544 | \$3 | 5,943,671 | \$3 | 6,193,279 | \$3 |
| Admin Expenses | 43,681,869 | \$24 10.2% | 48,686,614 | \$26 9.8% | 56,474,205 | \$30 10.8% | 54,583,724 | \$30 10.1% |
| Total Expenses | 411,252,670 | | 519,950,567 | | 562,948,862 | | 559,773,565 | |
| Underwriting Gain / (Loss) | 18,220,703 | | 924,652 | | (20,949,154) | | 2,617,343 | |
| Investment Income | 725,372 | | 1,239,523 | | 2,006,694 | | 1,500,000 | |
| Premium Deficiency Reserve | - | | (6,050,934) | | 6,050,934 | | - | |
| Net Income | \$ 18,946,075 | | \$ (3,886,759) | | \$ (12,891,526) | | \$ 4,117,343 | |

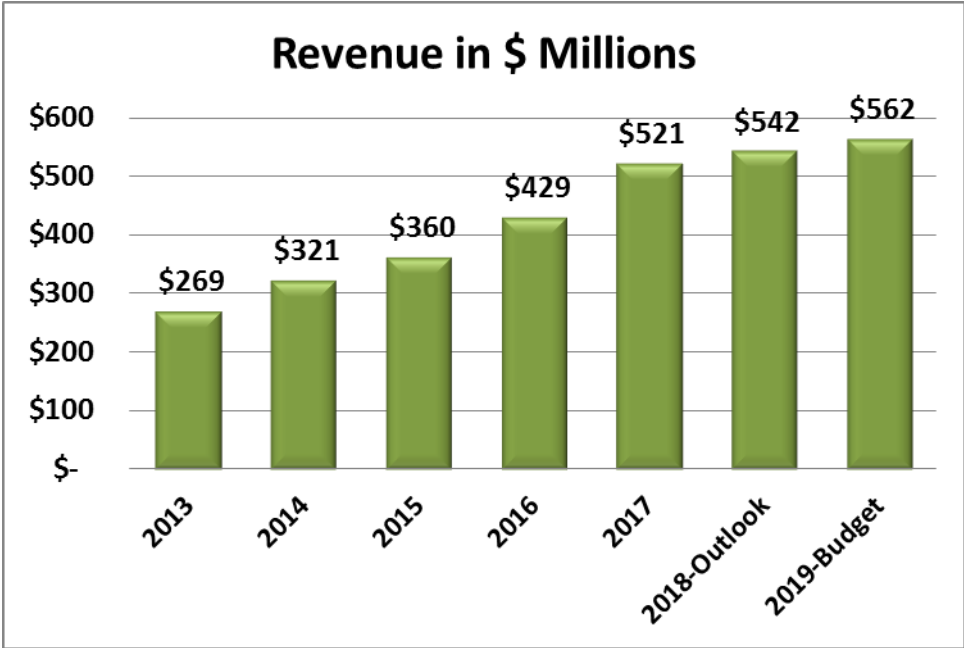
Overall, the CFHP budget for 2019 projects a Net Income of **\$4,117,343**, with income from operations totaling **\$2,617,343**.

Revenue by Source:

CFHP assumes no material shift in Revenue sources for 2018, although STAR Kids revenue is projected to increase slightly (.3%), with a corresponding slight decline in Medicaid and CHIP.



Total Revenue is projected to increase \$20 Million from Outlook 2018.



Capital Budget

- Of the \$2,137,190 budgeted for Depreciation & Amortization Expense in 2019, \$916,667 is amortization of Core System Perpetual Licenses. Depreciation & Amortization for 2019 capital expenditures is \$224,118.

Below is a summary of budgeted capital additions:

| COMMUNITY FIRST HEALTH PLANS, INC. | |
|---|-------------------|
| Budgeted Capital Expenditures | |
| Calendar Year 2019 | |
| Item | Total Cost |
| Computer & Equipment Replacements - Existing Employees | \$ 75,504 |
| Furniture & Fixtures, Leasehold Improvements | 185,190 |
| Set Up Costs - New Employees | 46,958 |
| Infrastructure Enhancements Upgrades - Server, VMWare, Virtual Desktop | 325,038 |
| Software Efficiencies/Upgrades-Budget System/Data Warehouse | 94,793 |
| Telephone Replacement | 92,188 |
| Totals | \$ 819,671 |

- Furniture, Fixtures and Leasehold Improvements consists of furniture and carpeting for replacement for Oaks I building, which is now 10 years old.
- Infrastructure Enhancements are made up primarily of Server racks, Cisco switches, enhanced disaster recovery system, new call center system and a tape library upgrade.
- Software Efficiencies/Upgrades are made up primarily of SQL Server License Enterprise and Right Fax capacity expansion
- Telephone replacement – 10 year old phones pose a security risk to the health plan

EXHIBITS

| | |
|-------------------|---|
| Exhibit 1A | Proposed 2019 Consolidated Statement of Revenues and Expenses |
| Exhibit 1B | Proposed 2019 UHS less CFHP Statement of Revenues and Expenses |
| Exhibit 1C | Proposed 2019 CFHP Statement of Revenues and Expenses |
| Exhibit 2 | Proposed 2019 Activity and notes |
| Exhibit 3 | Proposed 2019 Budget, Changes to Total Operating Revenue |
| Exhibit 4 | Proposed 2019 Budget, Legislative Changes |
| Exhibit 5 | Proposed 2019 Budget, Changes to Total Operating Expense |
| Exhibit 6 | Proposed 2019 Budget, FTE Changes |
| Exhibit 7 | Proposed 2019 Budget, Analysis of Tax Rate |
| Exhibit 8 | Proposed 2019 Budget, Detail of Capital Request, UHS less CFHP |
| Exhibit 9 | Annual Report on Learning and Development |



**University
Health System**
Statement of Revenues and Expenses

| CFHP (Dollars are in Thousands) | 2017 Audited | 2018 Budget | 2018 Projected | 2019 Preliminary Budget | Variance from Projected | % Variance |
|--|------------------|------------------|-------------------|-------------------------------|-------------------------------|-----------------|
| Revenues | | | | | | |
| CFHP Premium Revenue | \$518,273 | \$515,430 | \$539,310 | \$559,623 | \$20,313 | 3.8% |
| Other Revenue | <u>\$2,602</u> | <u>\$2,620</u> | <u>\$2,690</u> | <u>\$2,768</u> | <u>\$78</u> | 2.9% |
| Total Operating Revenues | \$520,875 | \$518,051 | \$542,000 | \$562,391 | \$20,391 | 3.8% |
| Expenses | | | | | | |
| Employee Compensation | \$26,198 | \$28,295 | \$29,200 | \$30,920 | (\$1,720) | (5.9%) |
| Salaries | \$21,362 | \$23,031 | \$24,633 | \$25,551 | (\$918) | (3.7%) |
| Benefits | \$4,836 | \$5,264 | \$4,567 | \$5,369 | (\$802) | (17.6%) |
| Purchased Services | \$27,424 | \$29,790 | \$32,241 | \$27,720 | \$4,522 | 14.0% |
| Supplies | (\$0) | \$0 | \$0 | \$0 | \$0 | 0.0% |
| Medical Claims Expense | <u>\$465,560</u> | <u>\$455,864</u> | <u>\$500,531</u> | <u>\$498,997</u> | <u>\$1,534</u> | <u>0.3%</u> |
| Total Operating Expenses | \$519,182 | \$513,948 | \$561,972 | \$557,636 | \$4,336 | 0.8% |
| Gain (Loss) from Operations | \$1,694 | \$4,102 | (\$19,973) | \$4,755 | \$24,727 | (123.8%) |
| Non-operating Revenue/(Expense): | | | | | | |
| Depreciation and Amortization | (\$769) | (\$933) | (\$977) | (\$2,137) | (\$1,161) | 118.8% |
| Other Non-operating | \$1,240 | \$297 | \$2,007 | \$1,500 | (\$507) | (25.3%) |
| Premium Deficiency Reserve | (\$6,051) | <u>\$0</u> | \$6,051 | \$ | \$ | 0.0% |
| Total Non-operating Revenue/Expense | (\$5,580) | (\$637) | \$7,081 | (\$637) | (\$7,718) | (109.0%) |
| Bottom Line | (\$3,887) | \$3,465 | (\$12,892) | \$4,117 | \$17,009 | (131.9%) |
| Ongoing Capital Requirements | \$1,611 | \$792 | \$1,828 | \$820 | \$1,008 | 55.2% |

