



**BEXAR COUNTY HOSPITAL DISTRICT  
BOARD OF MANAGERS**

Tuesday, June 21, 2022  
6:00 pm  
Tejas Conference Room  
University Health Business Center 2  
5959 Northwest Parkway  
San Antonio, Texas 78249

**MINUTES**

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**BOARD MEMBERS PRESENT:**

James R. Adams, Chair  
Ira Smith, Vice Chair  
Margaret Kelley, MD, Secretary  
Jimmy Hasslocher  
L.P. Buddy Morris  
Anita L. Fernandez  
Pat Jasso

**OTHERS PRESENT:**

George B. Hernández, Jr., President/Chief Executive Officer, University Health  
Edward Banos, Executive Vice President/Chief Operating Officer, University Health  
Ted Day, Executive Vice President, Strategic Planning/Business Development, University Health  
Stacy Foremski, Director, Operations, University Health  
Rob Hromas, MD, Dean, Long School of Medicine, UT Health San Antonio  
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health  
Leni Kirkman, Executive Vice President/Chief Marketing, Communication, and Corporate Affairs Officer,  
University Health  
Shelley Kofler, Senior Public Relations Manager/Corporate Communications, University Health  
Bill Phillips, Senior Vice President/Chief Information Officer, University Health  
Don Ryden, Vice President/Projects, Design and Construction, University Health  
Joshua Nieto, General Counsel and Chief Compliance/HIPAA Officer University Health  
Christopher Sandles, President/Hospital Operations, University Hospital  
A.J. Sandoval, Chief of Police/Protective Services, University Health  
Edward Schweningner, Associate General Counsel/Office of Chief Legal Officer, University Health  
Travis Smith, Vice President/Deputy Chief Financial Officer, University Health  
Rajeev Suri, MD, Interim Chair and Professor, Department of Radiology, UT Health, San Antonio; and  
President, Medical-Dental Staff, University Health  
Horacio Vasquez, Executive Director, Supply Chain Management, University Health  
Larry Wallis, Director, Internal Audit Services, University Health  
William T. Avila, JD, Bond Counsel, Bracewell, LLP  
Laura Garcia, Healthcare Reporter, San Antonio Express-News  
Samuel Granato, Peace Officer Candidate  
Irma Sanchez, Peace Officer Candidate  
Cynthia Teniente-Matson, EdD, President, Texas A&M University, San Antonio

Ron Cortez, Photographer, San Antonio Express-News  
Raul Villasenor, Managing Director, Hilltop Securities Inc.  
And other attendees.

**CALL TO ORDER:**

Mr. Adams called the meeting to order at 6:00 pm.

**INVOCATION AND PLEDGE OF ALLEGIANCE:**

Mr. Adams introduced Father Bobby Thomas, St. Antony's Knanaya Catholic Parish, for the invocation and he led the pledge of allegiance.

**PUBLIC COMMENT:** None.

**APPROVAL OF MINUTES OF PREVIOUS MEETING(S): MAY 24, 2022 (REGULAR MEETING):**

SUMMARY:	The minutes of the regular Board of Managers meeting of Tuesday, May 24, 2022 were submitted for approval.
RECOMMENDATION:	Staff recommends approval of the minutes as submitted.
ACTION:	There being <b>NO OBJECTION</b> , the minutes were <b>APPROVED</b> as submitted.
EVALUATION:	None.
FOLLOW-UP:	None.

**ACTION ITEMS:**

**CONSIDERATION AND APPROPRIATE ACTION REGARDING COMMISSIONING OF PEACE OFFICER(S) FOR BEXAR COUNTY HOSPITAL DISTRICT — CHIEF A.J. SANDOVAL, III/EDWARD BANOS**

SUMMARY:	University Health is authorized by the Texas Health & Safety Code to appoint and commission peace officers to provide a safe and secure environment for patients, visitors, staff, and facilities. The credentials of Mr. Samuel Granato and Ms. Irma Sanchez have been examined, respectively, and certified by the Chief of Police as meeting all of the requirements of a University Health Peace Officer.
RECOMMENDATION:	Staff recommends Board approval to commission Mr. Samuel Granato and Ms. Irma Sanchez as Bexar County Hospital District Peace Officers.
ACTION:	A <b>MOTION</b> to <b>APPROVE</b> staff's recommendation was made by Mr. Smith, <b>SECONDED</b> by Mr. Hasslocher, and <b>PASSED UNANIMOUSLY</b> .
EVALUATION:	Both peace officer candidates were in attendance and introduced to the Board of Managers.
FOLLOW-UP:	None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING AN AGREEMENT WITH PEDIATRIX MEDICAL SERVICES, INC. FOR PEDIATRIC AND NEONATAL SURGICAL SERVICES — EDWARD BANOS**

