SPECIAL MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, November 10, 2015
2:00 p.m.
Cypress Room, University Hospital
4502 Medical Drive
San Antonio, Texas 78229-4493

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Robert Engberg
James C. Hasslocher
Janie Barrera

BOARD MEMBERS ABSENT:

Dianna M. Burns, M.D., Secretary
Roberto L. Jimenez, M.D., Immediate Past Chair

OTHERS PRESENT:

George B. Hernández, Jr. President/Chief Executive Officer, University Health System
Bryan Alsip, M.D., Executive Vice President/Chief Medical Officer, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
James Barker, MD, Vice President for Clinical Services, University Health System
Ted Day, Senior Vice President/Strategic Planning & Business Development, University Health System
Donald Finley, Senior Writer, Corporate Communications, University Health System
Roe Garrett, Vice President/Controller, University Health System
Michael Hernandez, Vice President/Chief Legal Officer, University Health System
Barbara Holmes, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Mark Webb, Chief Executive Officer, Pediatric Services, University Health System
And other attendees.

CALL TO ORDER AND RECORD OF ATTENDANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS:

Mr. Adams called the meeting to order at 2:00 p.m.
INVOCATION AND PLEDGE OF ALLEGIANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS:

Mr. Adams introduced Chaplain Veronica Ibarra for the invocation, and he led the pledge of allegiance.

ITEM(S) FOR REVIEW AND DISCUSSION:

CONSIDERATION AND APPROPRIATE ACTION REGARDING AN APPOINTMENT TO THE ALAMO AREA COUNCIL OF GOVERNMENTS – ROBERT ENGBERG

SUMMARY: In March 2006 the Board of Managers approved: a) the transfer of the Center for Health Care Services Mental Retardation Authority (MRA) role to the Alamo Area Council of Governments (AACOG); and, b) redirection of the Health System’s 10% local match from CHCS to the new AACOG MRA. The MRA transition also provided for continued Health System oversight of the new MRA through representation on the AACOG Board. To fulfill the Health System oversight requirement, a position was created on the AACOG Board in June 2006. Since that time, several Board members have served as primary representatives with Jim Adams and Robert Engberg serving as alternates. The current term of the AACOG Board position left vacant by Mr. Bo Gilbert expires June 30, 2016.

RECOMMENDATION: The Nominating Committee recommends the appointment of Jimmy Hasslocher to the AACOG Board of Directors as primary representative of the Board of Managers, with Robert Engberg as alternate appointee, effective immediately through June 30, 2016.

ACTION: A MOTION to approve the nominating committee’s recommendation was made by Mr. Engberg, SECONDED by Ms. Barrera, and PASSED UNANIMOUSLY.

EVALUATION: None.
FOLLOW UP: None.

NURSING FACILITY MPA P PROGRAM UPDATE AND DEVELOPMENT OF NURSING FACILITY QUALITY INCENTIVE PAYMENT PROGRAM (QIPP)—TED DAY/JAMES BARKER, M.D./BRYAN ALSIP, M.D.

SUMMARY: On February 28, 2015, University Health System entered into a partnership with Touchstone Communities (TC) for three of its skilled nursing facilities (SNFs) within the Health System’s service area (Huebner, Pleasanton and La Vernia) under the Minimum Payment Amount (MPA) Program. Mr. Day noted that TC also participates in the program at Gonzalez and Del Rio sites (with other public hospitals), and that the Health System enjoys a strong collaborative relationship with TC. Upon execution of the contract in early 2015, the Health System became the license holder for those three facilities and entered into a management agreement with Touchstone to operate the skilled nursing facilities. Mr. Day briefed the Board members as follows:
Progress Report on SNF MPA Program:

Program Design
- **Goal:** Provide supplemental payments (related to Medicaid patients) to skilled nursing facilities (SNF) and their public system partners
- **Participants:** Non-state, government owned skilled nursing facilities
- **Funding:** Requires local IGT from public partner, matched funding flows through managed care organizations (MCO’s)
- **Requirements:** Skilled Nursing Facilities must have been participating in the Medicaid STAR+PLUS program as of March 1, 2015
- **Eligibility Period:** September 1, 2015 – August 31, 2016

