SPECIAL MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, August 15, 2017
2:00 p.m.
Cypress Room
University Hospital
4502 Medical Drive
San Antonio, Texas 78229

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Dianna M. Burns, M.D., Secretary
Roberto L. Jimenez, M.D., Immediate Past Chair
Robert Engberg
James C. Hasslocher
Janie Barrera

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Tommye Austin, Senior Vice President, Chief Nursing Officer, University Health System
Bryan Alsip, MD, Executive Vice President/Chief Medical Officer, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
Lourdes Castro-Ramirez, President, University Health System Foundation
Ted Day, Executive Vice President, Strategic Planning and Business Development, University Health System
Don Finley, Director, External Communications/Corporate Communications, University Health System
Roe Garrett, Vice President/Controller, University Health System
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Leni Kirkman, Senior Vice President, Strategic Communications and Patient Relations, University Health System
Karen McMurry, Interim Chief Legal Officer, University Health System
Maulik Purohit, M.D., M.P.H., Vice President/Chief Medical Information Officer, University Health System
Charles Reed, Assistant Chief Nursing Officer, Clinical Excellence and Ancillary Services, University Health System
Michael Roussos, Hospital Administrator, University Health System
Irene Sandate, Assistant Chief Nursing Officer, Women and Children, University Health System
Travis Smith, Deputy Chief Financial Officer, University Health System
Allen Strickland, Vice President/Hospital Administration, University Hospital
Emily Volk, M.D., M.B.A, Vice President/Clinical Services, University Health System
And other attendees.
CALL TO ORDER AND RECORD OF ATTENDANCE: JAMES R. ADAMS, CHAIR, BOARD
OF MANAGERS

Mr. Adams called the meeting to order at 2:00 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Mr. Adams yielded the floor to Mr. Ira Smith for the invocation, and he led the pledge of allegiance.

NEW BUSINESS:

ITEMS RELATED TO 2017 TAX RATE RECOMMENDATION TO COMMISSIONERS
COURT

DISCUSSION AND APPROPRIATE ACTION REGARDING THE 2017 BEXAR
COUNTY HOSPITAL DISTRICT TAX RATE RECOMMENDATION TO
COMMISSIONERS COURT IN SUPPORT OF ITS OPERATING AND DEBT
SERVICE OUTLOOK FOR FY 2018 – REED HURLEY/GEORGE B. HERNÁNDEZ,
JR.

SUMMARY:  Mr. Hernandez greeted the Board members and Mr. Hurley opened up
the presentation by citing the following significant achievements over the
past year:

- Level I Trauma Designation for Pediatrics – the highest level of
  trauma care and the only Pediatric Level I Trauma center in South
  Texas;
- Level 4 NICU status - the highest level NICU designation and the
  only hospital in the region to be verified by the American Academy
  of Pediatrics;
- Patient experience scores in the top quartile for all hospitals in
  country;
- Continued improvement in financial operations and strong
  financial results posted over the past three years;
- Success in working with the State to implement a new funding
  source – the Uniform Hospital Rate Increase Program (UHRIP),
  effective December 1, 2017;
- Community leader on issues such as the Zika threat and opioid crisis;
  and
- Patient volume that has continued to grow significantly since the
  opening of the Sky Tower. For 2017, inpatient discharges are up 2
  percent, ER visits are up 8 percent, and outpatient visits are up 4
  percent over 2016 levels.

While the Health System is trending in a positive direction in many
aspects of the Triple Aim Plus, there remains uncertainty related to the
future of Medicaid supplemental payment programs and the Affordable
Care Act (ACA). The areas of concern that are trending negative, and
will have an impact on financial performance in 2018 and beyond for the
Health System are listed below:
The termination of the Texas 1115 Waiver, and the loss of its two funding streams:

- Delivery System Reform Incentive Program (DSRIP) - $56 million
- Uncompensated Care (UC) pool - $46 million

If not renewed, a 4 year stair step reduction plan goes into place, with a potential negative impact in 2018 of $42 million. Mr. Hurley made the following points:

**Affordable Care Act (ACA) Repeal and Replace**
- Repeal and Replace plans are on hold for now
- Many insurance plans have exited the ACA
- Uncertainty about what’s next
- Replacement plans all reduce insured population
- CareLink population has declined to 24,000 from 50,000 in 2013
- $2,800 a year to support each CareLink member

**Cuts to Disproportionate Share Hospital (DSH) Funding**
- Disproportionate Share Hospital funding (DSH)
- ACA planned reductions in DSH as coverage expanded
- Originally scheduled for 2014
- Congress delayed implementation until 2018
- Negative annual impact starting October 2017 of $6 million