| UNIVERSITY HEALTH SYSTEM ACTIVITY 10/23/18 - DRAFT | 2016 Actual | 2017 Actual | 2018 Budget | *2018 Projected | 2019 Budget | Var. Bud 2019 to Projected | Var % |
|---|----------------|----------------|----------------|--------------------|----------------|----------------------------------|--------------|
| In-Patient Activity | | | | | | | |
| Heart Vascular ¹ | 2,393 | 2,042 | 2,119 | 2,213 | 2,273 | 60 | 2.7% |
| Women Services | 4,099 | 3,603 | 3,614 | 3,617 | 3,654 | 37 | 1.0% |
| Neonates | 1,235 | 1,270 | 1,341 | 1,332 | 1,345 | 13 | 1.0% |
| Neurology ² | 1,806 | 1,925 | 1,978 | 1,957 | 2,006 | 49 | 2.5% |
| Orthopedics ³ | 2,080 | 1,891 | 1,943 | 1,847 | 1,903 | 56 | 3.0% |
| Trauma ⁴ | 1,322 | 1,404 | 1,420 | 1,472 | 1,515 | 43 | 2.9% |
| Transplant ⁵ | 185 | 190 | 174 | 179 | 198 | 19 | 10.6% |
| All Other ⁶ | 12,737 | 14,425 | 14,185 | 15,443 | 15,977 | 534 | 3.5% |
| Sub-Total: Adult Discharges | 25,857 | 26,750 | 26,773 | 28,060 | 28,871 | 811 | 2.9% |
| Heart Vascular | 208 | 219 | 226 | 218 | 220 | 2 | 0.9% |
| Neurology | 301 | 308 | 317 | 354 | 358 | 4 | 1.1% |
| Orthopedics | 253 | 194 | 200 | 180 | 182 | 2 | 1.1% |
| Trauma | 389 | 336 | 346 | 365 | 368 | 3 | 0.8% |
| Transplant | 21 | 15 | 22 | 14 | 16 | 2 | 14.3% |
| All Other | 1,290 | 1,508 | 1,682 | 1,667 | 1,681 | 14 | 0.8% |
| Sub-Total: Pedi Discharges | 2,462 | 2,580 | 2,793 | 2,798 | 2,825 | 27 | 1.0% |
| Total Discharges | 28,319 | 29,330 | 29,566 | 30,858 | 31,696 | 838 | 2.7% |
| Heart Vascular | 13,634 | 11,893 | 12,658 | 13,039 | 13,221 | 182 | 1.4% |
| Women Services | 11,719 | 9,656 | 10,004 | 9,750 | 9,801 | 51 | 0.5% |
| Neonates | 17,468 | 17,526 | 18,074 | 16,766 | 16,929 | 164 | 1.0% |
| Neurology | 9,586 | 10,610 | 11,148 | 10,960 | 11,102 | 142 | 1.3% |
| Orthopedics | 11,552 | 11,049 | 11,502 | 11,352 | 11,534 | 182 | 1.6% |
| Trauma | 7,977 | 8,340 | 8,643 | 9,541 | 9,684 | 143 | 1.5% |
| Transplant | 2,446 | 2,184 | 2,207 | 1,903 | 2,075 | 172 | 9.0% |
| All Other | 82,518 | 86,740 | 88,083 | 95,370 | 96,993 | 1,623 | 1.7% |
| Sub-Total: Adult Days | 156,900 | 157,998 | 162,319 | 168,681 | 171,339 | 2,659 | 1.6% |
| Sub-Total: Adult ADC | 450.0 | 453.5 | 444.7 | 462.1 | 469.4 | 7.3 | 1.6% |
| Heart Vascular | 2,580 | 2,801 | 2,885 | 2,453 | 2,475 | 22 | 0.9% |
| Neurology | 1,809 | 1,348 | 1,388 | 1,439 | 1,455 | 16 | 1.1% |
| Orthopedics | 972 | 648 | 667 | 723 | 731 | 8 | 1.1% |
| Trauma | 2,195 | 1,836 | 1,891 | 1,924 | 1,939 | 15 | 0.8% |
| Transplant | 329 | 307 | 342 | 269 | 303 | 34 | 12.5% |
| All Other | 9,040 | 8,884 | 9,855 | 9,324 | 9,397 | 73 | 0.8% |
| Sub-Total: Pedi Days | 16,925 | 15,824 | 17,029 | 16,132 | 16,300 | 168 | 1.0% |
| Sub-Total: Pedi ADC | 45.8 | 43.4 | 46.7 | 44.2 | 44.7 | 0.5 | 1.0% |
| Total: Days | 180,973 | 181,373 | 179,348 | 184,813 | 187,639 | 2,827 | 1.5% |
| Total: ADC | 495.8 | 496.9 | 491.4 | 506.3 | 514.1 | 7.7 | 1.5% |
| Births | 3,217 | 2,991 | 3,242 | 3,252 | 3,285 | 33 | 1.0% |
| ALOS Adult | 6.1 | 5.9 | 6.1 | 6.0 | 5.9 | (0.1) | -1.3% |
| ALOS Pedi | 6.9 | 6.1 | 6.1 | 5.8 | 5.8 | 0.0 | 0.1% |
| Total ALOS | 6.1 | 5.9 | 6.1 | 6.0 | 5.9 | (0.1) | -1.2% |

