



University Health System

Bexar County Hospital District d/b/a
University Health System's Operating,
Debt Service and Capital Budgets for Fiscal Year 2017

Bexar County Commissioners Court

Tuesday, December 13, 2016
Double-Height Courtroom, Suite 2.01
Bexar County Courthouse
100 Dolorosa
San Antonio, Texas 78205-3038



**University Health System
2017 Operating, Debt Service, and Capital Budget**

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Preliminary 2017 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 2017 Budget was developed with the strategic vision in mind. For the past six years, University Hospital has been ranked the best in the San Antonio region by U.S. News & World Report, sixth best in Texas, and among the top 50 in the nation for the care of patients with kidney disease and gynecology.

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.

Challenges in the 2017 Budget

- Reduction in NAIP funding of \$20.6 million
- BCCS program ending February 2017, additional expense of \$26 million
- GASB 68 accounting change increased Pension Plan expense by \$8.5 million
- First full year of the new CFHP Star Kids program (\$160 million program)
- Growing activity and improving operating efficiencies

- Achieving the metrics for the 1115 Waiver projects

Capital Budget Projects

- Funded Projects planned for 2017
 - Dr. Robert L.M. Hilliard Center – \$5.6 million
 - Replacement facility for NW Clinic & Dialysis – estimate \$15 million
 - Hospital Pharmacy buildout – \$9 million
 - Opening of 7 additional operating rooms – \$3 million
- Unfunded Proposed Projects for 2017
 - Buildout of Inpatient Dialysis area – estimate \$4 million
 - NICU Expansion – estimate \$4 million
 - Development of Advanced Endoscopy Center – under development

Operational Improvements – Working in conjunction with UT Physicians

- Emergency Room throughput and efficiency
- Clinical Documentation improvements
- Maintain and improve patient satisfaction
- Length of stay reductions
- Improvement in quality metrics
- Employee engagement and satisfaction
- Continue the Lean Management System (LMS) aimed at:
 - Incorporating lean continuous process improvement principles and techniques into daily management processes to deliver value to our patients with minimum wasted time, supplies and effort
 - Facilitating rapid improvements
 - Executing across all operational and support departments as well as across hospital and ambulatory services
 - Assuring a mechanism is in place to develop, sustain and improve processes over time
- Implement strategic tactics to fulfill projected activity by:
 - Focusing on key service lines
 - Trauma
 - Transplant
 - Cardiovascular
 - Neurosciences

- Pediatrics / Children’s Health
- Women’s Health Services including perinatal and neonatal care
- 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 prefund our annual capital budget (currently routine capital expenditures are funded in the year the capital is expended)

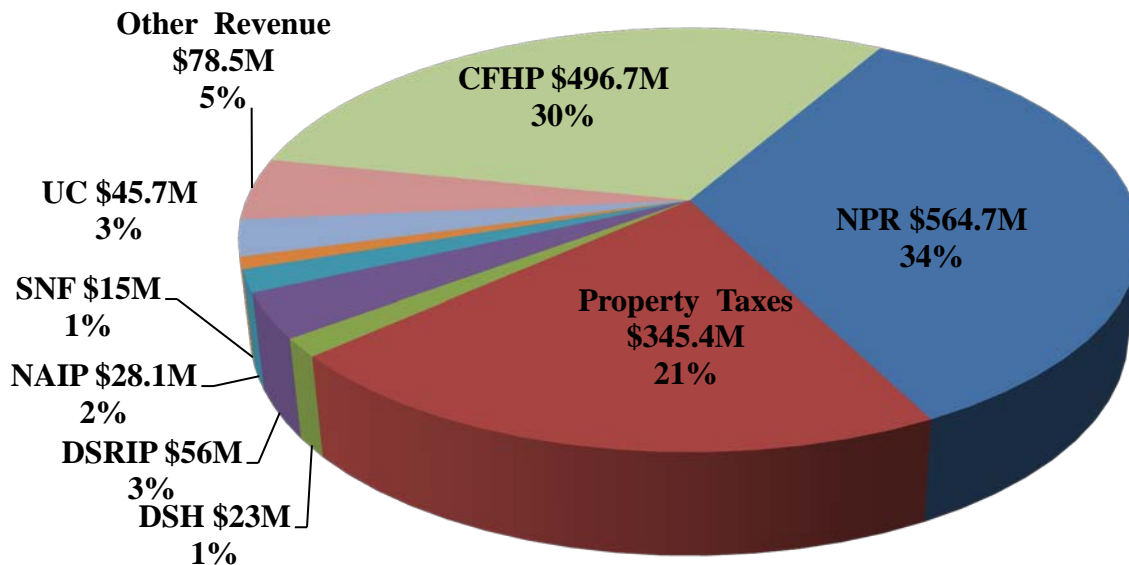
2017 Consolidated Budget Summary Briefing

Following is a summary of the 2017 Consolidated Budget and a comparison to Projected 2016:

Consolidated (Dollars in Millions)	2015 Audited	2016 Projected	2017 Preliminary Budget	Variance 2017 PB vs 2016 P	% Variance
Total Operating Revenue	\$1,397.3	\$1,531.3	\$1,653.1	\$121.8	8.0%
Total Operating Expense	\$1,261.9	\$1,415.6	\$1,563.5	(\$147.9)	(10.4%)
Gain/(Loss) from Operations	\$135.3	\$115.8	\$89.6	(\$26.1)	(22.6%)
Depreciation Expense	(\$81.2)	(\$80.0)	(\$82.2)	(\$2.2)	2.7%
Meaningful Use Incentive	(\$0.0)	\$0.0	\$0.0	(\$0.0)	(100.0%)
Investment Income	\$2.6	\$3.7	\$3.2	(\$0.6)	(15.0%)
Market Adjustments	(\$0.7)	\$0.8	\$0.0	(\$0.8)	(100.0%)
Total Non-Operating Revenue/(Expense)	(\$79.4)	(\$75.5)	(\$79.1)	(\$3.6)	(4.7%)
Bottom Line Excluding Debt Service	\$56.0	\$40.3	\$10.6	(\$29.7)	(73.7%)
Debt Service Revenue	\$44.3	\$53.8	\$56.8	\$3.0	5.6%
Debt Service	\$44.3	\$53.8	\$56.8	\$3.0	5.6%
Net Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Capital Requirements	\$31.4	\$30.4	\$28.8	\$1.6	5.4%

- The Health System Consolidated Preliminary 2017 Budget (Exhibit 2A) reflects a gain from operations of \$89.6 million and a bottom line gain of \$10.6 million after including non-operating income/expense of (\$79) million.
- University Health System (excluding Community First Health Plan), the Clinical Services Division (Exhibit 2B) reflects a \$84.7 million gain from operations and a bottom line gain of \$5.9 million after including depreciation expense of \$81.3 million and \$2.5 million of non-operating revenue.
- CFHP (Exhibit 2C) reflects a gain from operations of \$4.9 million and a bottom line gain of \$4.7 million after including non-operating expense of \$231K.
- The budget includes \$56.8 million in debt service (*page 21*) for University Health System’s Capital Improvement Program (CIP). The tax rate set to fund required debt service for 2017 is \$0.038626 per \$100 valuation (Exhibit 6). The BABs savings reflected in the 2017 debt service budget is \$8.2 million which is net of a 7.2% Sequestration cut (\$637,000).
- The 2017 Health System’s on-going capital budget for the clinical services includes \$27.9 million (Exhibit 9) in items that have been prioritized and approved by the capital committee. These capital items will be funded by cash flow from operations for the clinical services. Capital requests for CFHP are \$876,637 (*page 26*).
- A summary of Consolidated sources of funding is as follows:

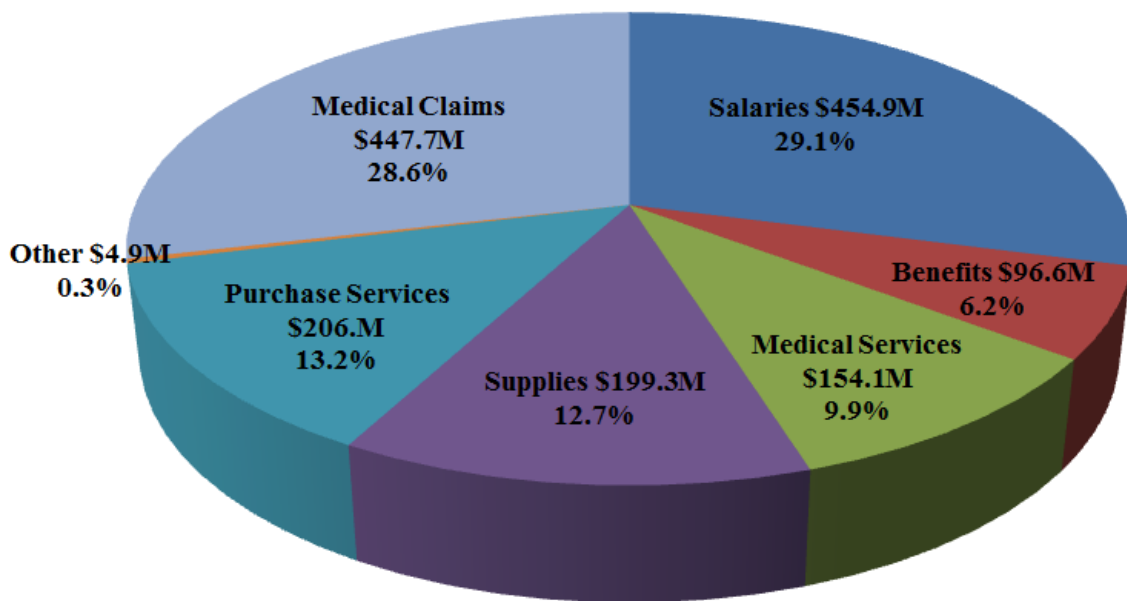
Consolidated Total Operating Revenue: \$1.65B



On a consolidated basis, TOR is \$1.65 billion. Net Patient Revenue (NPR), or collections from third party payors and patients, represents the largest percent of TOR at 34%. Premium revenue from CFHP follows at 30%. Property taxes account for 21% of total operating revenue (a decline of 2% from the previous year) and DSH, DSRIP, NAIP and UC account for 10%.

- A summary of Consolidated Total Operating Expense (TOE) is as follows:

Consolidated Total Operating Expenses: \$1.56B



On a consolidated basis, TOE is \$1.56 billion. Salaries and benefits represent the largest percentage at 35% followed by medical claims for CFHP at 29%. Purchased Services at 13%, Supplies are 13% and Medical Services are at 10% of TOE.

2017 Clinical Services Division

The Health System developed the 2017 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 Health System will produce Operating profit of \$84.7 million and Bottom Line of \$5.9 million.

Below is a summary of the 2017 Preliminary Budget and a comparison to Projected 2016:

Clinical Services (Dollars in Millions)	2015 Audited	2016 Projected	2017 Preliminary Budget	Variance 2017B vs 2016P	% Variance
Total Operating Revenue	\$1,037.1	\$1,104.4	\$1,143.5	\$39.1	3.5%
Total Operating Expense	\$917.5	\$1,000.0	\$1,058.8	(\$58.7)	(5.9%)
Gain/(Loss) from Operations	\$119.6	\$104.4	\$84.7	(\$19.7)	(18.8%)
Depreciation Expense	(\$80.6)	(\$79.3)	(\$81.3)	(\$2.0)	2.5%
Meaningful Use Incentive	(\$0.0)	\$0.0	\$0.0	(\$0.0)	(100.0%)
Investment Income	\$2.1	\$3.1	\$2.5	(\$0.6)	(20.3%)
Market Adjustments	(\$0.7)	\$0.7	\$0.0	(\$0.7)	(100.0%)
Total Non-Operating Revenue/(Expense)	(\$79.2)	(\$75.5)	(\$78.8)	(\$3.4)	(4.5%)
Bottom Line Excluding Debt Service	\$40.3	\$28.9	\$5.9	(\$23.0)	(79.6%)

Debt Service Revenue	\$44.3	\$53.8	\$56.8	\$3.0	5.6%
Debt Service	<u>\$44.3</u>	<u>\$53.8</u>	<u>\$56.8</u>	<u>\$3.0</u>	<u>5.6%</u>
Net Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	0.0%

Capital Requirements	\$30.7	\$29.1	\$27.9	\$1.2	4.1%
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The Projected 2016 and 2017 Summary Statement of Revenues and Expenses is presented in **Exhibit 2B** and includes a comparison to Budget 2016.

