BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Roberto L. Jimenez, M.D, Immediate Past Chair
Robert Engberg
James Hasslocher

BOARD MEMBERS ABSENT:

Janie Barrera
Dianna M. Burns, M.D., Secretary

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Bryan J. Alsip, M.D., Executive Vice President/Chief Medical Officer, University Health System
Tommye Austin, Ph.D., Chief Nurse Executive, University Health System
Awoala Banigo, Senior Vice President/Chief Revenue Officer, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
Ted Day, Executive Vice President, Strategic Planning and Business Development, University Health System
Theresa De La Haya, Senior Vice President, Health Promotion/Clinical Prevention, University Health System – Texas Diabetes Institute
Elliott Mandell, Senior Vice President/Chief Pharmacy Officer, University Health System
Sergio Farrell, Senior Vice President/Chief, Ambulatory Services, University Health System - Robert B. Green Campus
Roe Garrett, Vice President/Controller, University Health System
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc.; and Vice President/Managed Care, University Health System
Rob Hromas, M.D., Dean, Long School of Medicine, UT Health, San Antonio
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Leni Kirkman, Senior Vice President, Strategic Communications and Patient Relations, University Health System
Brian Lewis, Vice President/Quality, University Health System
Joshua Nieto, J.D., Interim Chief Integrity Officer, University Health System
Rosa Olivarez, Administrative Resident, Trinity University
CALL TO ORDER AND RECORD OF ATTENDANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS

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

INVOCATION AND PLEDGE OF ALLEGIANCE

Mr. Adams introduced Rhonda Estrada of Bethesda Assembly of God for the invocation, and he led the pledge of allegiance.

SPECIAL RECOGNITION:

Professional: Zaida Avila  
(Nursing) Staff Nurse II, Labor & Delivery

Professional: Angel Ortega  
(Non-Nursing) Master Social Worker, Pediatric Wellness & Weight Management

Management: Sadaf Rafique  
Organization Performance Manager, Health Analytics

Technical: Vanessa De Hoyos  
Medical Assistant, Kenwood Clinic

Clerical: Minerva Carrasco  
Unit Clerk, Pediatric Congenital Cardiac Unit

Service: Jesse Garcia  
Police Officer II, Protective Services

Volunteer: Robert Alvarado  
Volunteer, Volunteer Services

Physician: Natalie Reyna Nyren, PA  
Physician Assistant, Robert B. Green-Express Med Clinic

Team: Naco-Perrin Team  
Rosalinda Rivera, Eva Gallegos, Beatriz Flores, Abigail Gutierrez, Maria Gonzales, Lisa D. Hill-Peterson, Yvonne Molina
All of this year’s quarterly recipients will be special honored guests at the Annual Recognition Awards Ceremony at the Omni on February 28, 2019. Employees of the Quarter receive a plaque, embossed pen and an opportunity to select one of numerous awards valued at $100 on the Employee Recognition website. Mr. Smith addressed the honored employees on behalf of the Board. He thanked the staff for doing a great job and provided encouragement for the future.

**CITIZEN’S PARTICIPATION:** None.

**REPORT FROM THE NOMINATING COMMITTEE AND ELECTION OF THE BOARD OF MANAGERS OFFICERS:**

**SUMMARY:** Mr. Hasslocher presented this item in Dr. Burns’ absence. In mid-September, Mr. Adams asked Dr. Burns to chair an ad hoc nominating committee for the election of officers which under the Board bylaws is charged to bring to the Board of Managers a recommended slate of officers for consideration. The Board, of course, elects the officers. The Bylaws call for the Board to elect officers in September for the ensuing 12 months; however, this action was delayed by Mr. Adams until October 30, 2018. This year’s nominating committee included Jimmy C. Hasslocher and Janie Barrera as members. The ad hoc committee was charged with bringing officer recommendations to the full Board for the positions of Chair, Vice Chair and Secretary.

**RECOMMENDATION:** The Ad Hoc Nominating Committee for the Election of Officers solicited and discussed the feedback received from all of the Board members, and recommends the following slate of officers for the 2018-2019 timeframe:

Jim Adams, Chair  
Ira Smith, Vice Chair  
Dianna M. Burns, M.D., Secretary

**ACTION:** A MOTION to approve the ad hoc committee’s recommendation was made by Mr. Hasslocher. There being NO OBJECTION, the MOTION CARRIED.