**SUMMARY:** UT Health does not have a sufficient number of specialized providers to support pediatric surgical services, and University Health has contracted with Pediatrix Medical Services, Inc. (Pediatrix) to supplement these services. The current agreement with Pediatrix expires June 30, 2022. University Health leadership, working in conjunction with UT Health Department of Surgery leadership, has determined that it is necessary to enter into a new agreement with Pediatrix to continue providing their specialized services due to our complex pediatric and neonatal surgical patients. This agreement with Pediatrix will ensure that University Health maintains access to the highest quality pediatric and neonatal surgical coverage. All physicians providing services pursuant to this agreement are credentialed through UT Health. The UT Health Departments of Surgery and Pediatrics are supportive of this agreement which complements the current UT Health Surgery and Pediatric practices at University Health. Pediatrix is a multi-specialty group practice that has an excellent reputation for providing specialized pediatric surgical services in the community, and its workforce composition data was provided for the Board's review. The cost of this contract is \$650,000 per year for pediatric surgical coverage and \$150,000 per year for neonatal surgical coverage for a total of \$800,000 per year. This is a planned expense and is included in the 2022 operating budget.

**RECOMMENDATION:** Staff recommends Board of Managers' approval to execute the contract with Pediatrix Medical Services, Inc., for specialized pediatric and neonatal surgical services at a cost of \$800,000 for the one year period ending June 30, 2023 with an option to renew for an additional one year period under the same terms and conditions.

**ACTION:** A **MOTION** to **APPROVE** staff's recommendation was made by Mr. Smith, **SECONDED** by Dr. Kelley, and **PASSED UNANIMOUSLY**.

**EVALUATION:** Dr. Kelly asked about the reason that UT Health does not have sufficient number of specialized providers in Pediatrics. Due to the expensive nature of hiring outside providers, it is important for the Board of Managers to understand the deficit that has been in existence for seven years now. Dean Hromas reported that he and Mr. Banos are working to rectify this situation very soon. He briefly explained that Pediatrix is comprised of former UT medical staff and the group has created a monopoly in the city. There are no other options at this point and the topic is extremely delicate. Dr. Hromas offered to further discuss the matter with Dr. Kelley off-line.

**FOLLOW-UP:** None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING APPROVAL OF A CAPITAL IMPROVEMENT PROGRAM TO CONSTRUCT COMMUNITY HOSPITALS IN UNDERSERVED AREAS OF THE COUNTY AND APPROVAL OF A RESOLUTION REQUESTING THAT THE BEXAR COUNTY COMMISSIONERS COURT AUTHORIZE THE PUBLICATION OF A NOTICE OF INTENT TO ISSUE BEXAR COUNTY HOSPITAL DISTRICT CERTIFICATES OF OBLIGATIONS IN SUPPORT THEREOF — GEORGE B. HERNÁNDEZ, JR./EDWARD BANOS/DON RYDEN**

SUMMARY:

Mr. George Hernandez noted in his introductory remarks that to better address the need for inpatient beds closer to the community, over the past two years University Health has purchased, or contracted for, three tracts of land strategically located in the far west (Shaenfield Road), rural south (Texas A&M), and Retama in northeastern Bexar County for potential community hospital development. These purchases lay the foundation for smaller community-focused hospitals that can better serve the medical needs of patients closer to home and make University Hospital more efficient. Leadership proposes prioritizing the development of two hospital projects, one at the Retama site and a second at the Texas A&M – San Antonio location. Mr. Hernandez, Mr. Banos, Mr. Hurley, and Mr. Day provided the following presentation:

**Guiding Principles**

- Access to health care is a University Health core value. We are invested in assuring the right patient care in a timely manner
- Strategically address population growth of both low and high acuity patients; Transform University Hospital into a true quaternary care facility and provide low acuity and outpatient services closer to home.
- Assure that services are accessible, cost efficient and customer friendly.
- We are accountable to deliver high quality care in a manner which is efficient, kind and compassionate.