Access (Activity) Assumptions

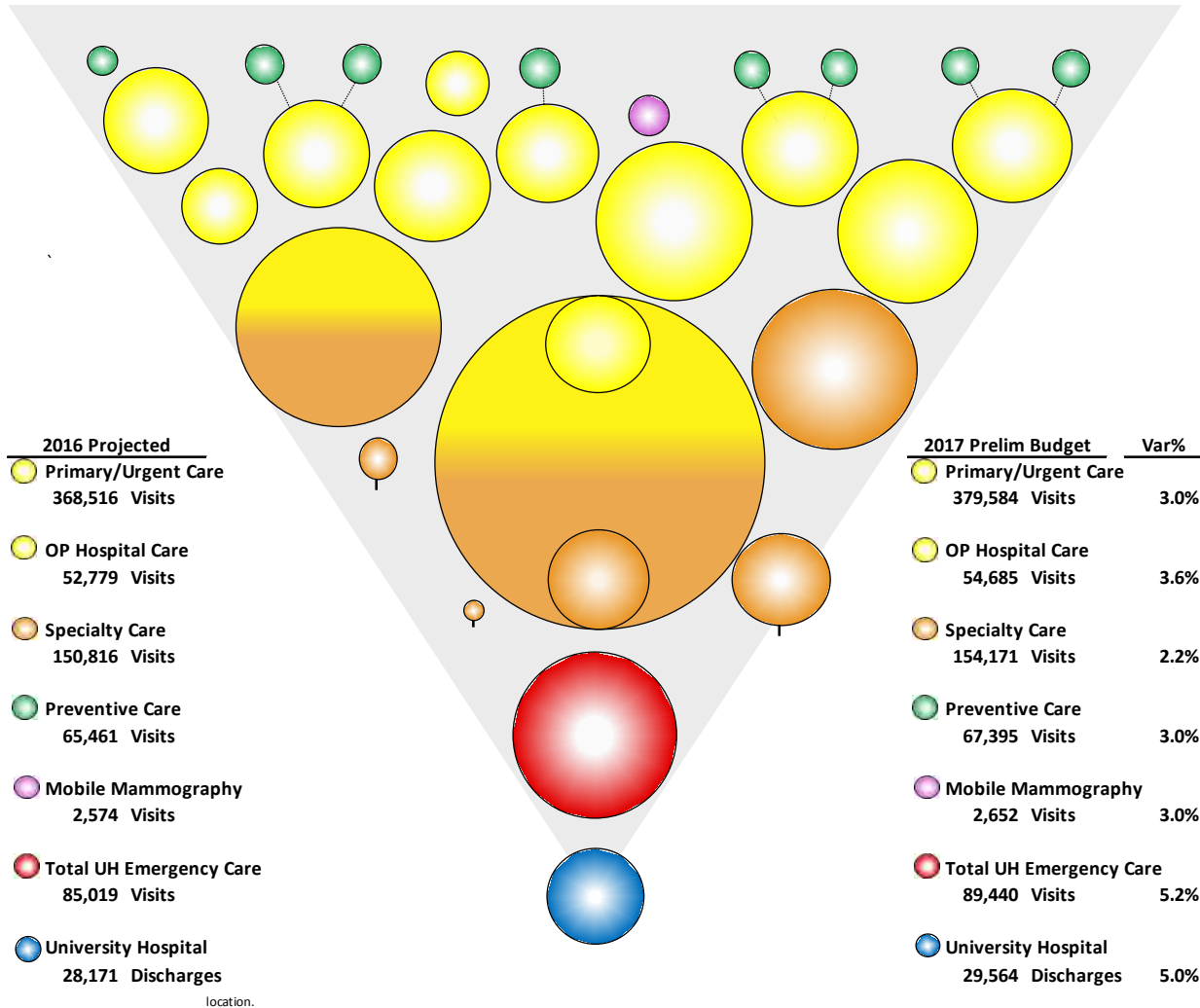
UHS anticipates that activity in the 2017 Budget will increase 4.5% based on adjusted discharges over levels projected for 2016. A detail of Activity in the Preliminary 2017 Budget can be found in **Exhibit 1**.

The major factors contributing to this growth include:

- New Pediatric Emergency Center; opened Aug 2016
- Increased volume in Adult Inpatient and Outpatient Emergency Center activity
- Growth in Transplant and Trauma service lines
- Focus on improving throughput to increase access

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

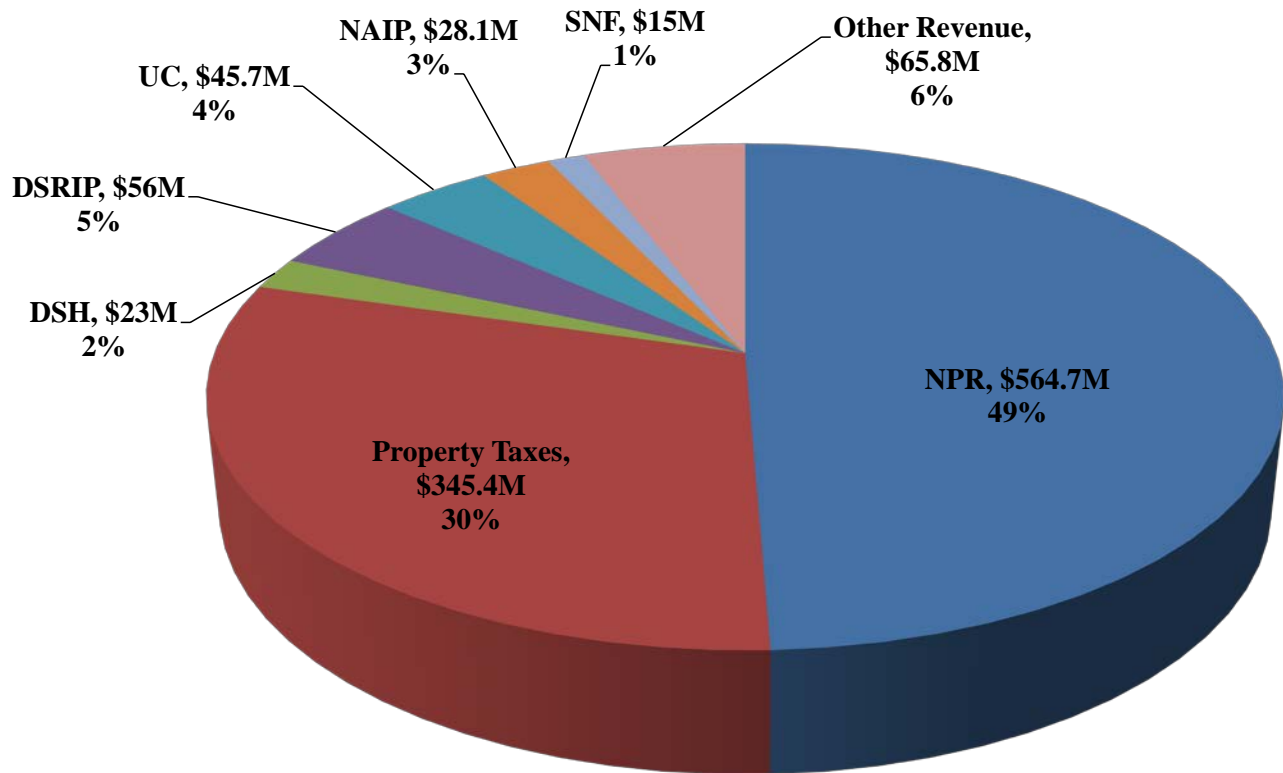
Improving Access to Care Overall Activity to grow 4.5%



Total Operating Revenue (TOR)

2017 TOR is budgeted at \$1.14 billion, which is \$39.1 million or 3.5% higher than 2016 projected. 2017 will prove to be challenging in terms of State and Federal Supplemental revenue. Anticipated reductions in the following categories: Network Access Improvement Program (NAIP) of (\$21) million due to reduced projects, Skilled Nursing Facility program (\$24.8) million due to a plan to end the program mid-year, and a decrease in Uncompensated Care (UC) of (\$6.5) million due to reductions in federal funding. However increases in property taxes of \$33.7 million and Net Patient Revenue of \$37.8 million will lift the 2017 budget over 2016 projected. A detail of Legislative impacts is attached (Exhibit 4) and a chart summarizing the changes in TOR by category and drivers that impact these changes is provided in **Exhibit 7A and 7B**.

Total Operating Revenue, \$1.14B



Net Patient Revenue (NPR)

2017 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 volume is the major factor in the growth in NPR, additional Inpatient volume is projected to add \$21 million and Outpatient volume will add \$4 million.
- Managed care contract renegotiated rates and improved billing will increase NPR by \$8.7M. Documentation and denial improvement will add another \$2.2M, along with charge master rate increases adding \$2.3M.
- Actual inpatient payment rates by service line from late 2015 and mid 2016 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 NPR showing impacts due to volume, with Commercial and Governmental rate improvements applied to service lines.

- New Cardiac programs; such as Mitra Clip and Watchmen, growth in Transplants, General Medicine, General Surgery as well as Pediatrics contributed the increase in NPR based on volume. **Exhibit 7A** provides detail by service line for both Inpatient and Outpatient Net Patient Revenue (NPR) highlighting; changes due to activity levels, payer rate improvements and documentation enhancements.

Property Tax for M&O

- Property tax revenue for operations (M&O) is projected to increase \$33.8 million in light of higher property values for Bexar County. Of this increase, \$8.6 million relates to taxes on new property values. Excluding CFHP, property taxes for operations as a percent of TOR increases from 28.2% projected for 2016 to 30.2% in the 2017 Budget.

A summary of the property taxes reflected is as follows:

Recommendation: Maintain Existing Tax Rate	Existing Tax Rate	Proposed Tax Rate	Tax Rate Change from Existing Rate	% Change from Existing Tax Rate	2016 Estimated Net Taxes	2017 Proposed Net Taxes	Proposed Net Change From Prior Year	% Increase
Dollars in 000's								
Existing Operating (M&O) and Effective Operating Rates	0.235780	0.237609	0.001829	0.78%	\$314,181	\$345,400	\$31,219	9.94%
Requested Debt Rate	0.040455	0.038626	(0.001829)	-4.52%	\$53,465	\$56,800	\$3,335	6.24%
Total Tax Rate	0.276235	0.276235	-	0.00%	\$367,646	\$402,200	\$34,554	9.40%

Exhibit 5 reflects the tax rate calculation and Exhibit 6 reflects the impact of the tax rate change to the average homeowner and per \$100,000 home.

Legislative and Regulatory Assumptions Impacting Operating Revenue

Regulations related to possible continuation of the Texas Medicaid Waiver program are still pending. The assumption is that the UC and DSRIP programs will continue at their current levels until December 31, 2017. The Health System utilized the best information available as of November 2016 to prepare the impact of Regulatory and Legislative actions (**Exhibit 4**). All of the changes reflected in this chart, which total negative \$43.4 million, have been reflected in the Projected 2016 and Preliminary 2017 Budget. The following are the key assumptions relative to legislative impacts on operating revenue:

- Federal Sequestration reductions of 2% will continue throughout 2017, and this impacts all Medicare payments.
- Medicaid payments for inpatient services will no longer be reduced by 2.5% for a high Potentially Preventable Complication rate.

Supplemental Medicaid Funding

DSRIP Funding

- DSRIP payments for 2017 are budgeted at \$56.0M exclusive of the expense to complete the projects. This is an increase of \$5.6 million over 2016 levels mainly due to the timing of revenue recognition.

DSH and UC

Estimates for DSH and UC were made based on information known to date.

- The 1115 Waiver is expected to continue through 2017; however, UC payments to private hospitals are being discontinued. This will limit the local private hospitals ability to continue the charity expansion program (BCCS) at the current rate. A new program is under development with HHSC but is not fully approved and not included in the budget. The ending of the current program will add an additional \$26 million in Medical Service expense for 2017.
- Uncompensated Care (UC) revenue is projected to decrease by \$6.5 million, due to reductions in Federal funding and the Health System's improved payer mix.

Other State Programs

- The Network Access Improvement Program (NAIP) was substantially reduced from State Fiscal Year 2016 by 45%. This is a reduction of \$21 million in reimbursement for 2017.
- The Nursing Home Minimum Payment Amount Program (MPAP) will be discontinued February 2017, the budget estimates the Skilled Nursing Facility (SNF) ownership will end by June of 2017. SNF revenues are budgeted to decrease by \$24.8 million but this has no bottom line impact as Purchased Service expense decreases by the same amount.

Tobacco Settlement Fund

- Tobacco funding is budgeted at \$5.6 million; consistent with 2016 funding.