Exhibit 2

| UHS Less CFHP ACTIVITY 10/19/18 - DRAFT | 2016 Actual | 2017 Actual | 2018 Budget | *2018 Projected | 2019 Budget | Var. Bud 2019 to Projected | Var % |
|--|----------------|----------------|----------------|--------------------|----------------|----------------------------------|-------------|
| Other UH Volume: EC, Surgery, and Observations | | | | | | | |
| Total EC (IP - Adult) | 15,147 | 16,293 | 15,552 | 17,250 | 17,750 | 500 | 2.9% |
| Total EC (OP - Adult) | 49,225 | 52,645 | 50,908 | 52,318 | 53,783 | 1,465 | 2.8% |
| Sub Total: Adult EC⁷ | 64,372 | 68,938 | 66,460 | 69,568 | 71,533 | 1,965 | 2.8% |
| Total EC (IP - OB/GYN) | 4,105 | 4,185 | 3,647 | 3,104 | 3,135 | 31 | 1.0% |
| Total EC (OP - OB GYN) | 9,220 | 10,025 | 8,383 | 10,511 | 10,616 | 105 | 1.0% |
| Sub Total: OB GYN EC | 13,325 | 14,210 | 12,030 | 13,615 | 13,751 | 136 | 1.0% |
| Total EC (IP - Pedi) | 1,315 | 933 | 984 | 1,025 | 1,035 | 10 | 1.0% |
| Total EC (OP - Pedi) | 7,391 | 9,593 | 9,736 | 10,350 | 10,453 | 103 | 1.0% |
| Sub Total: Pedi EC | 8,706 | 10,526 | 10,720 | 11,375 | 11,488 | 113 | 1.0% |
| Total EC | 86,403 | 93,674 | 89,210 | 94,558 | 96,772 | 2,214 | 2.3% |
| Surgery - UHS (IP - Adult) | 9,164 | 9,423 | 9,401 | 9,930 | 10,208 | 278 | 2.8% |
| Surgery - UHS (OP - Adult) | 5,522 | 6,378 | 5,838 | 6,674 | 6,861 | 187 | 2.8% |
| Sub Total: Adult Surg | 14,686 | 15,801 | 15,239 | 16,604 | 17,069 | 465 | 2.8% |
| Surgery - UHS (IP - Pedi) | 1,340 | 1,190 | 1,333 | 1,256 | 1,270 | 14 | 1.1% |
| Surgery - UHS (OP - Pedi) | 1,380 | 1,568 | 1,703 | 1,538 | 1,553 | 15 | 1.0% |
| Sub Total: Pedi Surg | 2,720 | 2,758 | 3,036 | 2,794 | 2,823 | 29 | 1.0% |
| Total: Surg | 17,406 | 18,559 | 18,275 | 19,398 | 19,892 | 494 | 2.5% |
| Observation - UHS (Adult) ⁸ | 5,475 | 6,299 | 8,503 | 10,004 | 10,884 | 880 | 8.8% |
| Observation - UHS (Pedi) | 1,506 | 1,819 | 1,835 | 1,741 | 1,741 | 0.0 | 0.0% |
| Sub-Total Obs - UHS (Days) | 6,981 | 8,119 | 10,338 | 11,745 | 12,625 | 880 | 7.5% |
| Total Other Vol: (EC, Surg, & Obs) | 110,790 | 120,352 | 117,823 | 125,701 | 129,289 | 3,588 | 2.9% |
| Ambulatory Surgery Center Volume and other Outpatient Visits (includes PHC's) | | | | | | | |
| RBG ASC (Surg) ⁹ | 1,109 | 1,286 | 1,346 | 1,348 | 1,375 | 27 | 2.0% |
| RBG ASC (Endo Cysto) ¹⁰ | 5,574 | 5,782 | 5,945 | 5,138 | 5,240 | 102 | 2.0% |
| MARC ASC (Surg) | 2,662 | 2,719 | 2,765 | 2,852 | 2,910 | 58 | 2.0% |
| MARC ASC (Endo) | 1,615 | 1,722 | 1,760 | 1,903 | 1,950 | 47 | 2.5% |
| Clinics (UH - Adult) ¹¹ | 43,848 | 43,858 | 52,602 | 54,563 | 58,703 | 4,140 | 7.6% |
| Clinics (Pavilion) ¹² | 43,173 | 47,442 | 47,605 | 50,556 | 50,651 | 95 | 0.2% |
| Dialysis (Adult) | 75,636 | 75,836 | 75,967 | 74,473 | 75,963 | 1,490 | 2.0% |
| Clinics Ambulatory Ops (Adult) ¹³ | 441,471 | 446,492 | 513,766 | 461,559 | 473,053 | 11,494 | 2.5% |
| Clinics (PHCs) ¹⁴ | 67,344 | 63,815 | 68,541 | 65,303 | 70,605 | 5,302 | 8.1% |
| Sub-Total: OP Clinics -Adult | 682,432 | 688,952 | 770,297 | 717,695 | 740,450 | 22,755 | 3.2% |
| Clinics (UH - Pedi) | 10,832 | 13,377 | 13,333 | 13,431 | 13,920 | 489 | 3.6% |
| Clinics (Pavilion - Pedi) ¹⁵ | 12,931 | 12,926 | 17,006 | 13,613 | 15,770 | 2,157 | 15.8% |
| Dialysis (Pedi) | 3,003 | 4,622 | 3,200 | 4,777 | 4,873 | 96 | 2.0% |
| Clinics Ambulatory Ops (Pedi) ¹⁶ | 60,946 | 67,151 | 81,997 | 72,493 | 77,252 | 4,759 | 6.6% |
| Sub-Total: OP Clinics - Pedi | 87,712 | 98,076 | 115,536 | 104,314 | 111,815 | 7,501 | 7.2% |
| Total Other Vol: (OP ASCs, OP Clinics, PHCs) | 770,144 | 787,028 | 885,833 | 822,009 | 852,265 | 30,256 | 3.7% |
| Total Outpatient Volume | 849,863 | 875,356 | 972,739 | 915,145 | 948,156 | 33,011 | 3.6% |
| Adjusted Discharges | 55,137 | 59,007 | 59,918 | 61,716 | 63,392 | 1,676 | 2.7% |

Preliminary 2019 Budget, Activity Notes

| Service Line | Activity Note |
|--|---|
| Adult Inpatient Services | |
| 1. Heart Vascular | Two Cardiology clinics now open to improve throughput and drive advanced procedures requiring inpatient service. Total IP discharge increase = 60 |
| 2. Neurology | Stroke program and growth of neurosurgical service driving additional inpatient discharges. Total IP discharge increase = 49 |
| 3. Orthopedics | Projecting increases in elective Ortho and Robotic cases. Plan to extend current OR schedules to 7p and build out 2 additional OR suites by mid - 2019. Total IP discharge increase = 56 |
| 4. Trauma | Opening additional bed capacity to facilitate ED throughput and the Power Through program. Total IP discharge volume increase = 43 |
| 5. Transplant | Investing in growth of lung transplant program and beginning to serve living related donors. Total IP discharge volume increase = 19 |
| 6. All Other | Increased Medicine bed capacity by opening 20 additional beds in June 2018 (12 beds on 12th Fl Horizon & 8 beds on 9th Fl Rio). Projecting increased Bariatric population. Total IP discharge volume increase = 534 |
| UH Emergency Room | |
| 7. ED Visits - UHS (Adults) | Improved throughput as a result of PowerUP design and process improvement. Total ED visit increase = 1,965 |
| Observation - UHS | |
| 8. Observation - UHS (Adults) | Growth is due increased capacity (12 Horizon & 9 Rio) and ED Power UP allows more appropriate placement of population. |
| Ambulatory Surgery Centers (ASCs) | |
| 9. RBG ASC (Surg) | Surgical increase due to the arrival of pediatric Urology. Total OP surgery increase = 27 |
| 10. RBG ASC (Endo Cysto) | Increased productivity of Endoscopy providers. Total procedure increase = 102 |
| OP Clinics - Adult | |
| 11. Clinics (UH - Adult) | New Cardiology Clinic and UH Center for Wound & Ostomy Care began in late 2018. Total visit increase = 4,140 |
| 12. Clinics (Pavilion) | Extreme Flu season in 2018 not expected to reoccur in 2019. Total visit increase = 95 |
| 13. Clinics Ambulatory Ops (Adult) | Improved efficiency of providers. Total visit increase = 11,494 |
| 14. Clinics (PHCs) | Two Additional Providers. Total visit increase = 5,302 |
| OP Clinics - Pedi | |
| 15. Clinics (Pavilion - Pedi) | Increased productivity and number of providers. Total visit increase = 2,157 |
| 16. Clinics Ambulatory Ops (Pedi) | Higher productivity per provider. Total visit increase = 4,759 |