**University Hospital**

- University Health opened the Sky Tower in 2014. It solved the past need for med/surg and ICU beds for our neurosurgery, trauma, transplant, orthopedic and cardiology programs.
- NRC Health (Market Insights 2021-2022 Consumer Study) ranks University Hospital as the most preferred hospital in San Antonio

**Significant Growth in Patient Volume**

- Emergency Department has grown **22 %** (2014-2021)
- Inpatient Census has grown **23.3%** from 458 to 565 (2014-2021)
- Pediatrics has grown **68.7%** from 1356 to 2287 (2013-2021). But prior to the pandemic pediatrics grew **96.2%** from 1356 to 2661 (2013-2019)

**Service Expansion Since 2014 - Major Drivers**

- Added 9 operating rooms
- Expanded pediatric care
- Opened an Adolescent & Young Adult (AYA) Cancer Program
- Opened an Advanced Diagnostic Center (Cardiac Cath Lab, Advanced Endoscopy, Neuro-Interventional suite and a Vascular lab)

**Operational Response**

- Limited hospital care beds for necessary elective cases during the COVID-19 pandemic
- In 2015, opened previously closed units in the Rio and Horizon Tower adding 34 beds
- In 2016, opened 12th and 7th floors (Horizon) to create 33 beds
- In 2020, converted 17 Reeves Rehabilitation beds to medical-surgical to handle capacity

**Primary Market Analysis**

- University Health’s primary service area is defined as Bexar County and the seven contiguous counties surrounding Bexar County – Kendall, Comal, Guadalupe, Wilson, Atascosa, Medina, and Bandera
- 88% of all Bexar County Hospital Inpatient Discharges originate from patients residing in these Counties
- 86.8% of University Hospital’s adult inpatient discharges originate from patients residing in these Counties

**Data/Trends Demonstrating Need for Expansion**

**Bexar County & Primary Service Area Demographics**

Projected Growth in **Bexar County** from 2020 to 2030:

- Adults (ages 18+) by 412,000 (21%)
- Children (ages 0-17) by 115,000 (16%)

Projected Growth in **Surrounding Counties** from 2020 to 2030:

- Adults (ages 18+) by 129,000 (28%)
- Children (ages 0-17) by 38,000 (30%)

Total Population for Region is **2.5M** (2020) and is anticipated to grow to **3.2M** by 2030 - *Bexar County population estimated at 1.975M in 2020 and will grow to 2.5M by 2030*

**Organization of Bexar County & Adjoining Counties into “Zones”**

- North – Bandera, Kendall, Comal
- East – Guadalupe, Wilson
- South – Atascosa
- West – Medina

**Combined Eastern Profile – Market Share & Payer Mix**

**Adult Inpatient Services, 2021**

- University Hospital saw **8,451 adult** inpatients originating from zip codes within the “Eastern Region”
- This represented **32.7%** of all adult inpatients served that year
- **34%** of UH adult discharges from this region were “**General Medicine**”

**Top 5 Adult Service Lines from these zones (2021):**

1. General Medicine
2. Obstetrics
3. General Surgery
4. Cardiac
5. Orthopedics

**Payer Mix      University Health      All Bexar County Facilities**

Commercial/Other	19.4%	30.8%
Medicaid	33.7%	15.6%
Medicare	25.8%	43.2%
Unfunded	21.1%	10.3%

**Community Hospital Campus-Specific Analysis**

**Retama Hospital & Texas A&M Sites- CIP**

Hospital: 4 floors, 140 beds, 446,579 sq. ft.

5 floor shell space, 50 beds

Potential for adding a 6 Floor if needed

Medical Office Building: 80,000 sq. ft.

**Estimated Projected Cost- \$950 Million**

Hospital Cost Projection

New hospital all-inclusive per-bed costs- \$2.7 - 3 million/bed

Shelled bed space within a new hospital costs between \$0.5- 0.7 million/bed

Medical Office Building square footage cost estimated range \$580 - 650 per foot

*The actual cost of the project will not be known until design and construction documents are completed and bid out.*

**Preliminary Site Plan - Medical Office Building & Hospital**

The specific campus development anticipated for both hospital sites includes construction and equipping of the following:

- An adjoining medical office building, integrated with the hospital, including physician offices for employed and community physicians as well as other clinical services and administrative space.
- Once an architect is selected, the design of the facilities will be the same in both locations and is estimated to take 12 months. The actual construction will be approximately 28 months, for a total completion time of 40 months or 3.5 years.