Other Revenue

Other Revenue			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Other Revenue	\$52.3	\$59.8	
Change		\$7.5	14.3%
Other Revenue per AD	\$974.7	\$1,066.7	
Change		\$92.0	9.4%

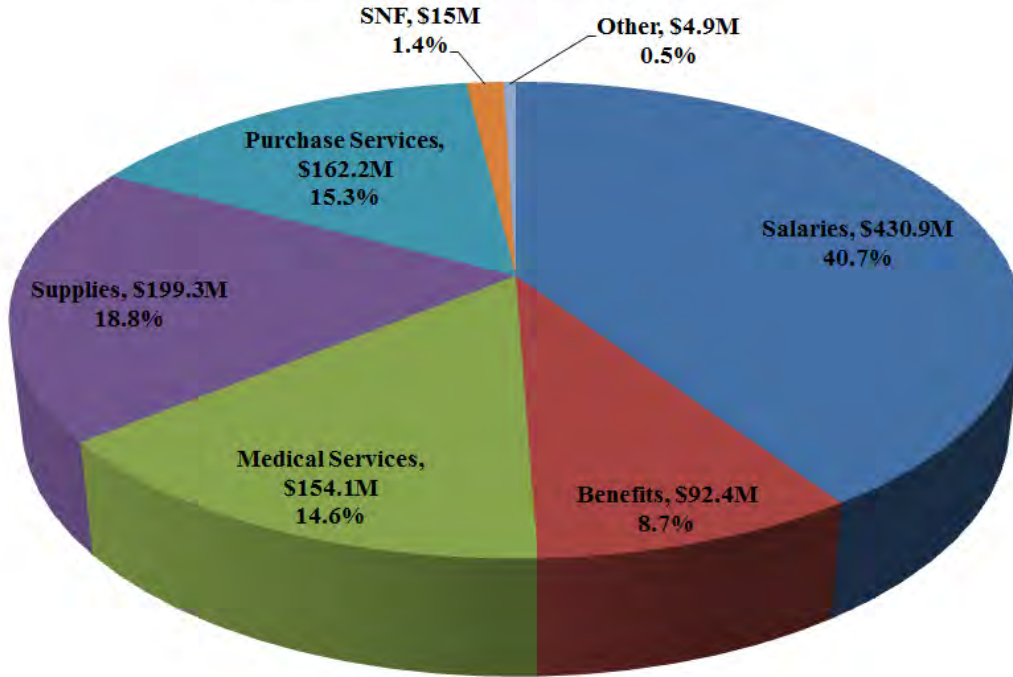
Other Revenue of \$59.8 million includes reimbursement for residents that work in non UHS systems, Grants, Foundation revenue, cafeteria revenue for visitors and staff, sundry revenue from parking, disposal of assets, clinical research studies, UT leased space at UH and TDI, pharmacy rebates, vendor rebates, medical records copies, lease payments, reimbursement under the 1115 waiver for anchor administrative costs, and other miscellaneous items.

- The \$7.5 million increase for 2017 is related to amounts due from UT Health and an increase in reimbursement for 1115 waiver anchor expense.

Total Operating Expense (TOE)

TOE is budgeted at \$1.06 billion which is a \$58.7 million or 5.9% increase over the 2016 projected total. Clinical Services salaries and benefits make up 49.4% of TOE. Medical Services, Purchased Services, and Supplies make up 14.6%, 15.3%, 18.8%, respectively. A chart summarizing the changes in TOE by category and drivers that impact the changes is provided in Exhibit 8.

Total Operating Expenses: \$1.06B



Salaries

Salaries			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Salaries	\$416.3	\$430.9	
Volume Driven		(\$4.6)	
Fixed		(\$1.7)	
Merit		(\$8.3)	
Total Change		(\$14.6)	(3.5%)
Salaries per AD	\$7,753.1	\$7,682.1	
Change		\$71.0	0.9%

Salary cost of \$431 million is \$14.6 million or 3.5% higher than 2016 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 a 2% or \$8.3 million merit increase
- The combination of increased activity and improved efficiency will increase salary expense by a net impact of \$4.6 million
- 21 new FTEs were approved for 2017 totaling \$1.2 million which is covered by increased net patient revenue.
 - 2 Providers for the STAR Kids program
 - 5 Financial Clearance staff servicing Radiology, Surgery, Cath Lab, OP Rehab, all Specialty Clinics
 - 2 Nurse Case Managers to create Denial Management unit to move the Health System to Denial Prevention
 - 1 Patient Access Services Manager to oversee and manage over 40 registration employees transitioning from other departments to Admissions
 - 1 Speech Pathologist for Pediatric Cardiac Service to decrease length of stay of cardiac neonates
 - 2 Electricians for Translogic Tube Maintenance
 - 1 NICU Trauma Coding Tech to meet ACS requirements
 - 1 Trauma Office Trauma Coding Tech to meet ACS requirements
 - 2 Trauma Nurse Fellows for recruitment of outside critical care nurses with 2-year commitment to UHS
 - 2 Transplant Coordinators transitioning from UT
 - 1 Genetic Counselor for Pathology to replace expensive outsourcing of genetic testing
 - 1 Contract Specialist to facilitate the increase in formal solicitation requests and to manage the re-procurement process to ensure compliance with state public procurement laws and the Health System's procurement policy

Employee Benefits

Benefits			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Benefits	\$78.2	\$92.4	
Pension Plan Contributions		(\$8.5)	
Social Security		(\$6.0)	
Net Other Benefits		\$0.3	
Total Change		(\$14.2)	(18.2%)
Benefits as a % of salaries	18.8%	21.5%	
Change		(2.7%)	

Benefits of \$92.4 million are \$14.2 million or 18.2% higher than in 2016 projected.

- Increase in Pension Plan expense of \$8.5 million due primarily to a required GASB 68 accounting change
- Increase in social security by \$6.0 million based on salary expense
- Net decrease in other benefits of \$300 thousand

Medical Services

Medical Services			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Medical Services	\$122.2	\$154.1	
Take back contracts		(\$100.1)	
Reduction BCCS IGT		\$71.0	
Net Increase in Other Med Svcs		(\$2.8)	
Total Change		<u>(\$31.9)</u>	(26.1%)
 Medical Services per AD	 \$2,275.7	 \$2,747.2	
Change		(\$471.5)	(20.7%)

Medical Services of \$154.1 million reflects an increase of \$31.9 million or 26.1% from the projected 2016 amount. The major increase in Medical Services is related to the termination of the current BCCS charity expansion program. The Health System will take back roughly \$112 million (annualized) in UT contracts in February. The IGT related to UC for private hospitals will also end in 2017. Net impact for 2017 is a negative \$29 million in Medical Services.

Supplies

Supplies			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Supplies	\$188.9	\$199.3	
Pharmaceuticals		(\$4.7)	
Surgical Implants		(\$3.7)	
Lab Tests		(\$1.3)	
Other Activity		(\$0.6)	
Total Change		<u>(\$10.3)</u>	(5.5%)
Supplies per AD	\$3,518.9	\$3,552.7	
Change		(\$33.8)	(1.0%)

In 2017, supplies are budgeted at \$199.3 million which is an \$10.3 million or 5.5% increase over the projected 2016. The increase in supply cost is due to the following:

- \$4.7 million increase in Pharmaceuticals due to price increases and additional Pediatric related to Hematology and Oncology activity
- \$3.7 million increase in Surgical Implants with most of that coming from new procedures and devices in the Cath Lab
- \$1.3 million increase due to new lab tests which will provide faster results
- \$0.6 million is due to other activity increases

Purchased Services

Purchased Services			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Purchased Services	\$189.3	\$177.2	
Maintenance Contracts		(\$9.4)	
Professional Services		(\$5.3)	
Media and Advertising		(\$2.7)	
Other Purchased Services		\$4.0	
Skilled Nursing Facility		\$25.4	
Total Change		\$12.2	6.4%
Purchased Services per AD	\$3,526.0	\$3,158.6	
Change		\$367.4	10.4%

Purchased Services are budgeted overall at \$177.2 million, a \$12.2 million or a 6.4% decrease from the 2016 projection. Contributing to this change are the following:

- Nursing home program (SNF) is budgeted to terminate in June of 2017 decreasing the expense by \$25.4 million.
- Information systems contracts are up \$4.6 million over 2016 projected due primarily to software support for lab, pharmacy and surgical services.
- Professional Services are budgeted with a \$5.3 million dollar increase over 2016 levels primarily due to additional contracts related to placing unfunded patients in nursing homes.
- Media and advertising are budgeted with an increase of \$2.7 million over the 2016 projection due to the UHS 100th Anniversary campaign and service line growth.

Other Expenses

Other Expense			
(Dollars in Millions)	2016 Projected	2017 Preliminary Budget	% Var
Other Expenses	\$5.1	\$4.9	
Bexar County Appraisal District		\$0.1	
TIRZ		\$0.1	
CHCS Expense		\$0.0	
Total Change		\$0.1	2.8%

Other Expenses are budgeted at \$4.9 million and reflect a 2.8% decrease from 2016.

- The Bexar County Appraisal District fee provided their budget allocation to the Health System.
- Tax Investment Redevelopment Zone (TIRZ) fee was estimated from information provided by the City of San Antonio.
- Center for Health Care Services (CHCS) and Alamo Area Council of Governments (AACOG) expense is budgeted at the UHS sponsorship obligation level.

Non-Operating Revenue/Expense Assumptions

- Depreciation is budgeted at \$81.3 million and is up \$2 million or 2.7% related to asset additions in 2016 and 2017.
- Decrease in Meaningful Use funding consistent with Medicare and Medicaid funding expectations.
- Investment Income projected to decline by \$629,000 due to new SEC rules eliminating the Health System's ability to invest in Prime Money Market funds. This is a conservative estimate which does not include any interest rate increases.
- Unrealized Gains/Losses are not budgeted.

Debt Service Requirement

- Debt payments by the Health System for 2017 are estimated at \$56.8 million. The 2017 debt tax rate is \$0.038626 per \$100 valuation. This rate is \$0.001829 or 4.5% lower than the existing debt tax rate of \$0.040455. The debt tax rate is slightly lower given the increase in property values. The required debt payment for 2017 increased \$3 million from \$53.8 million to \$56.8 million. The majority of the debt service increase is a result of the issuance of Certificates of Obligation Series 2016 advance refunding selected Certificates of Obligation Series 2008.
- A Debt Service tax levy of \$56.8 million to cover payments due in 2017 was approved by Commissioners Court on September 13, 2016.

Debt Service

	2016 Projected	2017 Preliminary Budget	Incr/ (Decr)	% Var
Debt Service I&S Tax Funds	\$ 53.8	\$ 56.8	\$ 3.0	5.6%
Debt Service Payment	\$ 53.8	\$ 56.8	\$ 3.0	5.6%
Net Debt Service Revenue	\$ -	\$ -	\$ -	0.0%

Note: Of the Debt Service payment, these interest amounts are no longer capitalized

	\$ 38.6	\$ 34.6	\$ (4.0)	-10.4%
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Ongoing Capital Requirements

The capital budget for 2017 is recommended to be set at \$27.9 million. In prioritizing the capital needs for 2017, 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”.

As in prior year’s capital budgets, an annual contingency fund was established to purchase any unforeseen requests that would occur during the year. For 2017, the Capital Committee recommended a contingency fund of \$500,000. A summary of the capital by category used to prioritize projects is as follows:

2017 Ongoing Capital Requirements

Priority	Contingency	Mandated (Regulatory Safety & Required Maintenance)	Replacement	Strategic (New Service / Expansion)	Grand Total
Essential: Cannot Function Without	\$ 500,000	\$ 3,157,076	\$ 6,000,624	\$ 2,743,523	\$ 12,401,223
Important: Necessary For Improvement		\$ 33,382	\$ 3,510,066	\$ 8,107,177	\$ 11,650,625
Proactive: Necessary To Avoid Problems		\$ 50,000	\$ 3,658,632	\$ 116,932	\$ 3,825,564
Total Clinical Services	\$ 500,000	\$ 3,240,458	\$ 13,169,323	\$ 10,967,631	\$ 27,877,412

A detailed listing of capital requests can be found in Exhibit 9.

2017 Community First Health Plans Budget

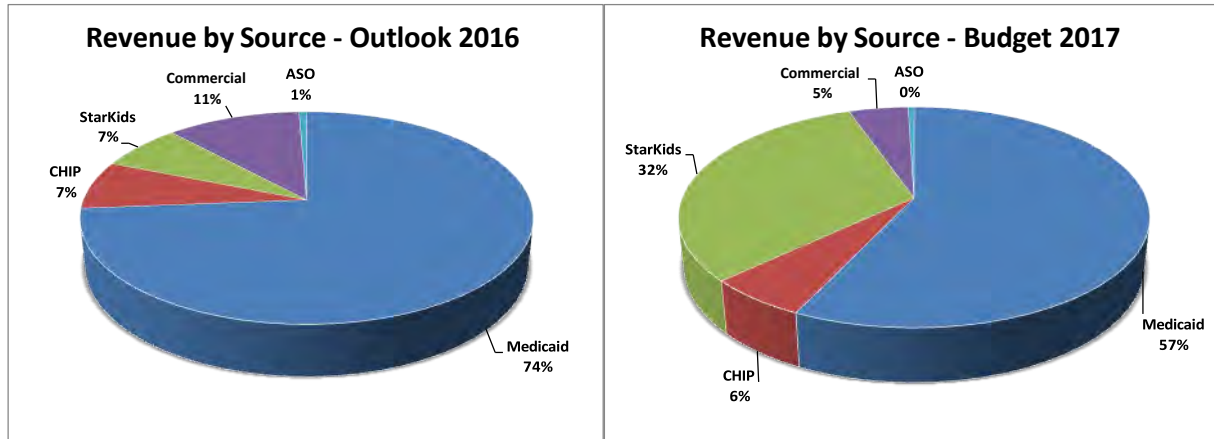
Background:

In 2016, Community First Health Plan was successful in achieving several key milestones, including

- 1) staff expansion of 42% and facility expansion in preparation of STAR Kids, a new program from Texas Health and Human Services Commission for handicapped children
- 2) full implementation of STAR Kids, with among the top scores in readiness review, implementation a long term support services care management system and an electronic visit verification system, training and building modification
- 3) RFP and selection of a new Care Management system.
- 4) RFP and tentative selection of a Core Processing system.