Preliminary 2019 Budget, Changes to Total Operating Revenue

| Dollars in Millions | Variance from Projected | % Variance | Driver |
|---|-------------------------|-------------|--|
| 2018 Projected Total Operating Revenue | \$1,268.8 | | |
| Net Patient Revenue | \$36.2 | 5.6% | |
| Inpatient Volume | \$3.5 | | Heart & Vascular, Transplant, and Other Inpatient Medicine Growth |
| Outpatient Ambulatory Clinic | \$1.8 | | Volume growth at 3.7% from Improved Provider Productivity |
| Medicare Rate Improvement | \$9.5 | | Medicare rates increased Oct 1, 2018 for moving to the Austin wage index. The impact is 11% over current year and Medicare DSH will increase by \$9 million due. This is offset by an expected \$2M decrease to Medicare OP clinic reimbursement |
| Medicare Managed Care | \$1.8 | | Follows Traditional Medicare Rates |
| Medicaid Managed Care | \$2.4 | | Medicaid HMO's increased payment rates for UHRIP flowing through Net Patient Revenue |
| Commercial Rate Improvement | \$6.9 | | Renegotiated Managed Care agreements |
| Revenue Cycle Improvement | \$1.8 | | Chargemaster Enhancement |
| OP Pharmacy Meds to Beds | \$8.6 | | Pharmacy improved service where patients can fill prescriptions at UHS Pharmacies at Discharge from Hospital or Clinic setting |
| Other Operating Revenue | \$31.9 | 5.1% | |
| Property Taxes | \$24.2 | | Maintained existing tax rate; increase in property values and new properties |
| Disproportionate Share Funding | (\$2.9) | | Proposed Federal Regulations will reduce Texas DSH allocation by 28% |
| DSRIP Revenue | (\$1.6) | | Assumption UHS makes 90% of DY 7 & 8 milestones |
| NAIP | (\$3.0) | | NAIP continues into 2019 at 90% of current amounts |
| Skilled Nursing Facility | \$0.1 | | New program, QIPP 2, is just beginning but is assumed to net the same as prior years |
| Uncompensated Care (UC) | \$7.0 | | UC for 2018 is still under dispute because of CHAT's lawsuit and growth of urban Rider 38 hospitals. This projection assumes that CHAT rules apply, but urban Rider 38 hospitals paid at 54% of maximum |
| Other Revenue | \$8.1 | | Funding for administration of a additional Ryan White Grant. Also includes UT Health reimbursement, foundation, food service |
| Changes to Total Operating Revenue | \$68.0 | 5.4% | |
| 2018 Preliminary Budget | | | |
| Total Operating Revenue | \$1,336.9 | | |

*Positive numbers indicate an increase in Operating Revenue

Preliminary 2019 Budget, Financial Impact of Legislative Changes

| Dollars in Millions | 2018 Projected | 2019 Preliminary Budget | Variance from Projected | % Variance | Notes |
|--------------------------------------|----------------|-------------------------|-------------------------|-------------|--|
| Federal Rate Impacts | | | | | |
| Medicare UC Rate Change | \$28.5 | \$37.5 | \$9.0 | 31.6% | This is the second year of DSH calculation impact that is based upon uninsured costs versus Medicaid days. |
| Medicare Outpatient Revenue | \$22.9 | \$20.9 | (\$2.0) | -8.6% | Proposed regulation to reduce clinic visit reimbursement by 60%. |
| Medicare Sequestration | (\$3.1) | (\$3.3) | (\$0.2) | -7.0% | The sequestration reductions continue. |
| Other Medicare Rate Changes | \$73.22 | \$76.00 | \$2.8 | 3.8% | Due to Rural Referral Center designation, Medicare wage index increases Oct. 1, 2018. |
| State Waiver Related Programs | | | | | |
| Uncompensated Care (UC) | \$36.4 | \$43.4 | \$7.0 | 19.2% | UC for 2018 is still under dispute because of CHAT's lawsuit and growth of urban Rider 38 hospitals. This projection assumes that CHAT rules apply, but urban Rider 38 hospitals paid at 54% of maximum. |
| UC IGTs for Others | (\$56.7) | (\$53.9) | \$2.8 | -4.9% | BCCS providers are expanding the program while awaiting a CMS decision on viability and LPPF alternative. This includes IGT funding for other hospital's UC, DSRIP and UHRIP payments. |
| DSRIP Revenue | \$56.8 | \$55.3 | (\$1.6) | -2.8% | Continuation of Waiver program. This assumes UHS makes 90% of DY 7 milestones. |
| Other State Programs | | | | | |
| Disproportionate Share Funding | \$27.1 | \$24.2 | (\$2.9) | -10.7% | Proposed Federal Regulations will reduce Texas DSH allocation by 28%. |
| NAIP | \$32.0 | \$29.1 | (\$3.0) | -9.3% | NAIP continues into 2019 at 90% of current amounts. |
| QIPP for Skilled Nursing Facility | \$1.0 | \$1.1 | \$0.1 | 9.8% | New program, QIPP 2, is just beginning but is assumed to net similar to prior years. |
| Uniform Rate Increase Program | \$9.5 | \$14.0 | \$4.5 | 47.4% | This program increases Medicaid Managed Care rates for the region. The improved payment rates impact Net Patient Revenue. |
| Total | \$227.6 | \$244.2 | \$16.5 | 7.3% | |

2019 Preliminary Budget, Changes to the Total Operating Expense

| Dollars in Millions | Variance from Projected | % Variance | Driver |
|--|-------------------------|---------------|--|
| 2018 Projected Total Operating Expense | (\$1,170.9) | | |
| Salaries | (\$29.8) | -6.4% | |
| Volume Driven | (\$8.4) | | Activity increase (2.7% overall), Cystic Fibrosis, Cardio Clinic, Pedi Respite |
| Merit | (\$14.0) | | Average 3% annual merit increase |
| Living Wage | (\$4.0) | | Living Wage increase plus decompression |
| New Fixed FTEs | (\$3.3) | | Float Pool, Revenue Cycle, Care Transitions, EVS, Video Interpreters |
| Benefits | (\$6.8) | -6.7% | |
| Benefits | (\$6.8) | | Pension Plan, Health/Dental Insurance, Social Security |
| Medical Services | (\$6.3) | -3.7% | |
| BCCS Net Impact | (\$3.7) | | Reorganization of BCCS contracts |
| UT Health Contracts | (\$2.0) | | Cardiology, Transplant, Neonatology |
| Business Development | (\$0.4) | | Physician Retention |
| Increased Carelink Services | (\$0.6) | | Additional membership with ACA reductions |
| General, House Staff | \$0.5 | | Net impact of General and House Staff contracts due to timing |
| Purchased Services | (\$30.9) | -15.3% | |
| EPIC Project | (\$14.2) | | Continuation of new EHR project |
| Maintenance Contracts | (\$8.0) | | Information Services, Biomed, Laundry |
| Planning, Design & Construction | (\$7.8) | | Ambulatory Renovations, Non-Capital Projects carry-over, Corp Square leases |
| Ryan White (Bexar County) | (\$5.2) | | Purchased Services Patient Care Contracts |
| Transplant Programs | (\$2.4) | | Organ acquisition charges |
| Net Other Purchased Services | \$6.8 | | Information Services, UH Dialysis, Behavioral Medicine, OR, Pharmacy |
| Supplies | (\$17.2) | -7.6% | |
| Medical Supplies | (\$16.3) | | Volume driven increases, drug cost inflation, Meds to Beds, procedural growth |
| Non-Medical Supplies | (\$0.8) | | Increase in tools/minor equipment |
| Other Operating Expense | (\$1.3) | -44.4% | Bexar Appraisal District, TIRZ, CHCS, AACOG Match |
| Changes to Total Operating Expense | (\$92.2) | -9.5% | |
| 2019 Preliminary Budget Total Operating Expense | (\$1,263.2) | | |