**Retama Hospital Proforma – Proposed Open 2026**

(\$ In Millions)

<b>Retama Hospital</b>	<b>FY2026</b>	<b>FY2027</b>	<b>FY2028</b>	<b>FY2029</b>	<b>FY2030</b>	<b>FY2031</b>	<b>FY2032</b>
Net Patient Revenue	\$41.9	\$83.2	\$187.5	\$205.5	\$216.1	\$220.4	\$224.8
Supplemental Revenue	\$5.1	\$6.1	\$9.3	\$7.9	\$8.1	\$8.3	\$8.5
Operating Revenue	\$47.0	\$89.3	\$196.7	\$213.4	\$224.2	\$228.7	\$233.3
Total Expenses	\$61.7	\$92.3	\$171.3	\$177.6	\$184.7	\$188.4	\$192.2
Annual Depreciation	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)
Bottom Line	(\$37.4)	(\$25.6)	\$2.8	\$13.2	\$16.8	\$17.6	\$18.5
Total Patient Days	13,031	21,501	43,002	43,862	44,740	45,634	44,740
Discharges	2,578	4,245	8,509	8,675	8,845	8,825	8,825
Available Beds	140	140	140	140	140	140	140
Capacity %	26%	42%	84%	86%	88%	89%	88%

**Texas A&M Hospital Proforma – Proposed Open 2027**

(\$ In Millions)

Texas A&M Hospital	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Net Patient Revenue	\$70.7	\$151.0	\$176.2	\$185.1	\$194.6	\$198.5	\$202.5
Supplemental Revenue	\$8.0	\$12.8	\$11.1	\$11.3	\$11.6	\$11.6	\$11.6
Operating Revenue	\$78.7	\$163.8	\$187.3	\$196.5	\$206.2	\$210.0	\$214.0
Total Expenses	\$92.7	\$162.7	\$174.3	\$181.0	\$188.3	\$192.1	\$196.0
Annual Depreciation	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)	(\$22.6)
Bottom Line	(\$36.6)	(\$21.5)	(\$9.6)	(\$7.2)	(\$4.8)	(\$4.7)	(\$4.6)
Total Patient Days	21,501	40,852	42,894	43,752	44,627	45,520	45,520
Discharges	4,236	8,057	8,457	8,625	8,799	8,825	8,825
Available Beds	140	140	140	140	140	140	140
Capacity	42.1%	79.9%	83.9%	85.6%	87.3%	89.1%	89.1%

*Does not include any allocated property tax revenue*

**Backfill University Hospital Financials**

(\$ in Millions)

	2026	2027	2028	2029	2030
University Hospital Backfill	FY2026	FY2027	FY2028	FY2029	FY2030
Operating Revenue	\$44.3	\$134.0	\$182.2	\$187.8	\$193.6
Total Expenses	\$42.5	\$121.8	\$160.4	\$164.0	\$167.8
Bottom Line	\$1.8	\$12.2	\$21.8	\$23.8	\$25.9
Total Patient Days	7,811	22,073	28,524	28,524	28,524
Discharges	1,006	2,848	3,680	3,675	3,675

*Backfill Assumptions-*

- *Improved ED throughput & acceptance of transferred admissions*
- *Higher acuity volumes*

**UH less CFHP Financial Impact**

This proforma details the operating impact of the new facilities running through the year 2030 and incorporating projected timing, costs and revenues for the opening of the Women’s and Children’s Hospital in 2023, along with the construction and opening of the two community hospitals projected in 2026 and 2027. It also incorporates the backfill assumptions for the current University Hospital campus as inpatient capacity is increased for higher acuity patients. The projected financial performance in the consolidated proforma reflects a positive bottom line for each year detailed. The addition of the new hospital campuses

decreases the bottom line during the initial years of operation but is not projected to create any negative operating years.

**Funding Plan**

Current plan for funding includes \$450 million in cash reserves and \$500 million in bond proceeds

- Additional cash reserves will be available in future years if necessary
- Current plan is to price \$300 million in bonds in the fall of 2022
- An additional pricing for \$200 million in bonds can happen at a later date
- This bond funding can be accomplished under our historic property tax debt service rate of \$0.04
- There will be no increase in property taxes

**Current Interest Rates on Municipal Debt** - Assuming that the market conditions remain favorable, University Health staff will make its recommendations regarding the timing of the sale and issuance of the certificates of obligation to the Board of Managers. University Health, through the assistance of Co-Financial Advisors and Bond Counsel will coordinate the sale of the certificates of obligation to ensure the lowest possible interest rate. Average rate since 2000 is 3.5 percent, current rate is 3.0 percent, and maximum rate is 6.0 percent.