Progress Report on SNF MPA Program:

Health System/Touchstone Progress
- Health System owns the licenses of 3 Touchstone Communities facilities (Huebner, Pleasanton, & La Vernia)
- Touchstone Communities also participates in program at Gonzales & Del Rio sites (with other public hospitals)
- Health System and Touchstone Communities enjoy a strong and collaborative relationship

Operational Oversight
Maximum benefits from MPA/QIPP initiatives include:
- Facilitate placement of select patients
- Improve length of stay and ensure patients receive care in right setting
- Improve readmission rates for skilled nursing facility placements
- Address opportunity cost – bed capacity

To mitigate risk to the Health System:
- Management agreement protections
- Medical oversight – regular site visits, review of status reporting
- Operational oversight – staffing & accountability
- Credentialing procedures
- Option for Health System to dissolve agreement

Medical oversight and clinical follow up:

Drs. Alsip and Barker reported that staff anticipates placement volume of 20 patients per month to various locations and the Health System will have material connection to Medical Direction to ensure control over quality of care at the three facilities. A mid-level provider will round on UHS placements in SNFs with physician oversight provided by Community Medicine Associates. Further, the electronic health record and quality assurance and performance improvement committees and reporting requirements will improve communication, reduce readmissions, allow for thorough utilization review which will in turn, improve patient outcomes. Dr. Barker also provided data regarding the work between the Health System and all three Touchstone locations, to date, on the total number of DSRIP placements, re-admissions or emergency department visits for DSRIP placements, total number of Health System placements, and total re-admissions and emergency department visits for all UHS placements.
QIPP Program for Skilled Nursing Facilities and Program Design:
• Goal: Incentivize nursing facilities to improve quality & innovation in the provision of nursing facility services
• Participants: Non-state, government owned skilled nursing facilities
• Funding: Requires local IGT from public partner, matched funding flows through managed care organizations (MCO’s)
• Requirements: Select projects from four categories of pre-determined projects.
• Eligibility Period: September 1, 2016 – August 31, 2017

Preparation for SNF QIPP: Health System and Touchstone Progress:
• Touchstone Communities leadership provides active input into QIPP program design
• Health System staff review progress on QIPP design with three sources including Touchstone Communities.
• Health System in active discussion with Touchstone on potential to expanding footprint within Bexar County with one new location under new QIPP program (if conditions are right)
• Note: Health System is also considering other options for expansion

QIPP Project Development:
• Four categories of pre-determined projects:
  1. Quality of care
  2. Staffing enhancements
  3. Small house model
  4. Culture change and quality of life
• Projects & their valuations to be negotiated between nursing facility/Health System & MCO

Strategically, this program will:
• Ensure patients receive right care in the right setting at the right time, support throughput;
• Identify appropriate partners to align with across the continuum of care with capacity to take Health System patients; and
• Secure external funding for unfunded population, where available.
• Stewardship and innovation

Fiscal Impact:
• Management Agreement stipulates:
  – Split of available funds: 50 percent to Health System, 40 percent to Touchstone for management, 10 percent to Touchstone for performance (at risk)
• Benefit to Health System estimated at $2.1M annually for MPA Program (net of IGT, but excluding oversight expenses)
• Benefit to Health System TBD for QIPP based on number of nursing facilities that will participate and the valuation of their projects
  – Management Agreements with Touchstone & others to be negotiated/updated once QIPP program finalized
The QIPP timeline:
• Program concept paper submitted by HHSC to CMS October 30, 2015 for approval
• CMS review & approval: pending, timing TBD
• Initial applications due: February 1, 2016
• Project approvals expected March, 2016
• Project implementation, first funding cycle: September, 2016 – August, 2017
• Renewal/second funding cycle begins September 1, 2017

RECOMMENDATION: This item was for presented for informational and discussion purposes only.
ACTION: None.
EVALUATION: Given the complexity and short timeline regarding this matter, Mr. Adams urged staff to update the Board members via electronic mail as often as necessary, in between Board meetings. Also because of the short timeline, Mr. Engberg asked to know more about the magnitude of the project, to which Mr. Day replied that the staff is looking at 3 to 4 skilled nursing facilities close to each other in geographic proximity.