Preliminary 2019 Budget, FTE Change

| Service Line | Variance from Projected |
|---|-------------------------|
| 2018 Projected FTE | 7,574.6 |
| Med to Beds, Retail Pharmacy Service ¹ | 45.0 |
| Ambulatory Clinic Volume Increase ² | 34.7 |
| Revenue Cycle Enhancement ³ | 24.9 |
| Adult Inpatient Medicine: Bed Capacity Growth ⁴ | 23.2 |
| Power UP & Power Through ⁵ | 22.2 |
| Transplant ⁶ | 16.8 |
| Infection Control Process Improvement ⁷ | 10.9 |
| Environmental Services ⁸ | 10.2 |
| Full-Year of Insourcing IP Dialysis ⁹ | 10.2 |
| Cardiology Clinic ¹⁰ | 6.8 |
| Staffing new Justice Intake/Assessment Center ¹¹ | 12.0 |
| Vacancy Replacement ¹² | 156.6 |
| New Services ¹³ | 22.3 |
| Other Volume-driven Growth ¹⁴ | 47.9 |
| Preliminary 2019 Budget, Total Paid FTE | 8,018.3 |
| FTE Variance | 443.7 |
| FTE % Growth | 5.9% |
| Driver of FTE Increase | |

- ¹ Positions driven by new Meds to Beds & Retail Pharmacy program. Offsetting revenue.
- ² Staff to support expected 3.7% volume growth in clinics, Ryan White growth.
- ³ Clinical Documentation Improvement (5 FTE), Coding enhancement (3 FTE), and reducing Days in Accounts Receivable (9 billing FTE, 5 Admissions FTE, 2 CDM FTE).
- ⁴ Bed capacity growth with Express Admit, EDOU, and 12MSU.
- ⁵ Additional ED (7 FTE) and Care Transitions (15 FTE) staff to facilitate throughput.
- ⁶ Increase Liver Transplants and outpatient services.
- ⁷ Positions driven by implementation of new SPD program.
- ⁸ Growth due to improved floor care and additional square footage: Dialysis unit, additional inpatient bed capacity.
- ⁹ Insourced inpatient dialysis mid-way through 2018.
- ¹⁰ Ramping up of Cardiology Clinic at UH.
- ¹¹ New Justice Intake/Assessment Center.
- ¹² Positions budgeted in 2018 but vacant in portion of year. Budgeting full FTE in 2019. Ex: Pharmacy 19 FTE, Facilities 18 FTE, EVS 8 FTE, Biomed 5 FTE.
- ¹³ Video Interpreters, Senior Services, Cystic Fibrosis, Respite, Project R.O.A.R.S.
- ¹⁴ Net various small changes across Health System to better serve our patients. Ex: OR, Pathology, inpatient nursing.

2019 Budget: Analysis of Tax Rate

| Dollars in Thousands | Existing Tax Rate | Proposed Tax Rate | Tax Rate Change from Existing Rate | % Change from Existing Tax Rate | 2018 Estimated Net Taxes | 2019 Proposed Net Taxes | Proposed Net Change From Prior Year | % Increase |
|----------------------|-------------------|-------------------|------------------------------------|---------------------------------|--------------------------|-------------------------|-------------------------------------|------------|
| OperatingRate | 0.237609 | 0.236800 | (0.000809) | -0.34% | \$368,418 | \$392,572 | \$24,154 | 6.56% |
| DebtRate | 0.038626 | 0.039435 | 0.000809 | 2.05% | \$62,458 | \$65,376 | \$2,918 | 4.67% |
| Total Tax Rate | 0.276235 | 0.276235 | - | 0.00% | \$430,876 | \$457,948 | \$27,072 | 6.28% |

Detailed List of 2019 Capital Request with CFHP Requests

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|-----------------------------|--------------------------------------|-----------------|--|----------------------|---|-------------------------------|
| IT Imaging Services | Enterprise Imaging Expansion | \$ 3,704,361.00 | Essential: Cannot Function Without | New Technology | Strategic (New Service/Expansion) | Information Systems |
| Facilities Mgmt Main Campus | Replace Substation #2 | \$ 2,500,000.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Construction/Major Renovation |
| Technical Services | Infrastructure- Network | \$ 2,443,432.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Special Procedures | Philips Neuro Bi-Plane | \$ 2,388,000.00 | Proactive: Necessary To Avoid Problems | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| MRI | Philips 3T Upgrade | \$ 2,144,026.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| Sterile Processing | Instrument BRN | \$ 1,100,000.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Surgery Operating | OR Build Out | \$ 1,000,000.00 | Proactive: Necessary To Avoid Problems | New Service | Strategic (New Service/Expansion) | Construction/Minor Renovation |
| Cat Scan DT Imaging | Ingenuity Elite 128 | \$ 1,332,380.00 | Essential: Cannot Function Without | Safety Mandated | Replacement | Clinical Equipment |
| ASC - MARC | MARC BRN | \$ 750,000.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Technical Services | EMC ECS Archive Storage | \$ 699,000.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required) | Information Systems |
| Surgery Operating Room | BrainLab | \$ 677,753.00 | Essential: Cannot Function Without | Safety Mandated | Replacement | Clinical Equipment |
| Application Systems | Salient Camera System with Milestone | \$ 584,029.00 | Essential: Cannot Function Without | Safety Mandated | Mandated (Regulatory Safety & Required) | Information Systems |
| Surgery Operating | One S5 Heart Lung Perfusion System | \$ 268,510.00 | Essential: Cannot Function Without | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |

Detailed List of 2019 Capital Request with CFHP Requests

Exhibit 8

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|-----------------------------------|--|-----------------|--|----------------------|---|-------------------------------|
| Surgery Operating Room | Drill BRN | \$ 500,000.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion) | Clinical Equipment |
| Surgery Operating Room | OR BRN | \$ 500,000.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Heart Station | D-SPPECT Nuclear Camera - MARC | \$ 498,252.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| Heart Station | Echo Machines BRN | \$ 480,000.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| IT Imaging Services | Diagnostic Monitor Replacement | \$ 476,000.00 | Essential: Cannot Function Without | Regulatory Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Technical Services | Security Information and Event Management (SIEM) Expansion | \$ 400,000.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Technical Services | EMC ExtremIO X2 Upgrade | \$ 388,000.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Surgery Operating Room | Anesthesia BRN | \$ 300,000.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Technical Services | Security Vulnerability Scanning | \$ 275,000.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Surgery Operating Room | OR Surgical bed | \$ 255,517.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Ob/Gyn Clinic | RBG AS Ultrasound Software | \$ 255,400.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Information Systems |
| Gastro Intestinal Lab | Bronch Navigation System | \$ 250,360.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| Facilities Mgmt Chill Water Plant | Condensing Boilers | \$ 250,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Facilities Mgmt Chill Water Plant | AHU Replacement | \$ 1,250,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Major Renovation |
| Heart Station | MARC Shell Finish Out | \$ 612,741.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Construction/Minor Renovation |
| Liver Transplant | Portable Organ Care System | \$ 225,000.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Cardiac Lab | Epic Ultrasound System | \$ 221,600.00 | Important: Necessary for Improvement | New Technology | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Soft Tissue Diagnostic Lab | Ultrasound Machine | \$ 200,000.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| Clinical Systems | Upgrade/Replace EEG Application and Hardware | \$ 190,000.00 | Important: Necessary for Improvement | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Application Systems | Upgrade/Replace HUGs Software and Hardware | \$ 175,000.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Cafeteria | Flight Conveyer Dish Machine | \$ 225,768.00 | Essential: Cannot Function Without | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Radiology Support | DynaCAD Lung & Dynalync | \$ 160,000.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Clinical Equipment |

Detailed List of 2019 Capital Request with CFHP Requests

Exhibit 8

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|-----------------------------------|---|---------------|--|----------------------|---|-------------------------------|
| Ob/Gyn Clinic | Philips Ultrasound Machines | \$ 156,000.00 | Important: Necessary for Improvement | Physician Request | Replacement | Clinical Equipment |
| Technical Services | Server Capacity Growth | \$ 150,000.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Surgery Operating Room | Midas Drills - Neurosurgery High Speed Drills | \$ 150,000.00 | Essential: Cannot Function Without | Safety Mandated | Replacement | Clinical Equipment |
| Facilities Mgmt Chill Water Plant | Cooling Tower Pump | \$ 125,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Neurodiagnostic Center | 128 Channel Portable Geodesic EEG System 400 | \$ 112,381.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Biomedical Engineering | Data Warehouse Storage Expansion | \$ 100,000.00 | Essential: Cannot Function Without | New Technology | Strategic (New Service/Expansion) | Information Systems |
| Facilities Mgmt Chill Water Plant | Water Softener | \$ 100,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Major Renovation |
| Facilities Mgmt Chill Water Plant | Condenser Pump | \$ 100,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Heart Station | Trophons | \$ 89,600.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Ob/Gyn Clinic | Aquarius CT Urodynamic System | \$ 87,995.00 | Important: Necessary for Improvement | Physician Request | Replacement | Clinical Equipment |
| Cardiac Lab | Intraventricular Ultrasound Device | \$ 87,500.00 | Important: Necessary for Improvement | Physician Request | Replacement | Clinical Equipment |
| Surgery Operating Room | Hana Table | \$ 86,997.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion) | Clinical Equipment |
| Surgery Operating Room | Mizuho Trios Bed | \$ 85,857.00 | Essential: Cannot Function Without | Physician Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Clinical Systems | Upgrade Sleep Lab Application (Polysmith) | \$ 85,000.00 | Important: Necessary for Improvement | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Gastro Intestinal Lab | Olympus 190 Series Tower Setup | \$ 83,500.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Facilities Mgmt Satellites | Condensing Boilers | \$ 80,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Family Health Clinic | Ultrasound Machine | \$ 73,000.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement | Clinical Equipment |
| Surgery Operating Room | Allegro Table | \$ 63,319.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Strategic (New Service/Expansion) | Clinical Equipment |
| Surgery Operating Room | Bladder Scanners | \$ 62,000.00 | Proactive: Necessary To Avoid Problems | Staff Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Cardiac Lab | ACIST | \$ 54,000.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Gastro Intestinal Lab | Convergent Lite Touch Laser | \$ 55,000.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Transplant ICU | Temp Mgt Syst (Hypotherm Protocol) | \$ 51,000.00 | Proactive: Necessary To Avoid Problems | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Clinical Systems | Update CoPath Plus to v.2017 | \$ 48,500.00 | Essential: Cannot Function Without | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |

Detailed List of 2019 Capital Request with CFHP Requests

Exhibit 8

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|----------------------------------|---------------------------------------|--------------|--|----------------------|---|-------------------------------|
| Surgery Operating Room | Surgislush | \$ 48,405.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Pedi Tric Specialty Clinic | Telepack LED Video System/Stroboscopy | \$ 46,923.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Emergency Room Regist. | Work Station on Wheels with I-pads | \$ 46,050.00 | Essential: Cannot Function Without | Regulatory Mandated | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Pedi EC | Defibrillator | \$ 43,500.00 | Essential: Cannot Function Without | New Service | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Nursery Lab | iSTAT equipment | \$ 49,300.00 | Essential: Cannot Function Without | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| Cafeteria | Rational Combi Oven | \$ 41,361.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Emergency Center | Glidescope | \$ 40,565.00 | Essential: Cannot Function Without | New Service | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Gastro Intestinal Lab | VIO 300 D Electricalsurgical Unit | \$ 40,232.00 | Important: Necessary for Improvement | Physician Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Cardiac Lab | Radiofrequency Puncture Generator | \$ 39,850.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Pedi Specialty Clinic | Anorectal Manometry | \$ 37,162.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Glargine-Apidra | JOM | \$ 36,447.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Facilities Mgmt Satellite | Boiler | \$ 35,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Gastro Intestinal Lab | M5 Microdebrider | \$ 34,927.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Clinical Decision Unit | Ornim C-FLOW System | \$ 33,580.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Heart Station | Philips S8-3T Probe | \$ 32,000.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| Heart Station | Philips S7-3T Probe | \$ 32,000.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Clinical Equipment |
| Clinical Systems | Replace Cardiology PACS Servers | \$ 30,000.00 | Important: Necessary for Improvement | New Technology | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Facilities Mgmt Main Campus | Truck | \$ 30,000.00 | Proactive: Necessary To Avoid Problems | New Service | Strategic (New Service/Expansion) | Administrative Equipment |
| Microbial Pathology | Cepheid Instruments | \$ 30,000.00 | Important: Necessary for Improvement | Required Maintenance | Strategic (New Service/Expansion) | Clinical Equipment |
| General Administration | Auditorium Audio System | \$ 28,573.00 | Proactive: Necessary To Avoid Problems | New Technology | Replacement | Administrative Equipment |
| UMA Prof-Pavilion Hearing Rel | Tympanometers (2) | \$ 28,245.00 | Essential: Cannot Function Without | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Surgery Operating Room | 1 daVinci 8mm Endoscope 0" | \$ 25,000.00 | Important: Necessary for Improvement | Physician Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Surgery Operating Room | 1 daVinci 8mm Endoscope 30" | \$ 25,000.00 | Important: Necessary for Improvement | Physician Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |

Detailed List of 2019 Capital Request with CFHP Requests

Exhibit 8

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|--------------------------------|--|---------------|--|----------------------|---|-------------------------------|
| Pharmacy | Thermo Fisher Refrigerator | \$ 24,800.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| Medicine Clinic | Olympus Endoscope Reprocessor | \$ 22,398.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Replacement | Clinical Equipment |
| Heart Station | Echo Bed | \$ 22,000.00 | Essential: Cannot Function Without | Safety Mandated | Strategic (New Service/Expansion) | Clinical Equipment |
| Cafeteria | Electric Fryer 100# Capacity | \$ 20,641.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Surgery Operating Room | Bovie Electrosurgical Units | \$ 20,534.00 | Proactive: Necessary To Avoid Problems | New Technology | Replacement | Clinical Equipment |
| Gastro Intestinal Lab | VIO 200 S Electrosurgical Unit with Endo Cut | \$ 20,230.00 | Important: Necessary for Improvement | Safety Mandated | Replacement | Clinical Equipment |
| Clinical Systems | Upgrade of Cardiology Diagnostic Software | \$ 20,000.00 | Important: Necessary for Improvement | New Technology | Mandated (Regulatory Safety & Required Maintenance) | Information Systems |
| Facilities Mgmt Satellites | Condenser Pumps | \$ 20,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Construction/Minor Renovation |
| Mammography | Dre Milano T50 | \$ 20,000.00 | Important: Necessary for Improvement | Required Maintenance | Replacement | Clinical Equipment |
| #N/A | Start Up for 2 New Clinics SAISD Middle School | \$ 465,444.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Information Systems |
| Lab Administration & Support | Artel Calibration System | \$ 19,050.00 | Important: Necessary for Improvement | Regulatory Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Surgery Operating Room | Transonic Flow Probe | \$ 18,500.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Strategic (New Service/Expansion) | Clinical Equipment |
| Cafeteria | Trayline Coolers (2) | \$ 36,078.00 | Essential: Cannot Function Without | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Copy Center | En/Press Digital Multi-Media Press | \$ 16,995.00 | Proactive: Necessary To Avoid Problems | New Technology | Replacement | Administrative Equipment |
| UMA TDI Telemed Operations | IRIS Eye Camera - Southeast | \$ 16,775.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| UMA TDI Telemed Operations | IRIS Eye Camera - Southwest | \$ 16,775.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| Surgery Operating Room | Vertical Ramos Osteotomy Saw/Motor Unit | \$ 16,165.00 | Essential: Cannot Function Without | Physician Request | Replacement | Clinical Equipment |
| Environmental Services-UH | Trash Compactor Container | \$ 25,600.00 | Proactive: Necessary To Avoid Problems | New Service | Mandated (Regulatory Safety & Required Maintenance) | Administrative Equipment |
| Surgery Operating Room | Storz Suspension Arms | \$ 15,383.00 | Essential: Cannot Function Without | Physician Request | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Renal/Derm Clinic | EKG Machine MAC 5500 | \$ 14,951.00 | Important: Necessary for Improvement | New Technology | Replacement | Clinical Equipment |
| CMA NW Prov | EKG Machine MAC 5500 - Northwest Clinic | \$ 14,818.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| CMA Physicians North | EKG Machine MAC 5500 - North Clinic | \$ 14,818.00 | Essential: Cannot Function Without | Required Maintenance | Replacement | Clinical Equipment |
| Pediatric Complex Chronic Care | EKG Machine MAC 5500 | \$ 14,438.00 | Proactive: Necessary To Avoid Problems | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |

Detailed List of 2019 Capital Request with CFHP Requests

Exhibit 8

| Dept Name | Request Name | 2019 Amount | Priority | Reason | Class | Category |
|-------------------------------|--------------------------------------|---------------|--|----------------------|---|--------------------------|
| Labor And Delivery | Electrocautery/Ligasure | \$ 14,250.00 | Essential: Cannot Function Without | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Ultrasound - RBG | Stryker Stretchers | \$ 14,000.00 | Essential: Cannot Function Without | Safety Mandated | Replacement | Clinical Equipment |
| UMA TDI Endocrinology | Inbody 570 Body Composition Analyzer | \$ 12,575.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| School Based Programs | Telemedicine Telecart and Monitors | \$ 37,000.00 | Important: Necessary for Improvement | New Technology | Strategic (New Service/Expansion) | Information Systems |
| Pediatrics General | Stryker Cribs | \$ 12,000.00 | Proactive: Necessary To Avoid Problems | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| UMA-Kenwood Provider | Kenwood Trophon Disinfection System | \$ 10,803.00 | Important: Necessary for Improvement | Regulatory Mandated | Strategic (New Service/Expansion) | Clinical Equipment |
| Surgery Operating Room | Serpent Graspers | \$ 10,568.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| Environmental Services-UH | Carpet Machine | \$ 9,975.00 | Proactive: Necessary To Avoid Problems | Staff Request | Mandated (Regulatory Safety & Required Maintenance) | Administrative Equipment |
| Gastro Intestinal Lab | Telescope Panoview Plus | \$ 7,319.00 | Important: Necessary for Improvement | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Pedi Specialty Clinic | Biopsy Tool GI | \$ 6,000.00 | Important: Necessary for Improvement | Physician Request | Strategic (New Service/Expansion) | Clinical Equipment |
| School Based Programs | Exam Table | \$ 5,567.00 | Proactive: Necessary To Avoid Problems | Required Maintenance | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| Pediatrics General | Bili Light Set Up | \$ 5,200.00 | Essential: Cannot Function Without | Safety Mandated | Mandated (Regulatory Safety & Required Maintenance) | Clinical Equipment |
| UMA Prof-Pavilion Hearing Bal | FEES | \$ 73,200.00 | Important: Necessary for Improvement | Safety Mandated | Replacement | Clinical Equipment |
| UMA Prof-Phys Therapy-UCCH | Functional Trainer | \$ 5,725.00 | Important: Necessary for Improvement | New Service | Strategic (New Service/Expansion) | Clinical Equipment |
| CFHP, Inc. | Total Capital Request | \$ 819,671.00 | Essential: Cannot Function Without | New Service | Various | Various |

Total 2019 Amount \$ 32,541,144.00



University Health System

May 22, 2018

ANNUAL REPORT ON LEARNING AND DEVELOPMENT

INTRODUCTION:

This report outlines the current status of workforce competence and the means by which staff competence is developed and monitored. This report quantifies the Health System's staff development efforts and assesses outcomes.

2017 PROGRAMS AND INITIATIVES

Our ongoing, clear-cut business strategy, *Triple Aim Plus*-- **improve patient experience, quality, efficiency, and access**—and our learning strategy are strongly linked. **Triple Aim Plus** is hardwired into all learning and development efforts from inception to final report. All phases of learning and development have **Triple Aim Plus** at their core, including needs assessment, content, facilitator selection, delivery mode and evaluations.

The Center for Learning Excellence (CLE) impacts every employee at our organization. Its scope is enterprise-wide, with crucial responsibilities in supporting the strategic goals, such as:

- Comprehensive onboarding, including new employee, nursing, ambulatory and departmental orientation
- eLearning, including all compliance training
- American Heart Association programs, including Basic Cardiac Life Support, Advanced Cardiac Life Support, Pediatric Advanced Life Support
- Institute for Leaders
- Patient Care Skills and Patient Experience
- Personal and Professional Development
- Communication and Team Building
- Diversity and Inclusion
- Tuition, continuing education and certification reimbursement
- And a multitude of other educational offerings

➤ **DEVELOPING THE NEXT GENERATION OF HEALTHCARE PROFESSIONALS:**

The Health System actively supports developing the next generation of healthcare professionals through the Junior Volunteer Program and student affiliation agreements with local high schools.