In 2017, CFHP will grow Total Revenue by 19%, due to the addition of STAR Kids, and will achieve more than half billion in revenue by the end of 2017. STAR Kids is projected to add \$161 Million in revenue. This growth is despite lower estimates for revenue from Network Access Improvement Program (projected to end in August of 2017) and CFHP's non participation Health Exchange in 2017.

Below is an illustration in the change in revenue sources from 2016 to 2017:



Medical Expense is projected to increase \$57 PMPM over Outlook, due primarily to the addition of STAR Kids, as the medical expense for STAR Kids is significantly higher than average medical expense, at over \$1,500 PMPM.

Service Coordination is a new cost related to STAR Kids, with each member requiring a lengthy assessment and a personal service coordinator assigned. The service coordinators are grouped into pods of multidisciplinary staff, who work as a team to provide all medically necessary services to the members. The 2017 budget includes 86 staff members and related mileage expense of \$6.5 Million, an increase of \$5.6 Million over 2016 Outlook, due to the fact that STAR Kids will not begin until November of 2016.

Administrative costs (excluding service coordination costs and provider incentive costs) will increase \$4 PMPM, but will decrease on a percentage of premium basis from 11.3% in 2016 Outlook to 10.1% of Premium in 2017 budget (excluding Network Access Improvement Premium).

In 2017, the following initiatives resulted in additional resources being added to the budget:

- Successful implementation of STAR Kids – The budget includes 20 additional FTEs at a cost of \$1.3 Million for service coordination as well as other areas of STAR Kids in order that the program will be successfully implemented. In addition, 9 FTEs have been added at a cost of 572,000, based on an increased estimate of membership from 6,920 originally budgeted in 2016 to 8,000 members budgeted in 2017.

- Implement Care Management System – the budget includes 5 FTEs at a cost of \$303,000 in staffing resources as well as \$764,000 consulting/implementation/subscription fees costs in order to implement a new Care Management System.

- Finalize contract and begin implementation for Core Processing System – the budget includes implementation fees of \$1,392,000 as well as legal and consulting assistance totaling \$500,000. In addition, the budget includes
 - \$524,000 for hosting fees as well as maintenance fees of \$278,000. With the implementation beginning in August of 2017, additional FTEs will be added at a cost of \$232,000.

- Prepare for Health Exchange in 2018 – the budget includes \$605,000 in staffing/marketing/actuarial/edge server costs in order to participate on the Health Exchange in 2018.

- Reverse negative trend in Medicaid and CHIP market share – the budget includes \$800,000 in Medicaid/CHIP specific marketing as well as \$250,000 in name recognition general marketing to reverse the negative trend in market share for Medicaid and CHIP.

CFHP Operating Budget

Community First Health Plans, Inc.
2015 Actual, 2016 Budget, 2016 Outlook and 2017
Budget

CFHP (Dollars are in Thousands)	2015 Audited	2016 Budget	2016 Projected	2017 Preliminary Budget	Variance from Projected	% Variance
Revenues						
CFHP Premium Revenue	\$357,905	\$409,085	\$381,035	\$496,666	\$115,632	30.3%
Other Revenue	<u>\$2,296</u>	<u>\$2,337</u>	<u>\$45,891</u>	<u>\$12,976</u>	<u>(\$32,915)</u>	(71.7%)
Total Operating Revenues	<u>\$360,201</u>	<u>\$411,422</u>	<u>\$426,926</u>	<u>\$509,643</u>	<u>\$82,717</u>	<u>19.4%</u>
Expenses						
Salaries	\$12,840	\$16,832	\$17,669	\$24,072	(\$6,403)	(36.2%)
Benefits	\$2,556	\$3,606	\$3,082	\$4,171	(\$1,089)	(35.3%)
Purchased Services	\$19,186	\$23,267	\$25,016	\$28,821	(\$3,806)	(15.2%)
Medical Claims Expense	\$309,863	\$363,267	\$369,778	\$447,657	(\$77,879)	(21.1%)
Total Operating Expenses	<u>\$344,445</u>	<u>\$406,972</u>	<u>\$415,544</u>	<u>\$504,720</u>	<u>(\$89,177)</u>	<u>(21.5%)</u>
Gain (Loss) from Operations	<u>\$15,757</u>	<u>\$4,451</u>	<u>\$11,382</u>	<u>\$4,922</u>	<u>(\$6,460)</u>	<u>(56.8%)</u>
Non-operating Revenue/(Expense):						
Depreciation and Amortization	\$598	\$820	\$752	\$942	(\$190)	(25.2%)
Interest Income	\$499	\$532	\$640	\$710	\$70	10.9%
Unrealized Gain/Loss	<u>(\$26)</u>	<u>\$0</u>	<u>\$85</u>	<u>\$0</u>	<u>(\$85)</u>	(100.0%)
Total Non-operating Revenue/Expense	<u>(\$124)</u>	<u>(\$288)</u>	<u>(\$26)</u>	<u>(\$231)</u>	<u>(\$205)</u>	<u>(772.6%)</u>
Bottom Line	<u>\$15,632</u>	<u>\$4,163</u>	<u>\$11,356</u>	<u>\$4,691</u>	<u>(\$6,664)</u>	<u>(58.7%)</u>
Ongoing Capital Requirements	<u>\$704</u>	<u>\$1,309</u>	<u>\$1,309</u>	<u>\$877</u>	<u>\$432</u>	<u>33.0%</u>

- The budget projects \$509 Million in total revenue, a growth of \$83 Million or 19% over 2016 projected revenue. \$135 Million is due to 12 months of STAR Kids premium vs. 2 months premium in Outlook 2016. A reduction in NAIP funding will lower Revenue by \$20 Million, with the anticipation that the program will discontinue in August of 2017. \$20 Million reduction is due to CFHP not participating in Health Exchange in 2017. \$12 Million reduction is due to a favorable adjustment for the Pay for Quality program in 2016 that will not recur in 2017.
- The budget projects \$504 Million in total expense, a growth of \$89 Million or 22% from 2016's projected medical expense. \$119 Million increase is due to twelve months of STAR Kids line of business in 2017 vs. two months in Outlook 2016. \$19 Million reduction is due to CFHP not participating in Health Exchange in 2017.
- The budget includes a net of \$1.75 Million in contracting savings initiatives that will lower medical expense in Medicaid and CHIP.

- Administrative costs (excluding Service Coordination cost) are projected to increase \$4 PMPM from a current per member per month (PMPM) rate of \$23 to \$27 in 2017. Of the \$4 PMPM increase, \$2.05 PMPM is due to having STAR Kids staff in for a full year. \$.44 PMPM (excluding service coordination additions) is due to staffing additions in STAR Kids. \$2.14 is due to the cost of system implementations. \$.43 is due to the impact of additional marketing for market share improvement in Medicaid and CHIP. Not participating in Health Exchange in 2017 reduced administrative costs by (\$.97) PMPM in fees, salaries and premium taxes.

Overall, the CFHP budget for 2017 projects a Net Income of **\$4,691,334. Exhibit**

2 – Capital Budget

Community First Health Plans, Inc.	
Capital Budget Items	
Year 2017	
Item	Total Cost
Computer Equipment Replacements - Existing Employees	\$ 43,450
Furniture & Fixtures, Leasehold Improvements	36,171
Set up costs for new employees	\$ 69,575
Infrastructure Enhancement Upgrades - Server, VM Ware, Virtual Desktop	602,469
Security Infrastructure Improvements- Audit & Malware Software	\$ 41,656
Software Efficiencies/Upgrades - General Ledger/Automated Call System / Data Warehouse	83,316
Totals	\$ 876,637

- Of the \$941,000 budgeted for Depreciation Expense in 2017, \$214,000 is for assets to be acquired in 2017.
- Infrastructure Enhancements and Upgrades include \$350,000 hardware replacement for the main server for Amisys, which is beyond the useful life.

EXHIBITS

UNIVERSITY HEALTH SYSTEM ACTIVITY	2014 Actual	2015 Actual	2016 Budget	Projected 2016	Preliminary Budget 2017	Var. 2017 vs 2016 Proj.	Var %
In-Patient Activity							
Heart Vascular	1,749	2,169	2,399	2,386	2,393	7	0.3%
Women Services	3,960	4,035	4,375	4,026	4,057	30	0.8%
Neonates	865	905	850	1,227	1,242	14	1.2%
Neurology	1,464	2,085	2,071	2,261	2,302	41	1.8%
Orthopedics ¹	1,424	1,545	1,645	1,605	1,573	(33)	-2.0%
Trauma	1,169	1,359	1,394	1,305	1,335	30	2.3%
Transplant	164	191	201	194	209	14	7.4%
All Other	10,037	11,825	11,649	12,715	13,546	831	6.5%
Sub-Total: Adult Discharges	20,832	24,114	24,584	25,719	26,655	936	3.6%
Heart Vascular	130	166	184	182	197	15	8.1%
Neurology	264	277	255	349	373	24	6.9%
Orthopedics	194	240	225	234	234	(0)	-0.1%
Trauma	400	423	481	502	525	23	4.6%
Transplant	17	20	15	23	24	0	2.0%
All Other	923	1,181	1,351	1,162	1,566	404	34.8%
Sub-Total: Pedi Discharges²	1,928	2,307	2,510	2,452	2,919	466	19.0%
Total Discharges	22,760	26,421	27,094	28,172	29,574	1,402	5.0%
Heart Vascular	16,272	12,871	19,587	14,836	14,931	95	0.6%
Women Services	10,881	11,182	12,249	11,612	11,712	100	0.9%
Neonates	17,307	17,848	18,980	19,116	19,327	211	1.1%
Neurology	7,472	10,602	10,509	12,006	12,204	198	1.6%
Orthopedics	7,113	8,416	8,443	8,467	8,298	(169)	-2.0%
Trauma	7,242	8,072	8,218	8,271	8,462	191	2.3%
Transplant	1,878	2,344	2,247	2,402	2,581	179	7.4%
All Other	62,798	74,863	68,332	81,449	85,765	4,316	5.3%
Sub-Total: Adult Days	130,963	146,198	148,565	158,159	163,279	5,120	3.2%
Heart Vascular	3,166	1,963	4,136	2,308	2,495	187	8.1%
Neurology	1,235	1,364	1,125	2,016	2,167	151	7.5%
Orthopedics	567	757	763	836	836	(1)	-0.1%
Trauma	2,100	1,958	2,731	2,902	3,035	133	4.6%
Transplant	113	283	92	252	257	5	2.0%
All Other	6,217	7,469	7,017	6,990	8,776	1,786	25.5%
Sub-Total: Pedi Days²	13,398	13,794	15,864	15,303	17,565	2,262	14.8%
Total: Days	144,361	159,992	164,429	173,462	180,844	7,382	4.3%
Births	2,836	3,160	3,217	3,117	3,212	95	3.0%
ALOS Adult	6.29	6.06	6.04	6.15	6.13	(0.02)	-0.4%
ALOS Pedi	6.95	5.98	6.32	6.24	6.02	(0.22)	-3.5%
Total ALOS	6.34	6.06	6.07	6.16	6.12	(0.04)	-0.7%

