REGULAR BI-MONTHLY MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, October 29, 2013
2:00 p.m.
Conference Room A
Corporate Square
4801 NW Loop 410, 10th Floor
San Antonio, Texas 78229-5347

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Linda Rivas, Vice Chair
Alex Briseño
Robert Engberg
Ira Smith

BOARD MEMBERS ABSENT:

Rebecca Q. Cedillo, 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
Ted Day, Vice President, Strategic Planning & Business Development, University Health System
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Don Finley, Senior Writer, Corporate Communications, University Health System
Roe Garrett, Vice President/Controller, University Health System
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc.
Michael Hernandez, Vice President/Chief Legal Officer, University Health System
Barbara Holmes, Vice President/Chief Financial Officer, Community First Health Plans
Leni Kirkman, Vice President, Strategic Communications & Patient Relations, University Health System
Priti Mody-Bailey, M.D., Vice President/Senior Medical Director, Community First Health Plans, Inc.
Christann Vasquez, Executive Vice President/Chief Operating Officer, University Health System
Mark Webb, Senior Vice President/Facilities Administration, University Health System
CALL TO ORDER AND RECORD OF ATTENDANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS

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

INVOCATION AND PLEDGE OF ALLEGIANCE:

Chaplain Tomas Hernandez introduced Minister Commie Whigham, of Maranatha Bible Church and Mr. Adams led the pledge of allegiance.

ITEMS FOR REVIEW AND DISCUSSION:

REVIEW AND DISCUSSION REGARDING COMMUNITY FIRST HEALTH PLANS (CFHP) AND SELECTED OPERATING EXPENSE CATEGORIES FOR THE FY2014 OPERATING BUDGET – GEORGE B. HERNANDEZ/PEGGY DEMING

SUMMARY:

Mr. Hernandez provided a brief introduction for today’s presentation regarding the preliminary 2014 budget information related to the operations of CFHP and selected operating expense categories for the Health System, excluding CFHP. The CFHP budget will be consolidated into the Health System’s overall operating, debt service and capital budgets for the Board’s approval on November 26. CFHP presented their 2014 operating budget to their Board on Friday, October 25. Mr. Hernandez yielded the floor to Mr. Gieseman for a presentation of CFHP’s strategic initiatives for the period 2012 through 2014 and key assumptions:

2012 – 2014 Strategic Initiatives:

- Develop and execute defined growth strategies by lines of business and become the organization of choice for CFHP customers so that CFHP is the market leader in:
  - STAR and CHIP market share;
  - Provider satisfaction;
  - Member satisfaction for at risk products; and
  - Quality and outcome indicators.
- Structure the organization to support operational requirements, future growth and sustainability while maximizing opportunities for alignment with the rest of the health system.
- Achieve financial goals to enhance stability and growth and achieve desired operating margin.
- Position the organization to capitalize on opportunities created by health care reform.

Key Assumptions – Revenue

STAR Membership

- Overall Market Share growth - 1.6%
- Reduced disenrollment rate by 0.2%
- Increased new member enrollment by 2.5%
- Membership increase from 83,584 to 89,511 (7.1%)
• Net membership gain – 4,927 (5.9%) plus 1,000 (1.2%) members from CHIP

CHIP Membership

• Membership change from 29,881 to 30,593
• Net membership gain of 712 after 1,000 member shift to STAR

Commercial Membership

• ERS – trends consistent with past experience
• Net membership loss of 436 to 4,979

Health Insurance Exchange Membership – 0 members

ASO (UHS) Membership – projection from UHS (approximately 12,300 members)

Total Net membership change - 131,572 to 137,383 (4.4%)

Premium Rate

STAR

• Mar 2014 - 5% decrease in medical component, Rx component no change
• Sep 2014 - 3% decrease in medical component, Rx component no change

CHIP

• Mar 2014 - 1% decrease in medical components, Rx component no change
• Sep 2014 - 1% decrease in medical components, Rx component no change

ERS

• 6% increase in Sep 2014

ASO

• No change in per employee administrative fee

Premium Reserve

• 1% of revenue for 2014 risk program

Key Assumptions – Medical Cost of Care

Price

• Per Member Per Month (PMPM) claims expense consistent with 2013 levels
• Limited experience with current contract (time and seasonality)
• Possible network disruption with Baptist participation and Methodist renewal (November 2014)
• COB recoveries consistent with 2013 period experience
• SIU and claims editing recoveries/adjustments consistent with current experience
Utilization
• Inpatient days per thousand consistent with 2013 levels
• Emergency room and therapy utilization rates reduced to achieve $1.5 M in savings

Key Assumptions - Administrative Expense
• Staff increase – 7 positions
• 4 outreach, 1 preventive health, 2 network management
• Marketing costs – slight increase over 2013 budget ($704,000 to $732,000)
• Member incentives increase by $83,000 ($180,000 to $263,000)
• Increase in community sponsorships from $52,000 to $82,000
• New initiatives – (ICD 10, NCQA, EAPG, Risk Stratification) totaling $1 M
• Provider incentives increased from $1 M to $3.5 M
• Staff Training - $69,000
• Consultants – IT strategic plan - $100,000
• Additional Premium Tax - $519,000
• Administrative loss ratio and PMPM expense consistent with similar sized Texas Medicaid plans