**Capital Analysis – Fixed Rate Fall 2022 Bond Issue** - As with prior multi-year projects, the bonds are planned to be issued in several different tranches over time. Staff recommend an initial \$300 million in Certificates of Obligation be issued in 2022, to create a \$650 million cash reserve to begin the project. The total planning, design and construction period is estimated to take five years from the date of the initial Board of Managers approval. The remaining project cost will be funded from a combination of cash from operations and additional bond funding, currently estimated to be \$200 million. This bond funding can be achieved utilizing the historical debt service tax rate of \$0.04 per \$100 valuation.

<b>Delivery – 2022 Fixed Rate</b>	<b>Project Fund - \$300,000,000</b>
<b>Term (Years) 30</b>	<b>Rate – 4.58% Max Rate – 0.399</b>
<b>County Taxable Assessed Value \$197,835,374,927</b>	
<b>AVG Growth - 6.6%</b>	
<b>Net Debt Service \$68,380,850</b>	<b>I&amp;S Tax Rate – 0.353</b>

**Request to Commissioners Court**

- Steps to issue Certificates of Obligation (CO's)
- Board approves Resolution Requesting Commissioners Court to post Notice of Intent
- The Notice of Intent notifies tax payers of the proposed issuance of bonds
- 45 day period required before the Court can move to the next step
- Commissioners Court then approves a Parameters Order
- Parameters Order gives “parameters” for the bond sale
- For example “up to \$500 million”
- Interest rate ranges, etc.



- The bond pricing or sale needs to happen within one year of the Parameters Order

RECOMMENDATION:

Staff recommends Board of Managers approve the capital improvement program described today to construct community hospitals at the Retama and Texas A&M –San Antonio locations. In addition, that the Board of Managers request Commissioners Court to approve a Resolution requesting Commissioners Court to approve a Resolution authorizing the publication of a notice of intention to issue Bexar County Hospital District certificates of obligation; authorizing District Staff, Co-Financial Advisors and Bond Counsel to coordinate this matter with County Staff; and authorizing all other required actions on behalf of the District.

ACTION:

A **MOTION** to **APPROVE** staff's recommendation was made by Mr. Smith, **SECONDED** by Mr. Hasslocher, and **PASSED UNANIMOUSLY**.

EVALUATION:

Dr. Kelley commended the staff for the impressive analyses and presentation. However, she is not understanding the strategy for recruiting medical staff for the community hospitals. Given the current market place, it is her understanding that there are not enough community physicians. Mr. Hernandez replied that although Dean Hromas is extremely supportive of the community hospitals and wishes to work closely with University Health in staffing them, the hospitals will not be "closed staff," meaning that medical staff is not limited to residents and/or faculty from UT Health; rather the medical staff will be "open" and comprised of community physicians, and the strategy is already generating interest. Dr. Hromas emphasized that the School of Medicine controls the student pipe-line which will be helpful in building the medical staff for both community hospitals. Mr. Hernandez noted that because the area surrounding Texas A&M University San Antonio is underserved, there will be specific interest from physicians who have varying levels of medical student loan debt because the federal government offers repayment/forgiveness in exchange for their work in underserved areas. Mr. Morris questioned the feasibility of possibly bringing an outside consultant to verify the analyses reviewed today to which Mr. Hernandez replied that because Mr. Day and staff use reliable national sources, he does not think a consultant would add value at this point. Questions regarding Bexar County's and University Health's Triple A bond rating were addressed by Mr. Raul Villasenor, Financial Advisor, Hilltop Securities. Ms. Fernandez suggested that University Health leadership and the Board of Managers revisit the opportunity to partner with Texas A&M University as a resource for the community, to which Mr. Hernandez replied that he is proud of the evolving partnership with Texas A&M University; he believes they will be great partners, just as UT Health is a great partner.

FOLLOW-UP:

None.

**ADJOURNMENT:**

There being no further business, Mr. Adams adjourned the meeting at 7:27 pm.

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James R. Adams  
Chair, Board of Managers

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Margaret A. Kelley, MD.  
Secretary, Board of Managers

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Sandra D. Garcia, Recording Secretary