UNIVERSITY HEALTH SYSTEM ACTIVITY	2014 Actual	2015 Actual	2016 Budget	Projected 2016	Preliminary Budget 2017	Var. 2017 vs 2016 Proj.	Var %
Other UH Volume: EC, Surgery, & Observations							
Total EC (IP - Adult/Main) ³	15,469	18,103	18,708	18,465	19,009	544	2.9%
Total EC (OP - Adult/Main)	53,856	56,451	60,098	58,342	60,276	1,934	3.3%
Surgery (UHS IP - Adult/Main)	8,153	7,174	9,032	6,918	7,001	82	1.2%
Surgery (UHS OP - Adult/Main)	5,342	6,068	5,775	5,799	5,880	81	1.4%
Sub-Total: OP EC & Surg - Adult	82,820	87,796	93,613	89,524	92,166	2,642	3.0%
Total EC (IP - Pedi) ⁴	1,220	1,488	1,374	1,411	1,721	310	22.0%
Total EC (OP - Pedi)	5,577	6,062	6,522	6,801	8,433	1,632	24.0%
Surgery (UHS IP - Pedi)	640	926	1,414	696	710	14	2.0%
Surgery (UHS OP - Pedi) ⁵	804	1,195	1,144	1,061	1,277	216	20.4%
Sub-Total: OP EC & Surg - Pedi	8,241	9,671	10,454	9,969	12,142	2,173	21.8%
Observation - UHS (Days)	10,098	8,364	8,618	7,123	7,352	229	3.2%
Total Other Vol: (EC, Surg, & Observations)	101,159	105,831	112,685	106,616	111,660	5,044	4.7%
Ambulatory Surgery Center Volume and other Outpatient Visits (includes PHC's)							
RBG ASC (Surg)	704	662	1,200	922	950	28	3.0%
RBG ASC (Endo)	4,858	5,013	6,300	4,947	4,947	-	0.0%
MARC ASC (Surg)	2,990	2,656	2,707	2,571	2,643	72	2.8%
MARC ASC (Endo)	1,453	1,330	1,528	1,559	1,623	64	4.1%
Clinics (UH - Adult)	42,167	46,074	45,765	43,878	45,240	1,362	3.1%
Clinics (Pavilion)	37,685	40,928	42,774	40,915	42,143	1,227	3.0%
Dialysis (Adult)	74,376	72,305	72,443	72,615	73,727	1,112	1.5%
Clinics Ambulatory Ops (Adult)	508,863	503,669	514,089	479,269	492,408	13,139	2.7%
Clinics (PHCs)	56,987	62,970	63,897	60,883	62,680	1,797	3.0%
Sub-Total: OP Clinics - Adult⁶	730,083	735,607	750,703	707,560	726,360	18,800	2.7%
Clinics (UH - Pedi)	7,347	11,807	10,820	13,173	13,979	806	6.1%
Clinics (Pavilion - Pedi)	4,847	13,314	13,317	12,108	12,484	376	3.1%
Dialysis (Pedi)	2,453	2,485	2,810	2,507	2,560	53	2.1%
Clinics Ambulatory Ops (Pedi)	40,900	48,582	50,835	52,597	54,175	1,578	3.0%
Sub-Total: OP Clinics - Pedi	55,547	76,188	77,782	80,385	83,197	2,813	3.5%
Ancillary Support (Encounters)	130,211	112,993	113,039	148,904	157,727	8,823	5.9%
Total Other Vol: (OP ASCs, OP Clinics, PHCs)	915,841	924,788	941,524	936,849	967,284	30,435	3.2%
Total Outpatient Volume	991,518	1,002,928	1,023,681	1,015,975	1,050,503	34,528	3.4%
Adjusted Discharges	45,392	49,151	50,483	53,694	56,087	2,393	4.5%
1. Loss of several Orthopedic surgeons, forecasting reduction of 33 Ortho Inpatients 2. Inpatient Pedi growth due to alignment with CFHP in the Medicaid Star Kids program 3. Increased volume and improving throughput in main EC, projecting 544 additional adult EC driven admissions. 4. Pediatric EC opened Aug. 2016; projecting 310 additional Pedi EC driven admissions 5. Additional capacity with opening of 7 O.R.s will increase Pediatric surgical volume. 6. Outpatient clinic volume projected to grow by roughly 3% with addition of new CMA providers.							



Statement of Revenues and Expenses

Consolidated <small>(Dollars are in Thousands)</small>	2015 Audited	2016 Budget	2016 Projected	2017 Preliminary Budget	Variance from Projected	% Variance
Revenues						
Net Patient Service Revenue	\$476,967	\$498,368	\$526,826	\$564,668	\$37,842	7.2%
Property Taxes M & O	\$280,850	\$311,524	\$311,640	\$345,400	\$33,760	10.8%
Disproportionate Share Revenue	\$30,919	\$16,986	\$16,986	\$23,044	\$6,057	35.7%
DSRIP Revenue	\$55,596	\$52,218	\$50,358	\$56,000	\$5,642	11.2%
NAIP Revenue	\$27,998	\$50,358	\$48,725	\$28,127	(\$20,598)	(42.3%)
SNF Revenue	\$16,612	\$32,124	\$39,810	\$15,000	(\$24,810)	(62.3%)
Uncompensated Care (UC) Revenue	\$83,536	\$48,725	\$52,218	\$45,732	(\$6,486)	(12.4%)
Tobacco Settlement Fund	\$6,048	\$6,026	\$5,524	\$5,680	\$157	2.8%
CFHP Premium Revenue	\$357,905	\$409,085	\$381,035	\$496,666	\$115,632	30.3%
Other Revenue	\$60,838	\$57,942	\$98,228	\$72,807	(\$25,421)	(25.9%)
Total Operating Revenues	\$1,397,270	\$1,483,355	\$1,531,348	\$1,653,124	\$121,777	8.0%
Expenses						
Salaries	\$396,112	\$429,864	\$433,964	\$454,937	(\$20,973)	(4.8%)
Benefits	\$80,156	\$81,809	\$81,279	\$96,615	(\$15,336)	(18.9%)
Medical Services	\$114,013	\$127,294	\$122,190	\$154,083	(\$31,893)	(26.1%)
Supplies	\$168,784	\$167,428	\$188,945	\$199,262	(\$10,317)	(5.5%)
Purchased Services	\$188,741	\$205,441	\$214,338	\$205,977	\$8,361	3.9%
Medical Claims Expense	\$309,863	\$363,267	\$369,778	\$447,657	(\$77,879)	(21.1%)
BAD/TIRZ	\$2,041	\$2,027	\$2,331	\$2,173	\$159	6.8%
CHCS Expense /AACOG Match	\$2,238	\$2,720	\$2,756	\$2,773	(\$17)	(0.6%)
Total Operating Expenses	\$1,261,947	\$1,379,849	\$1,415,581	\$1,563,477	(\$147,896)	(10.4%)
Gain (Loss) from Operations	\$135,322	\$103,506	\$115,767	\$89,647	(\$26,119)	(22.6%)
Non-operating Revenue/(Expense):						
Depreciation Expense	(\$81,222)	(\$89,165)	(\$80,041)	(\$82,238)	(\$2,197)	(2.7%)
Meaningful Use Funds	(\$18)	\$3	\$3	\$0	(\$3)	(100.0%)
Interest Income	\$2,562	\$2,903	\$3,737	\$3,178	(\$559)	(15.0%)
Unrealized Gain/(Loss)	(\$687)	\$0	\$811	\$0	(\$811)	(100.0%)
Total Non-operating Revenue/(Expense)	(\$79,365)	(\$86,259)	(\$75,490)	(\$79,060)	(\$3,571)	(4.7%)
Bottom Line Excluding Debt Service	\$55,957	\$17,247	\$40,277	\$10,587	(\$29,690)	(73.7%)
Debt Service						
Debt Service Revenue (Property Tax I & S)	\$44,300	\$53,800	\$53,800	\$56,800	\$3,000	5.6%
Debt Service	\$44,300	\$53,800	\$53,800	\$56,800	\$3,000	5.6%
Net Debt Service	\$0	\$0	\$0	\$0	\$0	0.0%
Ongoing Capital Requirements	\$31,396	\$33,638	\$30,392	\$28,754	\$1,638	5.4%



University Health System

Statement of Revenues and Expenses

Clinical Services	2015 Audited	2016 Budget	2016 Projected	2017 Preliminary Budget	Variance from Projected	% Variance
(Dollars are in Thousands)						
Adjusted Discharges	49,151	50,483	53,694	56,087	2,393	4.5%
Revenues						
Net Patient Service Revenue	\$476,967	\$498,368	\$526,826	\$564,668	\$37,842	7.2%
Property Taxes M & O	\$280,850	\$311,524	\$311,640	\$345,400	\$33,760	10.8%
Disproportionate Share Revenue	\$30,919	\$16,986	\$16,986	\$23,044	\$6,057	35.7%
DSRIP Revenue	\$55,596	\$52,218	\$50,358	\$56,000	\$5,642	11.2%
NAIP Revenue	\$27,998	\$50,358	\$48,725	\$28,127	(\$20,598)	(42.3%)
SNF Revenue	\$16,612	\$32,124	\$39,810	\$15,000	(\$24,810)	(62.3%)
Uncompensated Care (UC) Revenue	\$83,536	\$48,725	\$52,218	\$45,732	(\$6,486)	(12.4%)
Tobacco Settlement Fund	\$6,048	\$6,026	\$5,524	\$5,680	\$157	2.8%
Other Revenue	<u>\$58,543</u>	<u>\$55,605</u>	<u>\$52,337</u>	<u>\$59,831</u>	<u>\$7,494</u>	<u>14.3%</u>
Total Operating Revenues	\$1,037,068	\$1,071,933	\$1,104,422	\$1,143,482	\$39,060	3.5%
Expenses						
Salaries	\$383,272	\$413,032	\$416,296	\$430,865	(\$14,570)	(3.5%)
Benefits	\$77,600	\$78,202	\$78,197	\$92,445	(\$14,247)	(18.2%)
Medical Services	\$114,013	\$127,294	\$122,190	\$154,083	(\$31,893)	(26.1%)
Supplies	\$168,784	\$167,428	\$188,945	\$199,262	(\$10,317)	(5.5%)
Purchased Services	\$169,555	\$182,174	\$189,323	\$177,156	\$12,167	6.4%
BAD/TIRZ	\$2,041	\$2,027	\$2,331	\$2,173	\$159	6.8%
CHCS Expense /ACOG Match	<u>\$2,238</u>	<u>\$2,720</u>	<u>\$2,756</u>	<u>\$2,773</u>	<u>(\$17)</u>	<u>(0.6%)</u>
Total Operating Expenses	<u>\$917,503</u>	<u>\$972,877</u>	<u>\$1,000,038</u>	<u>\$1,058,757</u>	<u>(\$58,719)</u>	<u>(5.9%)</u>
Gain (Loss) from Operations	\$119,566	\$99,056	\$104,385	\$84,725	(\$19,660)	(18.8%)
Non-operating Revenue/(Expense):						
Depreciation Expense	(\$80,625)	(\$88,345)	(\$79,289)	(\$81,297)	(\$2,008)	(2.5%)
Meaningful Use Funds	(\$18)	\$3	\$3	\$0	(\$3)	(100.0%)
Interest Income	\$2,064	\$2,370	\$3,096	\$2,468	(\$629)	(20.3%)
Unrealized Gain/(Loss)	(\$661)	\$0	\$726	\$0	(\$726)	(100.0%)
Total Non-operating Revenue/(Expense)	<u>(\$79,241)</u>	<u>(\$85,971)</u>	<u>(\$75,463)</u>	<u>(\$78,829)</u>	<u>(\$3,366)</u>	<u>(4.5%)</u>
Bottom Line Excluding Debt Service	\$40,325	\$13,085	\$28,921	\$5,896	(\$23,026)	(79.6%)
Debt Service						
Debt Service Revenue (Property Tax I & S)	\$44,300	\$53,800	\$53,800	\$56,800	\$3,000	5.6%
Debt Service	<u>\$44,300</u>	<u>\$53,800</u>	<u>\$53,800</u>	<u>\$56,800</u>	<u>\$3,000</u>	<u>5.6%</u>
Net Debt Service	\$0	\$0	\$0	\$0	\$0	0.0%
Ongoing Capital Requirements	\$30,692	\$32,329	\$29,083	\$27,877	\$1,205	4.1%



University Health System

Statement of Revenues and Expenses

CFHP (Dollars are in Thousands)	2015 Audited	2016 Budget	2016 Projected	2017 Preliminary Budget	Variance from Projected	% Variance
Revenues						
CFHP Premium Revenue	\$357,905	\$409,085	\$381,035	\$496,666	\$115,632	30.3%
Other Revenue	<u>\$2,296</u>	<u>\$2,337</u>	<u>\$45,891</u>	<u>\$12,976</u>	<u>(\$32,915)</u>	<u>(71.7%)</u>
Total Operating Revenues	\$360,201	\$411,422	\$426,926	\$509,643	\$82,717	19.4%
Expenses						
Salaries	\$12,840	\$16,832	\$17,669	\$24,072	(\$6,403)	(36.2%)
Benefits	\$2,556	\$3,606	\$3,082	\$4,171	(\$1,089)	(35.3%)
Purchased Services	\$19,186	\$23,267	\$25,016	\$28,821	(\$3,806)	(15.2%)
Medical Claims Expense	\$309,863	\$363,267	\$369,778	\$447,657	(\$77,879)	(21.1%)
Total Operating Expenses	<u>\$344,445</u>	<u>\$406,972</u>	<u>\$415,544</u>	<u>\$504,720</u>	<u>(\$89,177)</u>	<u>(21.5%)</u>
Gain (Loss) from Operations	\$15,757	\$4,451	\$11,382	\$4,922	(\$6,460)	(56.8%)
Non-operating Revenue/(Expense):						
Depreciation Expense	(\$598)	(\$820)	(\$752)	(\$942)	(\$190)	(25.2%)
Interest Income	\$499	\$532	\$640	\$710	\$70	10.9%
Unrealized Gain/(Loss)	<u>(\$26)</u>	<u>\$0</u>	<u>\$85</u>	<u>\$0</u>	<u>(\$85)</u>	<u>(100.0%)</u>
Total Non-operating Revenue/(Expense)	<u>(\$124)</u>	<u>(\$288)</u>	<u>(\$26)</u>	<u>(\$231)</u>	<u>(\$205)</u>	<u>(772.6%)</u>
Bottom Line Excluding Debt Service	\$15,632	\$4,163	\$11,356	\$4,691	(\$6,664)	(58.7%)
Ongoing Capital Requirements	\$704	\$1,309	\$1,309	\$877	\$432	33.0%