FOLLOW UP: Next steps for QIPP (if Health System Proceeds):
• Staff completes due diligence process & presents to BOM again in December
• If Staff proposes to proceed and if the Board of Managers adopts resolution and authorizes transaction
  • Then, additional Change of Ownership applications:
    – Submitted to HHSC: 30 days in advance of sale/transfer, January 1, 2016 (deadline may change)
• Then, Program implementation: infrastructure development begins 2/1/16 (dependent on effective date of Change of Ownership)
• Then, Health System becomes license holder for any additional skilled nursing facilities on/about February 1, 2016 (IGT for QIPP begins on 9/1/16)

REVIEW AND DISCUSSION REGARDING BEXAR COUNTY HOSPITAL DISTRICT D/B/A UNIVERSITY HEALTH SYSTEM’S PRELIMINARY OPERATING, DEBT SERVICE AND CAPITAL BUDGETS FOR FY 2016—GEORGE B. HERNÁNDEZ, JR./REED HURLEY

SUMMARY: Mr. Hurley provided an updated summary of the preliminary 2016 budget, excluding Community First, based on data that was available the previous Friday, November 6, 2015. In addition, staff addressed the following items discussed at the previous Board meeting on Tuesday, November 3, 2015:

• Projected Balance Sheet information for 2015 and 2016
• Cash Flow projections for 2015 and 2016
• Projected balances in Capital Accounts for year end 2015 and 2016
• What is the appropriate amount to budget for routine capital?
Summary of the Preliminary 2016 Budget
(Excludes CFHP)

<table>
<thead>
<tr>
<th>Description</th>
<th>Projected 2015</th>
<th>Preliminary Budget 2016</th>
<th>Incr/ (Decr)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Discharges</td>
<td>48,618.00</td>
<td>50,773.00</td>
<td>2,155.00</td>
<td>4.4%</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$1,000.3</td>
<td>$1,071.9</td>
<td>$71.6</td>
<td>7.2%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$900.4</td>
<td>$972.8</td>
<td>$72.4</td>
<td>8.0%</td>
</tr>
<tr>
<td>Gain/(Loss) from Operations</td>
<td>$100.0</td>
<td>$99.1</td>
<td>($0.9)</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>$81.9</td>
<td>$88.3</td>
<td>($6.5)</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Non-Operating Revenue</td>
<td>$2.4</td>
<td>$2.6</td>
<td>($0.2)</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Total Non-Operating Revenue</td>
<td>($79.5)</td>
<td>($86.0)</td>
<td>($6.5)</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Bottom Line</td>
<td>$20.5</td>
<td>$13.1</td>
<td>($7.3)</td>
<td>-35.9%</td>
</tr>
</tbody>
</table>

Capital Account Balances as of 9/30/15:

- Encumbered Capital: $6,011
- Capital approved/encumbered for HVI, Pedi, Dialysis Clinic: $31,890
- Future Capital Needs (Board Discretion Acct): $23,286
- Capital Committed in 2015 *: ($12,746)
- Remaining Capital Account Balance Committed to CIP: $12,406
- Remaining Capital Reserves Committed to CIP Enhancements: $28,732
- Bond Proceeds for HVI, Pedi, Dialysis: $18,500
- Total Capital Account as of 9/30/2015: $108,080
- Total amount encumbered: $97,540
- Total amount available: $23,286

*Total capital committed be taken out of 2015 operating excess

Projected Cash Flows (excludes CFHP):