Discussion ensued regarding the $480,000 costs related to building market share, and also the $2,500,000 costs for the provider incentive program enhancements. CFHP’s goal is to improve or develop better relationships with providers to be the health plan of choice in Bexar County and surrounding seven counties. The ASO product (University Family Health Plan) pays for itself with a profit of $78,311. Premiums were not increased for the ASO. Enrollment and disenrollment data are used as metrics to back-up the effectiveness of marketing techniques. Board members reviewed the dollar value of expenses related to key assumption and administrative expenses, consolidated operating budget and operating budget by product line. The capital budget of $821,220 consists almost entirely of IT items that are getting close to being fully depreciated. Ms. Holmes described the purpose and benefit of investing this sizable amount as a combination of efficiency and quality. Total budgeted FTEs are at 246. All IT efforts are coordinated with UHS Information Services. Ms. Rivas commended the CFHP staff for being more aggressive and competitive in working with providers and for investing in strategic areas that will increase the Plan’s market share. Mr. Briseno thanked Mr. Gieseman for the detailed analysis provided today.

Mr. Gieseman yielded the floor to Ms. Deming for her presentation regarding preliminary information on selected operating expense categories for 2014. Board members discussed the expenses related to moving into the new University Hospital Tower in April of 2014, specifically:
• One Time move in costs
• Increased operating costs
• Depreciation

Also discussed were selected expense variances (purchased services, supplies, depreciation & amortization, Bexar County appraisal fee, TIRZ, CHCS for a total
of $339.9 million or -16.8 percent variance), one time transition costs in the amount of $4.0 million (employee compensation for training and patient transportation expenses, purchased services, and supplies), new tower cost increases in the amount of $4.88 million (purchased services and supplies – stock up for primary areas, linens, minor equipment, cleansing supplies and increase in utilities), purchased services expense in the amount of $116.7 million or a -16.2 percent variance, supplies expense for a total of $137.9 million or a -10.0 percent variance) and depreciation expense for a total of $62.6 million, an increase of $17.3 million).

**RECOMMENDATION:** This report was provided for informational purposes only.

**ACTION:** No action by the Board of managers was required.

**EVALUATION:** Regarding the Health System’s employee compensation and medical services and consolidated budget, Mr. Adams encouraged the staff to involve the Health Science Center leadership to be serious participants in these discussions. Ms. Rivas noted that in years past the compensation budget has been a challenge, as well as the timely hiring of staff, supplies, and the payor mix. She cautioned that a full compliment of staff should be ready to work at the opening of the new tower with over 700 patient beds. She also stressed the importance of outreach efforts and a marketing campaign for a solid payor mix. Mr. Adams also cautioned the staff not to create a larger expectation than can be met during budget planning.

**FOLLOW UP:** Staff will present additional information related to employee compensation and medical services and the consolidated Health System Budget. Mr. Gieseman will provide the Board with an update in April 2014 regarding any causation factors that may affect the outcome of key assumptions.

**ANNOUNCEMENTS:**

The Children’s Health campaign has been in the market for four weeks. Staff is tracking several metrics, and results so far include:

- A 21 percent increase in calls to 358-KIDS (averaging 350 calls per day);
- Booked appointments: 9400 appoints for general pediatrics (including Community Medicine Associates pediatricians), pulmonary, sleep clinic, Comprehensive care clinic, cystic fibrosis, neurology, GI;
- A 31 percent increase over October budget in general pediatrics inpatients; and
- A 46 percent increase over October budget in pediatric intensive care unit admissions.

Ronald M. Stewart, M.D., FACS, professor and chair of the Department of Surgery at the UT Health Science Center San Antonio and trauma surgeon at University Hospital, has been appointed by the Board of Regents of the American College of Surgeons (ACS) as the next chair of the ACS Committee on Trauma. The Committee on Trauma is dedicated to all phases of injury care – from prevention to rehabilitation. The committee is supported by a network of 65 state and provincial committees, 11 international committees, and five military committees, with the majority of members being Fellows of the American College of Surgeons (FACS). Dr. Stewart will take office at the conclusion of the 2014 Annual Meeting of the Committee on Trauma in March 2014 and will serve as its 19th Chair.

**CLOSED MEETING:**

Mr. Adams announced this meeting closed to the public at 4:20 p.m., pursuant to TEX. GOV’T CODE, Section 551.085 (Vernon 2004) to receive information on and/or deliberate regarding pricing, market data
and/or financial planning information relating to the arrangement or provision of proposed new services or product lines. The following Board members were present: Jim Adams, Linda Rivas, Robert Engberg, Alexander Briseno, and Ira Smith. The following staff was present: George B. Hernandez, Jr., Christann Vasquez, Bryan Alsip, M.D., Ted Day, Mark Webb, and Michael Hernandez. After discussion, no action was taken in closed session. Mr. Adams announced that the closed meeting ended at 4:58 p.m. The public meeting reconvened at 4:58 p.m.

ADJOURNMENT:

There being no further business, the public meeting adjourned at 4:59 p.m.

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Jim Adams                                          Rebecca Q. Cedillo
Chair, Board of Managers                           Secretary, Board of Managers

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Sandra D. Garcia, Recording Secretary