Net Patient Revenue: 2016 Projected to 2017 Preliminary Budget

Service Line	Total 2016 Projected		Total 2017 Preliminary Budget		Total Variance		% Variance	
	Discharges	Net Patient Revenue	Discharges	Net Patient Revenue	Discharges	Net Patient Revenue	Discharges	Net Patient Revenue
Net Inpatient Revenue by Service Line								
Heart Vascular	2,386	35,121,430	2,393	36,776,501	7	1,655,070	0.3%	4.7%
Women Services	4,026	12,659,919	4,057	13,360,646	30	700,726	0.8%	5.5%
Neonates	1,227	22,269,206	1,242	23,506,128	14	1,236,922	1.2%	5.6%
Neurology	2,261	16,851,758	2,302	17,850,371	41	998,613	1.8%	5.9%
Orthopedics	1,605	18,069,649	1,573	18,853,402	(33)	783,753	-2.0%	4.3%
Trauma	1,305	23,487,802	1,335	25,069,932	30	1,582,129	2.3%	6.7%
Transplant	194	18,833,150	209	21,169,350	14	2,336,200	7.4%	12.4%
All Other	12,715	148,839,994	13,546	165,830,120	831	16,990,126	6.5%	11.4%
Subtotal IP Adult Services	25,719	296,132,909	26,655	322,416,449	936	26,283,540	3.6%	8.9%
Subtotal Pediatrics	2,452	37,154,380	2,919	46,365,575	466	9,211,195	19.0%	24.8%
Total Inpatient	28,172	333,287,289	29,574	368,782,024	1,402	35,494,735	5.0%	10.6%
Net Outpatient Revenue								
OP Emergency Room	85,019	18,849,528	89,440	19,856,144	4,421	1,006,616	5.2%	5.3%
OP Observation	7,123	12,118,486	7,352	12,509,605	229	391,119	3.2%	3.2%
OP Surgery (Hospital)	14,474	11,794,942	14,869	12,270,887	395	475,945	2.7%	4.0%
Marc ASC	4,130	3,164,167	4,266	3,252,778	136	88,611	3.3%	2.8%
RBG ASC	5,869	2,368,332	5,897	2,392,005	28	23,673	0.5%	1.0%
CMA	427,634	18,005,321	451,947	20,663,353	24,313	2,658,032	5.7%	14.8%
Other Amb/OP SVCs	471,725	74,367,628	476,732	75,226,351	5,007	858,723	1.1%	1.2%
Subtotal OP Services	1,015,975	140,668,404	1,050,503	146,171,123	34,528	5,502,719	3.4%	3.9%
Total IP & OP	1,044,147	473,955,693	1,080,076	514,953,147	35,930	40,997,454	3.4%	8.7%
Additional Fixed Net Revenue								
CareLink		11,828,000		11,200,000		(628,000)		(5.3%)
Pharmacy & Vendor Drugs		15,110,995		15,564,325		453,330		3.0%
Projects Research and Lab		1,056,032		1,056,032		0		0.0%
Airlife/Ambulance		831,558		831,558		0		0.0%
Cost Report Pass Through		16,564,126		17,583,200		1,019,074		6.2%
Medicare Settlement		7,479,403		3,479,403		(4,000,000)		(53.5%)
Subtotal		52,870,114		49,714,518		(3,155,596)		(6.0%)
TOTAL NET PATIENT REVENUE		526,825,807		564,667,665		37,841,858		7.2%

Notes:

Commercial and Governmental Rate improvements along with other Revenue Cycle enhancements have been allocated to the service lines

**2017 Budget
Legislative Changes Assumptions**

In \$ Millions	2016 Projected	2017 Preliminary Budget	Variance	% Var	Notes
Rate Impacts					
Hospital Medicare Rates	\$135.4	\$136.6	\$1.2	0.9%	Minor rate adjustments primarily due to inflation
Medicare Cost Report Settlement	\$25.06	\$21.1	(\$4.0)	(16.0%)	2016 was a successful year for appeals of prior years' cost reports. We are not budgeting this one time clean up in 2017.
Medicaid Rate Increase	\$93.3	\$95.6	\$2.3	2.5%	The 2.5% penalty for Potentially Preventable Complications no longer applies to UHS.
Disproportionate Share Funding					
DSH	\$17.0	\$23.0	\$6.0	35.6%	For SFY 2016 transferring hospitals made up for the \$140 million loss in state funding which will increase net DSH payments.
Uncompensated Care and Waiver					
Hospital UC	\$52.2	\$45.7	(\$6.5)	(12.5%)	The actual SFY 2016 UC paid in September did not include an expected \$466 million State wide reduction for unapproved UC payments in DY 0. The projection for SFY 2017 assumes the Waiver continues until 12/31/17 but there will be an estimated State wide reduction of \$350 million.
Bexar UC Program	(\$79.2)	(\$106.8)	(\$27.6)	34.9%	This is not a revenue but an IGT expense for others in the UC program. The current BCCS Charity Care Expansion program runs out of funding in February 2017. The IGT requirement will end but an increase to the overall Medical Services expense will occur. There is a replacement program being developed but has not been fully approved.
DSRIP Revenue	\$50.3	\$56.0	\$5.6	11.2%	DSRIP ends 12/31/2017, but accruals lag up to 3 months. This assumes UHS meets 95% of it's milestones and does not include the expense of implementing projects. The majority of the change is due to timing of revenue recognition.
Other					
NAIP Revenue	\$48.7	\$28.1	(\$20.6)	(42.2%)	For SFY 2017, UHS had a 42.2% reduction in NAIP and SFY 2017 is assumed to continue at this lower level. This assumes all milestones are met and does not include the expense of implementing projects.
Total	\$342.8	\$299.4	(\$43.4)	(12.7%)	

University Health System
Proposed 2016 Property Tax Summary for 2017 Outlook

Exhibit 5

Prior Year 2016 Certified 07/15		Actual Year 2017 as of 07/25/16		Change	% Change
Property Value Certified - 2015 Values	132,700,981,505	Certified 2016 Existing Property Value 7/25/16	145,554,576,315	12,853,594,810	9.69%
Bx Tx Off & 25.25 D Adj	31,149,149	TIRZ Property Value (excluded in computing the effective tax rate)	(114,519,230)		
Value lost to ARB decisions	829,971,699				
Value lost due to first time exemptions	(230,338,737)				
Value lost due to first time Ag appraisals	(8,432,066)				
2015 Adjusted Value	133,323,331,550	2016 Adjusted Value	145,440,057,085	12,116,725,535	9.088%
Memo Only : new property reported in 2015 values	3,824,169,335	Certified 2016 New Property 7/25/16	3,613,459,955	(210,709,380)	-5.51%
		Add Expiring Abatements	-		
		Adjusted New Property	3,613,459,955		
Existing 2015 Adjusted Value for Effective Tax Rate Calculation	133,323,331,550	Existing 2016 Adjusted Property Value less Adjusted New Property for Effective Tax Rate Calculation	141,826,597,130	8,503,265,580	6.38%
Existing Tax Rate		Proposed Tax Rate		Change from Existing Tax Rate	
Existing Operating (M & O) Rate	0.235780	Computed Operating Rate	0.237609	0.001829	0.78%
Existing Debt Rate	0.040455	Debt Rate	0.038626	-0.001829	-4.52%
Total Existing Tax Rate	0.276235	Proposed Tax Rate	0.276235	0.000000	0.00%
Adjusted Gross M&O Existing Property	314,349,751	Adjusted Gross M&O Existing Property	336,992,759	20,937,577	
	-				
	314,349,751				
Adjustments to M&O	1,705,431	Adjusted M&O New Property	8,585,906	8,585,906	
Adjusted Gross M & O Revenue	316,055,182	Adjusted Gross M & O Revenue	345,578,665	29,523,483	
Gross Debt Service Revenue	53,935,954	Gross Debt Service Revenue	56,177,676	2,241,723	
	369,991,136				
Taxes refunded for years preceeding tx yr 2015					
Taxes in TIF for tax year 2015					
Total Tax Revenue	369,991,136	Total Tax Revenue	401,756,342	31,765,206	
	-	Increase in M&O on existing property	22,643,008		
		Increase in M & O on new property	8,585,906		
	-	Increase\(\Decrease) in Total Gross M & O	31,228,914		
		Decrease In Debt Service	2,241,723		
	369,991,136	Total Increase	31,765,206		
M&O Adjustments					
Collection Fee (\$1.56)	(1,060,784)		(1,074,157)		
Bad Debt (1.00%)	(3,160,552)		(1,451,430)		
P&I (.8%)	2,347,181		2,347,181		
Net Adjustments	(1,874,154)		(178,406)		
Debt Service Adjustments					
Bad Debt (1.29%)	(470,874)		622,500		
Net M&O Existing Prop + TIRZ of \$352,644	312,475,597	Net M&O Existing Prop	336,814,353	24,338,757	
Net M&O New Prop	1,705,431	Net M&O New Prop	8,585,906	6,880,475	
Total Net M&O Rev + TIRZ	314,181,028	Total Net M&O Rev	345,400,260	31,219,232	
Net Debt Service Revenue	53,465,079	Net Debt Service Revenue	56,800,176	3,335,097	
Net Total Tax Rev	367,646,107	Net Total Tax Rev	402,200,436	34,554,329	
Net M&O including TIRZ for comparability	314,181,028	Net M&O	345,400,260	31,219,232	
Net Debt Service	53,465,079	Net Debt Service	56,800,176	3,335,097	
Total Taxes Including Debt Service and TIRZ	367,646,107	Total Taxes Including Debt Service and M&O	402,200,436	34,554,329	

**University Health System
Analysis of Tax Rate in Support of the 2017 Outlook**

Recommendation: Maintain Existing Tax Rate	Existing Tax Rate	Proposed Tax Rate	Tax Rate Change from Existing Rate	% Change from Existing Tax Rate	2016 Estimated Net Taxes	2017 Proposed Net Taxes	Proposed Net Change From Prior Year	% Increase
						Dollars in 000's		
Existing Operating (M&O) and Effective Operating Rates	0.23578	0.237609	0.001829	0.78%	\$314,181	\$345,400	\$31,219	9.94%
Requested Debt Rate	0.040455	0.038626	(0.001829)	-4.52%	\$53,465	\$56,800	\$3,335	6.24%
Total Tax Rate	0.276235	0.276235	-	0.00%	\$367,646	\$402,200	\$34,554	9.40%
Total Effective Tax Rate Published		0.260875						
Increase from Effective Rate		(0.023266)	0.910816					
Notice Impact		Two public hearings required						

2016 Estimated

2017 Proposed

M&O Analysis
Impact of a 1% Increase in M&O
Impact of a one cent increase in M&O

\$ 2,801
\$ 11,748

Average Home Value	\$ 170,024
M&O Tax per Homestead	\$ 400.88
Annual M&O Increase per Homestead	
M&O Increase per Homestead from last year per month	
\$100,000 Home Value	\$ 100,000
M&O Tax per \$100,000 home	\$ 235.78
Annual M&O Increase per \$100,000 home from last year	
M&O Increase per \$100,000 home from last year per month	
Debt Service Analysis	
Average Home Value	\$ 170,024
Debt Service Tax per Homestead	\$ 68.78
Annual Debt Service Decrease per Homestead from last year	
Debt Service Decrease per Homestead from last year per month	
\$100,000 Home Value	100,000
Debt Service Tax per \$100,000 home	40.46
Annual Debt Service Decrease per \$100,000 home from last year	
Debt Service Decrease per \$100,000 home from last year per month	
Total Debt Service Analysis	
Average Home Value	\$ 170,024
Total Tax per Homestead	\$ 469.67
Annual Total Tax Decrease per Homestead from last year	
Total Tax Decrease per Homestead from last year per month	
\$100,000 Home Value	\$ 100,000
Total Tax per \$100,000 home	\$ 276.24
Annual Total Tax Decrease per \$100,000 home from last year	
Annual Total Tax Decrease per \$100,000 home from last year per month	

\$ 182,770	\$ 12,746	7.50%
\$ 434.28		
\$ 33.40		8.33%
\$ 2.78		
\$ 100,000		
\$ 237.61		
\$ 1.83		0.78%
\$ 0.15		
\$ 182,770		
\$ 70.60		
\$ 1.81		2.64%
\$ 0.15		
\$ 100,000		
\$ 38.63		
\$ (1.83)		-4.52%
\$ (0.15)		
\$ 182,770		
\$ 504.87		
\$ 35.21		7.50%
\$ 2.93		
\$ 100,000		
\$ 276.24		
\$ -		0.00%
\$ -		