**Bexar County Clinical Services (BCCS)**
- Started in 2006
- University Health System, Baptist, Methodist, Christus
- Reductions in state-wide UC funding, additional providers accessing UC funding
- Reduced BCCS participation has negative impact on University Health System
- Estimated negative impact of $14 million

**Uniform Hospital Rate Increase Program (UHRIP)**
- Lots of time and effort to get this started
- Pilot program starting Dec 1, 2017 (Bexar & El Paso)
- Benefits most hospitals in Bexar SDA
- Will help with BCCS funding
- Estimated 2018 benefit of $12 million

**2018 Operations Projections**
- 1-2 percent growth due to bed capacity
- New East Side Hilliard Clinic
- New downtown Sleep Center
- Ryan White Grant management $7 million
- Continued focus on improving operations

**2018 Tax Rate**
- Proposal is to keep the current tax rate
- The current tax rate will produce $431 million in total revenue -$27 million increase (4.1 percent)
- $363 million for Maintenance & Operations (M&O) and $62.3 million for Interest and Sinking Fund (I&S)
The proposed plan involves moving $0.00154 or approximately $2.4 million from the M&O rate to the I&S rate to pay off the remaining series 2008 bonds.

Mr. Hurley provided the summary snapshots below with staff’s recommendation to stay with the existing tax rate:

<table>
<thead>
<tr>
<th></th>
<th>M&amp;O Debt Svc</th>
<th>Total Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Tax Rate</strong></td>
<td>23.76</td>
<td>3.86</td>
</tr>
<tr>
<td><strong>Recommended Tax Rate</strong></td>
<td>23.61</td>
<td>4.02</td>
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<tr>
<td><strong>(Increase)/Decrease</strong></td>
<td>0.15</td>
<td>(0.15)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>M&amp;O $ in Millions</th>
<th>Debt Svc $ in Millions</th>
<th>Total Rate $ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Tax Rate</strong></td>
<td>$368.3</td>
<td>$62.7</td>
<td>$431.0</td>
</tr>
<tr>
<td><strong>$ Increase/(Decrease)</strong></td>
<td>$20.7</td>
<td>$6.4</td>
<td>$27.1</td>
</tr>
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### 2017 Tax Rate Summary

<table>
<thead>
<tr>
<th>Tax Rate Description</th>
<th>Total Tax Rate $100 of Value</th>
<th>Increase in Tax Revenue Over Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Tax Rate</td>
<td>$0.265375</td>
<td>$10,175,029</td>
</tr>
<tr>
<td>2016 Adopted Tax Rate</td>
<td>$0.276235</td>
<td>$27,120,150</td>
</tr>
<tr>
<td><strong>Proposed Tax Rate</strong></td>
<td><strong>$0.276235</strong></td>
<td><strong>$27,120,150</strong></td>
</tr>
<tr>
<td>Rollback Rate</td>
<td>$0.286691</td>
<td>43,434,900</td>
</tr>
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**RECOMMENDATION:** Staff recommends that the Board of Managers request the Commissioners Court to set the 2017 total tax rate in support of University Health System’s operating, debt service and capital requirements for 2018 at a current tax rate $0.276235 per $100 property valuation.

**ACTION:** A MOTION to approve staff’s recommendation was made by Ms. Barrera, SECONDED by Dr. Jimenez, and PASSED UNANIMOUSLY.

**EVALUATION:** Discussion ensued regarding the decline in CareLink membership from 50,000 in 2013 to 24,000 in 2017, which Mr. Hernandez attributed to the Affordable Care Act. Also discussed in detail were adult medicine capacity issues at University Hospital and charity care versus bad debt versus CareLink. Charity care involves an application process in which the patient provides personal financial documentation and other information to assess available assets and resources relevant to making a determination of financial need. Bad debt can be written off by the hospital. CareLink is unique to the Health System and is considered charity care provided based on a patient’s ability to pay.

**FOLLOW-UP:** None.
ANNOUNCEMENTS:

Mr. Hernández informed the Board that on Thursday, August 17, 2017 at 12 noon, The Most Reverend Archbishop Gustavo Garcia-Siller would hold a special mass in the Peveto Chapel at University Hospital to recognize the 100th anniversary of the Robert B. Green Memorial Hospital and the Health System’s century of service to the community. A lunch will be held afterwards in the Cypress Room, and he invited all Board members to attend.

ADJOURNMENT:

There being no further business, Mr. Smith adjourned the Board meeting at 3:10 p.m.

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James R. Adams   Dianna M. Burns, M.D.
Chair, Board of Managers  Secretary, Board of Managers

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Sandra D. Garcia, Recording Secretary