Junior Volunteer Program

The program provides the opportunity to explore healthcare careers, learn new skills, develop new interests and build new relationships. Volunteer Services earned the distinction of Certifying Organization in the youth category of the President's Volunteer Service Award (PVSA). This is the premier volunteer awards program sponsored by the President of the United States encouraging citizens to live a life of service through presidential gratitude and national recognition. A Certifying Organization is an organization that has been granted authority, through an application and review process, to administer the Presidential Award to youth volunteers. As a result of this designation, 17 students earned the Presidential Award in 2017.

- 36 students received the Presidential Award (100+ hours)
- 7 independent school districts participated in the summer program: Alamo Heights ISD, Boerne ISD, Judson ISD, Lytle ISD, Northeast ISD, Northside ISD, San Antonio ISD,
- 3 charter school participated: BASIS San Antonio Charter, Keystone School, and Texas Military Institute
- 5,101.58 hours volunteered over a 10-week period
- \$125,702.93 in equivalent salary and benefits savings (*Independent Sector estimates the current value of a volunteer hour is \$24.64 for Texas.*)

The Education Pipeline: Student Affiliation Agreements

In 2017 the Health System had active agreements with Edgewood, Harlandale, and North Side Independent School Districts.

- 229 high school students completed clinical rotations at the Health System
- Students from schools throughout Texas (and a few across the nation) in nursing, respiratory therapy, occupational therapy, radiology technology, physician assisting, social work, health care administration and medical assisting completed clinical rotations in Health System facilities.
- 107 schools had affiliation agreements with the Health System in 2017
- 1,374 students completed rotations

➤ **ONBOARDING:**

In system-level onboarding, the Journey Begins NOW, we create an inclusive, interactive environment providing motivation and information on how new employees can connect with our culture and organizational goals. To further support new staff, a departmental onboarding guide, Team me UP! provides supervisors tools to deliver essential, consistent information.

As a group, participants earn points and compete with other groups. The experiential learning activity is centered around several content review checkpoints throughout the day. This activity promotes learning through graphics and the chronological depiction of our facilities from the Robert B. Green to the Sky Tower. It also includes our mission and vision statements, our values and Triple Aim Plus. We follow up to assess the impact of onboarding on employee engagement and retention and make modifications when appropriate.

- 2017 New Employee Orientation Attendees: 1,313
- 2017 Nursing Orientation Attendees: 480

➤ **PERFORMANCE MANAGEMENT INITIATIVE:**

Performance management is an integral component to our talent strategy of preparing staff and teams to support the Health System's achievement of **Triple Aim Plus** strategic goals. To align more closely with current organizational goals, a new performance development process with significant changes was fully implemented in July 2017, replacing a process from 2007. This new tool promotes more frequent coaching, better feedback, and ongoing dialogue directed at goal setting and achievement. An inter-disciplinary team, with strong representation from learning and development participated in the design of the new process and tool. There is greater accountability infused into the process by promoting ongoing dialogue between the employee and supervisor. Coaching conversations support the employee to achieve greater levels of performance, while addressing any deficiencies and reinforcing successes. Rewards are linked to behavioral performance, based on the organization's standards and behaviors, **4 for the Customer**.

As part of the performance management revamp, a new requirement hardwires and rewards ongoing learning. To promote our organizational value, "We will be experts at our jobs," this new requirement incorporates a minimum of six hours of continuing education during the annual evaluation period (beyond the required annual core competencies) shifts the focus from ratings to development and spotlights the focus on a highly skilled and developed workforce. Learning hours increased by 10% in 2017 and 99% of staff are engaged in the new process.

➤ **COST SAVINGS - TECHNOLOGY:**

By adapting an innovative learning solution originally intended for our patients, to our staff, the Health System has expanded our resources dramatically at minimal cost. A Center for Learning Excellence staff member discovered BiblioTech while on jury duty at the County Courthouse. BiblioTech, the first all-digital public library in the United States, is free for Bexar County residents and accessible 24/7 from any smart device. The Health System entered into a partnership with the County to provide this all-digital library to our organization. BiblioTech has been set up at various locations across the System so patients, visitors, and staff can learn about, and register to use the service.

BiblioTech immediately caught on with staff and the learning department was quick to seize on its capabilities as an extension to the existing learning portfolio. Offering seven learning platforms, including *Lynda.com* and *Cloud Library*, with 5,000 eLearning modules, BiblioTech offers breadth and depth of information to develop knowledge and skills. Through marketing a “Feature of the Month”, we routinely introduce staff to specific topics supporting organizational goals. BiblioTech courses supplement our leadership academies as pre/post work or makeups for missed classes. Since inception, 1,291 individuals have received a library card at our branch.

- BiblioTech provided over \$120,000 worth of free online learning to our employees in 2017.

➤ **INSTITUTE FOR LEADERS:**

In alignment with **Triple Aim Plus, improve efficiency**, we leveraged leadership development academies to improve business acumen skills and apply these skills in capstone projects positively impacting productivity. In 2017, a customized business acumen session was developed and built around the Health System’s important strategies and measures, functional parts, important business terms and financial metrics. The primary focus was on making better business decisions aligned to positively impact key metrics and our competitive position. Each leader participant developed a personal action plan on how to positively impact results while applying these concepts directly to the capstone projects. They also learned how to cascade this information to their teams to re-enforce the concepts and build a language and framework to talk about the how the business works.

The capstone projects from the Performance Leadership Academy in 2017 made the following productivity improvements:

- **Reduced Operating Room Turnaround Time**— By standardizing the patient hand-off communication on patient transfers from the OR to the Intensive Care Unit, reduced wheels-out to wheels-in turnaround time from 46 to 44 minutes, estimating a cost-savings of \$20.73 direct OR cost per minute or \$377,000 per year.
- **Reduced Duplicate Medical Record Numbers**—By standardizing the Medical Record Number (MRN) process, technology and staff education, reduced duplicate MRN occurrences by 15%, with an estimated savings of 2,554 FTE hours annually, projecting \$43,954 in annual savings.
- **Improved Employee Badge Access Process**—By automating the ID access management process with an interface model upgrade, reduced badging and clearance assignment processing time by 5%, resulting in annual savings of \$41,382.
- **Increased Employee Awareness of Health and Wellness Resources**— Through creating an employee engagement activity to educate employees about nine available benefits and resources, increased: symptom checker, from 156 views per month to 1,765; health quizzes resource, 69 views per month to 1,370; and health calculators resource, from 42 to 980.

➤ **ANNUAL INVESTMENT FOR LEARNING AND DEVELOPMENT:**

The Health System views a competent workforce as integral to excellent patient care. By investing in continuing education and tuition reimbursement for job-related courses, the organization encourages employees to improve their skills.

Education and Certification Reimbursement

- The Tuition Reimbursement Program was used by 349 employees in 2017.
- The Continuing Education and Certification Reimbursement Program was used by 1,273 employees.

Through strong partnerships, the Center for Learning Excellence collaborates with other Health System functional areas to improve the patient experience, quality outcomes, efficiency and access.

Total investment in 2017 is outlined below:

| 2017 Learning and Development | |
|--------------------------------------|---------------------|
| Direct | \$7,748,495 |
| Indirect | \$3,402,298 |
| Learning Hours* | \$8,690,028 |
| Total Investment | \$19,840,821 |

**Hours in training multiplied by the average hourly rate, \$26.95*