Preliminary 2017 Budget, Changes to Net Patient Revenue

Total Net Patient Revenue	Incremental Increase/Decrease in Millions	Driver
2016 Projected Net Patient Revenue	\$527	
Inpatient Volume		
Pediatric Services	6.8	Pediatric growth at 19.0%
Adult Services		
Cardiac		
Mitra Clip	1.0	New program: Non-Invasive Cardiac heart valve implant
Watchmen/Closure of Left Atrial Appendage	3.0	New Program: Targets patients at high risk for stroke
Dominion Clinic	1.1	New Program: OP Heart Clinic at Dominion, IP referrals
Trauma	0.5	Trauma growth at 2.3%
Orthopedics	(0.4)	Some Orthopedic providers are leaving; 2% vol. reduction
Neonatal	0.3	Growth is basically flat
Transplants	1.6	Volume driven
Other Service Lines	7.2	Growth at 6.5%
Subtotal: Inpatient Volume	\$21.1	
Outpatient Volume		
Pediatric Emergency Center	0.4	OP Pediatric growth at 24%
Surgery at Hospital (Main OR)	0.5	Growth at 3.3%
MARC & RBG ASC's	0.2	Growth at 3.3%
Emergency Center	0.6	Growth at 3.3%
Observation	0.3	Growth at 3.1%
Clinics and Other	2.1	Impact of overall outpatient growth at 3%
Subtotal: Outpatient Volume	\$4.1	
Rate Changes		
Medicare Cost Report	(4.0)	Medicare cost report settlement
Medicare Inpatient Rate Increase	2.3	
Medicaid Inpatient Rate Increase	1.2	
Commercial Rate Improvements	8.7	Managed Care renegotiated rates and improved billing
Subtotal: Rate Changes	\$8.2	
Other		
Revenue Cycle	2.2	Documentation and denial improvement
Charge Master Improvement	2.3	Chargemaster rate increase
Subtotal: Other	\$4.5	
Total Changes to Net Patient Revenue	\$37.8	
2017 Preliminary Budget Net Patient Revenue	\$565	

*Positive numbers indicate an increase in Net Patient Revenue

Exhibit 7B

Preliminary 2017 Budget, Changes to Other Operating Revenue

Total Other Operating Revenue	Incremental Increase/ Decrease in Millions	Driver
2016 Projected Other Operating Revenue	\$578	
Property Taxes	33.8	Kept existing tax rate; increase in property values and new properties
Disproportionate Share Funding	6.1	Increase due to timing difference; pending revenue booking
DSRIP Revenue	5.6	Change due to timing of revenue recognition
NAIP	(20.6)	Sept 2016; program decreased
Skilled Nursing Facility	(24.8)	Pass through cost; SNF program plan to end mid year
Uncompensated Care (UC)	(6.5)	Reduction in Federal funding for uncompensated care
Tobacco Settlement Fund	0.1	Consistent with Projected
Other Revenue	7.5	UTHSCSA reimbursement, House Staff reimbursement, Foundation, Cafeteria, 340B
<hr/>		
Total Changes to Other Operating Revenue	\$1.2	
2017 Preliminary Budget		
Other Operating Revenue	\$579	

*Positive numbers indicate an increase in Other Operating Revenue

Preliminary 2017 Budget, Changes to the Total Operating Expense

Total Operating Expense	Change in Millions	% Change from 2016 Projected	Driver
Employee Compensation	(\$28.8)	-5.8%	
Benefits	(\$14.2)		Pension Plan, Social Security
Merit	(\$8.3)		2% annual increase
Volume Driven	(\$4.6)		Activity increase (4.5% overall)
New Fixed FTEs	(\$1.7)		Admissions, Ambulatory Coding, Nursing Admin, Plant Ops
Medical Services	(\$31.9)	-26.1%	
BCCS	(\$100.1)		Take back of Base Care contracts
Medicaid Supplemental Med Svcs	\$71.0		Net reduction BCCS IGT
Medical Services AOA	(\$1.3)		UTHSC Agreement
Medical Services Carelink	(\$0.6)		Carelink
Medical Services General	(\$0.5)		Detention, Grants, Outsourced Svcs
Medical Services CMA	(\$0.4)		CMA - UTHSC Agreement
Purchased Services	\$12.2	6.4%	
Maintenance Contracts	(\$9.3)		Biomed, Information Services, Plant/Facility Admin
Prof Svcs Patient Care	(\$5.2)		Case Management, DSRIP, Dialysis
Media & Advertising	(\$2.7)		Corporate Communications
Rentals	(\$0.8)		Moved printer rentals to maint contracts
Other Purchased Services	(\$0.6)		Various other purchased services increases
Organ Acquisition	\$0.4		Transplant Services budget less than 2016 projected
Business and Management Fees	\$1.9		Net decrease Management, Business, Legal Fees
Equipment Repair	\$3.1		Most repairs are under Maint Contract for 2017
SNF Expense	\$25.4		Nursing home program budgeted to terminate in June 2017
Supplies	(\$10.3)	-5.5%	
Medical Supplies	(\$11.1)		Pharmaceuticals, surgical implants, pathology Reduction office supplies \$1.2M, Tools/Minor Equip \$.3M, Maint Materials \$.1M. Increase in Food Purchase and Production, Textiles, and Cleaning Supplies \$.8M
Non-Medical Supplies	\$0.8		
Other Expense	\$0.1	2.8%	CHCS Match
Total Variance to 2016 Projected	(\$58.7)	-5.9%	
CFHP Increase in Total Operating Expense	(\$89.1)	-21.5%	Medical Claims (77.9), Purchased Services (3.8), Employee Comp (7.4)
UHS Consolidated Operating Expense	(\$147.8)	-10.4%	

Exhibit 9

2017 Ongoing Capital Requirements

VP	Dept Name	Item Request Name	Priority	Class	2017 Request	Category
Reed Hurley	Contingency	Contingency	Essential: Cannot Function Without	Contingency	500,000	Administrative Equipment
Mike Roussos	Outpat. Transplant Svc	Patient Information Management System	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	900,000	Information Systems
Bill Phillips	Technical Services	Infrastructure	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	852,066	Information Systems
Bill Phillips	Clinical Systems	Allscripts KBC Upgrade	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	300,000	Information Systems
Mike Roussos	Radiology Diagnostic	Carestream Portable X-ray Machine	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	250,000	Clinical Equipment
Bill Phillips	Clinical Systems	Nihon Kohden	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	165,000	Information Systems
Mike Roussos	Radiology Diagnostic	Carestream Diagnostic X-ray Room	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	160,000	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Install Biohazard Cart Washer - Ground Floor Rio	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	125,000	Construction/ Minor Renovation
Bill Phillips	Clinical Systems	Olympus Endoworks Replacement	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	100,000	Information Systems
Richard Rodriguez	In-House Main.& Mnr.Cnst	ATS Switch 4th FL Nursery	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	100,000	Construction/ Minor Renovation
Mike Roussos	Inpatient Pharmacy	Cato Visual Documentation Hardware BD Camera	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	70,000	Administrative Equipment
Nancy Ray	Labor & Delivery Triage	Sonogram Machine	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	56,400	Clinical Equipment
Richard Rodriguez	In-House Main.& Mnr.Cnst	Boom Lift	Proactive: Necessary To Avoid Problems	Mandated (Regulatory Safety & Required Maintenance)	50,000	Administrative Equipment
Michelle Ryerson	Pedi Procedure Room	Sonosite S-Cath	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	35,000	Clinical Equipment
Bill Phillips	Application Systems	API Platform Upgrade	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	30,000	Information Systems
Theresa De La Haya	Zarzamora Operations	Exterior Monument Signage	Important: Necessary For Improvement	Mandated (Regulatory Safety & Required Maintenance)	16,691	Construction/ Minor Renovation
Theresa De La Haya	Salinas Operations	Exterior Monument Signage	Important: Necessary For Improvement	Mandated (Regulatory Safety & Required Maintenance)	16,691	Construction/ Minor Renovation
Michelle Ryerson	Pedi Procedure Room	Nitrous Oxide Oxygen Delivery System	Essential: Cannot Function Without	Mandated (Regulatory Safety & Required Maintenance)	13,610	Clinical Equipment
Mike Roussos	Chemical Pathology	Chemistry Analyzers	Proactive: Necessary To Avoid Problems	Replacement	2,500,000	Clinical Equipment
Mike Roussos	Surgery Operating Room	Draeger Apollo	Proactive: Necessary To Avoid Problems	Replacement	964,248	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Air Handler Replacement for Cath - Sublevel Rio	Essential: Cannot Function Without	Replacement	957,000	Administrative Equipment
Mike Roussos	Nuclear Medicine	Nuclear Medicine Camera	Essential: Cannot Function Without	Replacement	800,000	Clinical Equipment
Nancy Ray	Physical Medicine Admin-UH	Renovation of Inpatient Rehabilitation Unit	Important: Necessary For Improvement	Replacement	607,400	Construction/ Minor Renovation
Bill Phillips	Communication Services	Computer, Video, & Associated Equipment Upgrades	Essential: Cannot Function Without	Replacement	600,000	Information Systems
Nancy Ray	Nursing Administration	Linnet Surgery Beds	Essential: Cannot Function Without	Replacement	587,000	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Renovate Psych Unit for safety issues - 7th Floor	Important: Necessary For Improvement	Replacement	550,000	Construction/ Major Renovation
Mark Webb	Facilities Devel. Prog.	Air Handler Replacement for Histology - 3rd Floor	Essential: Cannot Function Without	Replacement	500,000	Administrative Equipment
Theresa De La Haya	Dialysis Support	Fresenius Dialysis Machines	Essential: Cannot Function Without	Replacement	367,740	Clinical Equipment

VP	Dept Name	Item Request Name	Priority	Class	2017 Request	Category
Mike Roussos	Soft Tissue Diagnostic Lab	Ultrasound Machine	Essential: Cannot Function Without	Replacement	360,000	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Southeast Clinic Structural Repairs	Important: Necessary For Improvement	Replacement	300,000	Construction/ Major Renovation
Richard Rodriguez	In-House Main.& Mnr.Cnst	Backup Generators	Essential: Cannot Function Without	Replacement	250,000	Administrative Equipment
Nancy Ray	Rehab IP Cert Fac	Responder 5 Nurse Call System	Essential: Cannot Function Without	Replacement	218,414	Clinical Equipment
Mike Roussos	Histocompatibility & Immunogenetics	FACSCanto II	Essential: Cannot Function Without	Replacement	201,839	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	HVAC Upgrades - 4th Floor (South) Horizon	Essential: Cannot Function Without	Replacement	200,000	Administrative Equipment
Mike Roussos	Radiology Diagnostic	C-Arm	Essential: Cannot Function Without	Replacement	200,000	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Renovate and Expand Transplant Offices-8th Floor Horizon	Important: Necessary For Improvement	Replacement	195,000	Construction/ Minor Renovation
Sergio Farrell	SW Operations	SW Clinic Pharmacy Renovation	Important: Necessary For Improvement	Replacement	165,000	Construction/ Minor Renovation
Richard Rodriguez	In-House Main.& Mnr.Cnst	Swisslog Nexus Screens	Important: Necessary For Improvement	Replacement	155,000	Administrative Equipment
Mike Roussos	Surgery Operating Room	Philips Monitors	Important: Necessary For Improvement	Replacement	146,692	Clinical Equipment
Richard Rodriguez	Fleet Services	(3) Ford Transit Vans	Important: Necessary For Improvement	Replacement	111,000	Administrative Equipment
Richard Rodriguez	Fleet Services	(3) Police Ford Explorers	Important: Necessary For Improvement	Replacement	111,000	Administrative Equipment
Nancy Ray	Neonatal ICU	Panda Warmers	Important: Necessary For Improvement	Replacement	103,200	Clinical Equipment
Mike Roussos	Gastro Intestinal Lab	Perseus Anesthesia Machine	Important: Necessary For Improvement	Replacement	102,000	Clinical Equipment
Nancy Ray	Respiratory Therapy	IPV-Intrapulmonary percussive ventilator	Important: Necessary For Improvement	Replacement	101,000	Clinical Equipment
Richard Rodriguez	Plant Oper. & Mainte.	RBG Air Handler Unit AH-A1-4	Essential: Cannot Function Without	Replacement	100,000	Construction/ Minor Renovation
Richard Rodriguez	Chill Water Plant	Water Softener Upgrade	Proactive: Necessary To Avoid Problems	Replacement	100,000	Administrative Equipment
Mike Roussos	Surgery Operating Room	Alcon Ngenuity Visualization System	Important: Necessary For Improvement	Replacement	99,000	Clinical Equipment
Nancy Ray	Inpatient Rehabilitation Clinic	Erigo Pro	Important: Necessary For Improvement	Replacement	92,903	Clinical Equipment
Sergio Farrell	SE Operations	AC&C Nurse Call System	Proactive: Necessary To Avoid Problems	Replacement	86,687	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Renovate Psych Unit Nursing Station - 7th Floor Ho	Important: Necessary For Improvement	Replacement	82,500	Construction/ Minor Renovation
Richard Rodriguez	In-House Main.& Mnr.Cnst	UPS Batteries Replacement	Important: Necessary For Improvement	Replacement	80,000	Administrative Equipment
Mike Roussos	Non-Invasive Cardiology	EKG Machines	Important: Necessary For Improvement	Replacement	68,000	Clinical Equipment
Nancy Ray	Respiratory Therapy	V-60 BiPAP	Important: Necessary For Improvement	Replacement	65,150	Clinical Equipment
Richard Rodriguez	Plant Ops & Maintenance - UCCH	UCCH Cooling Tower Rebuild	Essential: Cannot Function Without	Replacement	65,000	Administrative Equipment
Nancy Ray	Obstetrics	FM40 Fetal Monitor	Essential: Cannot Function Without	Replacement	64,200	Clinical Equipment
Mike Roussos	Gastro Intestinal Lab	Video Processor for Bronchoscopy	Essential: Cannot Function Without	Replacement	60,345	Clinical Equipment
Mike Roussos	Gastro Intestinal Lab	BF-H190 HD Bronchoscopy Scope	Essential: Cannot Function Without	Replacement	59,488	Clinical Equipment
Mike Roussos	Gastro Intestinal Lab	BF-1TH190 EEIII HD Therapeutic Bronch Scope	Essential: Cannot Function Without	Replacement	57,150	Clinical Equipment