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain in excess of expenses</td>
<td>$11,032</td>
<td>$34,894</td>
<td>$29,208</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>$73,259</td>
<td>$81,886</td>
<td>$88,345</td>
</tr>
<tr>
<td>Cash provided</td>
<td>$84,291</td>
<td>$116,780</td>
<td>$117,553</td>
</tr>
<tr>
<td>Less: Cash from Debt Service</td>
<td>$10,766</td>
<td>$14,431</td>
<td>$23,402</td>
</tr>
<tr>
<td>Unrealized gain</td>
<td>$-</td>
<td>$250</td>
<td>$-</td>
</tr>
<tr>
<td>Cash available for reserves</td>
<td>$73,525</td>
<td>$102,099</td>
<td>$94,150</td>
</tr>
<tr>
<td>Cash to 90 Contingency</td>
<td>$19,654</td>
<td>$19,717</td>
<td>$19,717</td>
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<tr>
<td>Cash to Capital</td>
<td>$82,445</td>
<td>$74,434</td>
<td>$74,434</td>
</tr>
<tr>
<td>Less: prior year replacement</td>
<td>$30,000</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Uncommitted capital</td>
<td>$52,445</td>
<td>$44,434</td>
<td>$44,434</td>
</tr>
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</table>
Equipment Reaching End of Life (excludes CFHP):

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Drop Off Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUIP MAJO</td>
<td>1,018,964.46</td>
</tr>
<tr>
<td>EQUIP MINO</td>
<td>32,023,210.36</td>
</tr>
<tr>
<td>Grand Total</td>
<td>33,042,174.82</td>
</tr>
</tbody>
</table>

Detailed discussion took place regarding 2016 projected total operating revenue in the amount of $1.07B; total operating expenses in the amount of $984M; changes to expenses and revenue as compared to 2015; as well as the FTE growth of 7.1 percent, debt service, and ongoing capital requirements. Regarding the question raised by Mr. Engberg last week about capital needs and whether $30 million is enough to replace existing equipment, Mr. Hurley’s opinion is that $30 million is adequate for 2016. In the private sector, a certain percentage of the budget is routinely set aside for capital. The Health System has used the $30 million amount for many years. The practice has also been to fund capital at the end of every year; however, going forward, Mr. Hurley would like to start encumbering capital each month as soon as re-balancing of reserves occurs in the spring. He stated that in a perfect world, we should have a 3-5 year long term plan on the replacement of larger items and for facilities upkeep. Mr. Banos interjected that the staff has the beginning of a plan at this time, but is seeking medical staff input. Mr. Engberg acknowledged that the magnitude of capital funds will be considerable over time, and he sees this as an opportunity for the staff to become very responsible in a formalized way for managing capital requirements by reaching out ahead. As the staff assesses capital needs in 2016 and going forward, the Board would like to be kept informed and know in advance about capital needs. Mr. Hurley yielded the floor to Mr. Gieseman for a graphics presentation and discussion regarding Community First Health Plans’ budget, which was reviewed by the CFHP Board on Friday, October 30, 2015. Mr. Gieseman reviewed 2016 initiatives, strategies and business objectives; memberships, revenue, medical expenses, administrative expenses, and consolidated balance sheets for 2015 and 2016 for Medicaid, CHIP, Commercial/Health Exchange and Commercial/Health Exchange – after Risk Adjustment. Also reviewed was a three year view balance sheet for STAR Kids with the most likely assumptions. Capital budget items requested for 2016 total $1,309,638.

**RECOMMENDATION:** The preliminary budget was presented for informational and discussion purposes only.

**ACTION:** No action was required by the Board of Managers at this time.

**EVALUATION:** As indicated above.

**FOLLOW UP:** CFHP budget will be consolidated with Clinical Services budget. Staff will present the consolidated budget for Board approval at the next meeting on Tuesday, November 17. If approved by the Board of Managers, the 2016 UHS budget will be presented for approval to the Bexar County Commissioners Court on Tuesday, December 8.
ADJOURNMENT:

There being no further business, the public meeting adjourned at 4:20 p.m.

__________________________________ ______________________________
James R. Adams    Dianna M. Burns, M.D.
Chairman, Board of Managers   Secretary, Board of Managers

__________________________________
Sandra D. Garcia, Recording Secretary