VP	Dept Name	Item Request Name	Priority	Class	2017 Request	Category
Mike Roussos	Gastro Intestinal Lab	BF-XP190 Evis Excera III Ultra Slim Bronch Scope	Essential: Cannot Function Without	Replacement	57,150	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	RBG Interventional Radiology Remodeling - 3rd Floor	Important: Necessary For Improvement	Replacement	50,000	Construction/ Minor Renovation
Sergio Farrell	SE Operations	ECG (3)	Important: Necessary For Improvement	Replacement	48,216	Clinical Equipment
Sergio Farrell	SE Operations	Badge Readers	Important: Necessary For Improvement	Replacement	45,100	Information Systems
Mark Webb	Facilities Devel. Prog.	Controlled Access Unit (CAU) Ceiling (from tile to	Important: Necessary For Improvement	Replacement	40,000	Construction/ Minor Renovation
Mark Webb	Facilities Devel. Prog.	Remodel Respiratory Therapy Supply Rooms for Sky Tower	Important: Necessary For Improvement	Replacement	40,000	Construction/ Minor Renovation
Mike Roussos	Non-Invasive Vascular Lab-UH	Non-Invasive Vascular System	Important: Necessary For Improvement	Replacement	40,000	Clinical Equipment
Nancy Ray	Labor And Delivery	Panda Infant Radiant Warmer	Important: Necessary For Improvement	Replacement	35,140	Clinical Equipment
Michelle Ryerson	Pedi Cath Lab	Pedi CT OR Surgical Table	Essential: Cannot Function Without	Replacement	35,000	Clinical Equipment
Michelle Ryerson	Pediatric Specialty Clinic	Pedi ENT Scope Washer	Essential: Cannot Function Without	Replacement	33,000	Clinical Equipment
Mark Webb	Facilities Devel. Prog.	Air Handler Optimization for Angio - 2nd Floor Rio	Essential: Cannot Function Without	Replacement	32,000	Administrative Equipment
Mark Webb	Facilities Devel. Prog.	Minimal cosmetic renovations and furniture replacement for 3rd Floor Floor Pedi Clinics in Rio	Essential: Cannot Function Without	Replacement	30,000	Administrative Equipment
Mark Webb	Facilities Devel. Prog.	Minimal cosmetic renovations and furniture replacement for 5th Floor Pedi Clinics in Rio	Essential: Cannot Function Without	Replacement	30,000	Administrative Equipment
Mike Roussos	Gastro Intestinal Lab	BF-P190 Evis Excera III Ultra Slim Bronch scope, 4	Essential: Cannot Function Without	Replacement	29,920	Clinical Equipment
Sergio Farrell	SW Operations	Exterior Monument Signage (2)	Important: Necessary For Improvement	Replacement	27,990	Construction/ Minor Renovation
Mark Webb	Facilities Devel. Prog.	RBG Lab Registration Remodeling - 3rd Floor CSB	Important: Necessary For Improvement	Replacement	25,000	Construction/ Minor Renovation
Theresa De La Haya	Renal/Derm	Davvlin Phototherapy Unit	Essential: Cannot Function Without	Replacement	24,000	Clinical Equipment
Theresa Scepanski	Detention Health Care - Adult	Ameriwater MR01 Dual Patient RO	Essential: Cannot Function Without	Replacement	22,650	Clinical Equipment
Theresa De La Haya	Dialysis West	MRO1 Dual Patient RO - Dialysis	Essential: Cannot Function Without	Replacement	20,584	Clinical Equipment
Theresa De La Haya	SE Dialysis	Water Pump - Dialysis	Essential: Cannot Function Without	Replacement	18,843	Clinical Equipment
Nancy Ray	Respiratory Therapy	Respironics Trilogy Ventilator	Important: Necessary For Improvement	Replacement	17,500	Clinical Equipment
Mike Roussos	Gastro Intestinal Lab	Video Processor for Pentax	Proactive: Necessary To Avoid Problems	Replacement	7,697	Clinical Equipment
Mike Roussos	Surgery Operating Room	Floor Scrubber	Essential: Cannot Function Without	Replacement	7,252	Clinical Equipment
Sergio Farrell	UH Outpatient Physical Therapy	Treadmill	Essential: Cannot Function Without	Replacement	6,499	Clinical Equipment
Nancy Ray	Physical Therapy	Bariatric Standing Frame #6185	Important: Necessary For Improvement	Replacement	6,275	Clinical Equipment
Sergio Farrell	UH Outpatient Physical Therapy	Functional Trainer	Essential: Cannot Function Without	Replacement	5,550	Clinical Equipment
Bill Phillips	Clinical Systems	Allscripts Surgery	Important: Necessary For Improvement	Strategic (New Service / Expansion)	2,000,560	Information Systems
Bill Phillips	Application Systems	ERP	Important: Necessary For Improvement	Strategic (New Service / Expansion)	1,650,000	Information Systems
Mike Roussos	Surgery Operating Room	Instrument BRN	Essential: Cannot Function Without	Strategic (New Service / Expansion)	1,600,000	Clinical Equipment
Bill Phillips	Clinical Systems	Allscripts Anesthesia to Replace PICIS	Important: Necessary For Improvement	Strategic (New Service / Expansion)	1,411,386	Information Systems

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Richard Rodriguez	Chill Water Plant	Reverse Osmosis (R.O.)	Important: Necessary For Improvement	Strategic (New Service / Expansion)	625,000	Construction/ Minor Renovation
Bill Phillips	Clinical Systems	Replace ECHO Physician Credentialing System	Important: Necessary For Improvement	Strategic (New Service / Expansion)	600,000	Information Systems
Bill Phillips	IT Imaging Services	Enterprise Imaging	Important: Necessary For Improvement	Strategic (New Service / Expansion)	416,338	Information Systems
Mike Roussos	Transfusion Services	Blood track labor /EC trauma operating room	Essential: Cannot Function Without	Strategic (New Service / Expansion)	387,203	Clinical Equipment
Mike Roussos	Surgery Operating Room	Stryker Nav 3 System	Important: Necessary For Improvement	Strategic (New Service / Expansion)	228,366	Clinical Equipment
Mike Roussos	Inpatient Pharmacy	Sentri7	Important: Necessary For Improvement	Strategic (New Service / Expansion)	210,000	Information Systems
Francine Wilson	Materials Management & Inventory Control	PAR Excellence Installation	Essential: Cannot Function Without	Strategic (New Service / Expansion)	200,000	Administrative Equipment
Mark Webb	Facilities Devel. Prog.	Addition of Audiology Booth in Pedi Specialty Clin	Important: Necessary For Improvement	Strategic (New Service / Expansion)	150,000	Construction/ Major Renovation
Mike Roussos	Surgery Operating Room	OR Furniture/Equipment	Essential: Cannot Function Without	Strategic (New Service / Expansion)	150,000	Clinical Equipment
Bill Phillips	Application Systems	Care Fusion - Alaris Viewer Suite for Charge Captu	Essential: Cannot Function Without	Strategic (New Service / Expansion)	146,805	Information Systems
Bill Phillips	Clinical Systems	SPOK - HA and Test	Proactive: Necessary To Avoid Problems	Strategic (New Service / Expansion)	116,932	Information Systems
Nancy Ray	8th Floor Sky Tower-Neuro ICU	Moberg Monitors	Important: Necessary For Improvement	Strategic (New Service / Expansion)	100,200	Clinical Equipment
Mike Roussos	Surgery Operating Room	Trios, Mizuho OSI Table	Important: Necessary For Improvement	Strategic (New Service / Expansion)	88,630	Clinical Equipment
Bill Phillips	Application Systems	PeopleSoft Healthcare Reform	Essential: Cannot Function Without	Strategic (New Service / Expansion)	75,000	Information Systems
Bill Phillips	Clinical Systems	Integration	Important: Necessary For Improvement	Strategic (New Service / Expansion)	70,000	Information Systems
Bill Phillips	Application Systems	OnBase Patient Window	Important: Necessary For Improvement	Strategic (New Service / Expansion)	69,000	Information Systems
Bill Phillips	Clinical Systems	Allscripts EPCS	Important: Necessary For Improvement	Strategic (New Service / Expansion)	61,055	Information Systems
Mark Webb	Facilities Devel. Prog.	Backfill Pulmonary Function Testing Clinic - 1st Floor	Important: Necessary For Improvement	Strategic (New Service / Expansion)	60,000	Construction/ Minor Renovation
Michelle Ryerson	Pediatric Specialty Clinic	Pedi ENT Audiology Booth	Important: Necessary For Improvement	Strategic (New Service / Expansion)	60,000	Clinical Equipment
Mike Roussos	Transfusion Services	Walk in cooler	Essential: Cannot Function Without	Strategic (New Service / Expansion)	60,000	Clinical Equipment
Nancy Ray	Neonatal ICU	Giraffe Incubators	Essential: Cannot Function Without	Strategic (New Service / Expansion)	52,100	Clinical Equipment
Nancy Ray	Neonatal ICU	Transport Incubators	Important: Necessary For Improvement	Strategic (New Service / Expansion)	50,050	Clinical Equipment
Richard Rodriguez	Chill Water Plant	Domestic Water Drives Upgrade	Important: Necessary For Improvement	Strategic (New Service / Expansion)	50,000	Administrative Equipment
Mike Roussos	Surgery Operating Room	Skytron Bed	Important: Necessary For Improvement	Strategic (New Service / Expansion)	42,894	Clinical Equipment
Nancy Ray	Sleep Disorders Clinic	Transcutaneous Monitors	Important: Necessary For Improvement	Strategic (New Service / Expansion)	41,940	Clinical Equipment
Michelle Ryerson	Pediatric Specialty Clinic	Pedi ENT Audiology Instruments	Important: Necessary For Improvement	Strategic (New Service / Expansion)	33,300	Clinical Equipment
Sergio Farrell	Hearing & Balance Ctr	Audiology Software	Important: Necessary For Improvement	Strategic (New Service / Expansion)	25,000	Information Systems
Nancy Ray	General Neurosurgery	Comprehensive Stroke Certification	Essential: Cannot Function Without	Strategic (New Service / Expansion)	24,700	Administrative Equipment
Mike Roussos	Anatomic Pathology	Microscope	Essential: Cannot Function Without	Strategic (New Service / Expansion)	24,530	Clinical Equipment
Nancy Ray	Neonatal ICU	Premature Neonatal Simulator	Important: Necessary For Improvement	Strategic (New Service / Expansion)	23,611	Clinical Equipment

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Theresa De La Haya	General Administration	IRIS Non-Mydriatic Camera	Important: Necessary For Improvement	Strategic (New Service / Expansion)	22,075	Clinical Equipment
Sergio Farrell	Hearing & Balance Ctr	Video Head Impulse Test Machine	Important: Necessary For Improvement	Strategic (New Service / Expansion)	17,772	Clinical Equipment
Bill Phillips	Clinical Systems	MGC Diagnostics Corporation	Essential: Cannot Function Without	Strategic (New Service / Expansion)	16,000	Information Systems
Sergio Farrell	Physical Therapy	Shuttle MVP	Essential: Cannot Function Without	Strategic (New Service / Expansion)	7,185	Clinical Equipment

Total 2017 Ongoing Capital Requirements 27,877,412