**EVALUATION:** None.

**FOLLOW UP:** None.

**REPORT FROM UT HEALTH SAN ANTONIO – ROB HROMAS, M.D., FOR WILLIAM HENRICH, M.D., PRESIDENT**

**SUMMARY:** Dr. Hromas announced that Teen Cancer America, a national organization, recently awarded a quarter of a million dollar grant to a joint effort between UT Health and University Health System for the pediatric oncology program to create an Adolescent and Young Adult (AYA) program for persons between the ages of 15 to 39 diagnosed with any cancer. Mr. Hernández added that Ms. Lourdes Castro-Ramirez, President of the Health System’s Foundation, coordinated the collaborative effort between hospital leadership, clinicians at University Hospital, and the Foundation. This proposal was selected for funding in the amount of $296,000 over two years to improve the patient experience of care for the Health System’s AYA population. Dr. Hromas held a
half day Heart & Vascular Heart Institute retreat on Saturday, October 13, 2018 that was attended by chiefs of Cardiology, CT Surgery, and Vascular Surgery, for a total of 22 physicians and several administrators, including Mr. Mike Roussos and Mr. Jim Willis. The purpose of the retreat was to create a strategic plan for the future of the Heart Vascular Institute. From the physicians’ standpoint, for recruitment and marketing purposes, the attendees recommended a focus on diabetic heart failure and women’s heart disease, especially post difficult pregnancy. It is believed that women who have a difficult pregnancy will develop heart problems 20 years later; however, no one follows these women long enough to know. The School of Medicine is very close to naming a new Ob/Gyn chairperson, and the Pediatrics chair search has been narrowed down to two finalists. The School of Medicine’s funding by the National Institutes of Health went from $58 million to $80 million this fiscal year. Total research funding went up by 11 percent to $280 million, due in large part to the partnership with University Health System since about one-third of clinical trials take place at University Hospital. Dr. Bob Ferrer, Department of Family Medicine at the Robert B. Green, was recently elected to the prestigious National Academy of Medicine. Dr. Ferrer was recognized for his work in community health. Finally, on Sunday, November 4, 2018, the Association of American Medical Colleges will recognize the School of Medicine with an Award for Outstanding Community Service. Some of the programs being acknowledged include:

- UT Teen Health Clinic at the Robert B. Green which provides reproductive health information and promotes healthy life choices to teens. Physician leader is Kristen Plastino, M.D.
- The Center for Medical Humanities and Ethics for student-faculty collaborative clinics for vulnerable populations in the community. Physician leader is Ruth Berggren, M.D.
- Salud America! A program designed to improve the health of Latino children by building a grass-roots network that advocates for policy changes. Physician leader is Amelie Ramirez, MD.

RECOMMENDATION: This report was provided for informational purposes.

ACTION: No action was required by the Board of Managers.

EVALUATION: Mr. Adams recounted a recent experience during which he spent half-day working with medical students in a patient poverty simulation led by Dr. Ruth Berggren. The point of the exercise is that physicians do not often consider the fact that some patients do not always have money to refill prescriptions, or transportation to their clinic appointments; the type of situations medical students ought to be exposed to. Mr. Adams played a supermarket manager who required customers to produce bus passes to transport their groceries. Dr. Jimenez agreed. Public health is in shambles across the country and young physician need to be exposed to social determinants that impact their patients. Dr. Jimenez asked about the School of Medicine’s efforts in recruiting Hispanic students. One of the accreditation standards set by the Liaison Committee on Medical Education (LCME) require specific language regarding policies and practices, as well as programs and partnerships that will achieve the school’s diversity and inclusion goals. The site visit will take place in late January, 2019. The most current statistics for the School of
Medicine indicate that 30 percent of the student population is comprised of minorities, and Dr. Hromas provided the following breakdown:

- African Americans – 8 percent
- Hispanic Americans – 22 percent
- Women – 50 percent

The 30 percent stat is one of the highest in the nation; however, he does not believe that is good enough. The School of Medicine has introduced local pipeline programs to increase qualified applicants from local high schools in underserved areas. Dr. Hromas yielded the floor to Dr. Ron Rodriguez for a brief review of the partnership between UT Health and the San Antonio Independent School District to open CAST Med High School at Brooks City Base that is slated to open in August 2019. Research indicates that initial contact and interaction for the successful recruitment of minorities must occur at the high school level.

FOLLOW UP:
None.

NEW BUSINESS – ACTION ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING PROCUREMENT OF THIRD-PARTY SOFTWARE CONVERSIONS AND INTERFACES FOR THE EPIC ELECTRONIC HEALTH RECORD PROJECT — BILL PHILLIPS

SUMMARY: As the Health System transitions to Epic, staff will need to secure the services of others to assist in the conversion and interface of existing content in legacy software products to the Epic enterprise suite. The products below are recommended for third party software conversions and interfaces for the Epic EHR Project: 3M Software - Currently 3M software products are in use by the Health System to provide computer assisted coding, clinical documentation improvement and coding workflows into Allscripts Electronic Health Record. The current 3M platform including interfaces will need to be formatted and integrated with the Epic enterprise suite, which 3M consultants will do. 3M is a preferred Epic software solution. The one time cost for software and consultant services, to include licenses and implementation, is $282,498.

Hyland Software, Incorporated – Currently, Hyland’s Onbase software product is in use to provide scanning capability of paper documents, pictures and other critical patient information items into Allscripts. The current Onbase system will need to be formatted and interfaced with the Epic enterprise suite, which Hyland consultants will do. Hyland Onbase is a preferred Epic software solution. The one time cost for Hyland Software, Inc. and for consulting services is $922,600.

SCC SOFT Computer Company - Currently, SCC SOFT provides the Laboratory Information System (LIS). Three software modules (Blood Bank, HLA Lab, and Donor Services) will continue after the Epic transition because Epic does not currently provide these software solutions. SOFT
consultants will develop bi-directional interfaces between SCC SOFT and the Epic enterprise suite to assure access to critical patient laboratory information. The one time cost for SCC SOFT Computer Company services $158,750. Workforce composition data for 3M Company (US Workforce only) and SCC Soft Computer Company was provided for the board’s review. Hyland Software, Inc. (US Workforce only) provided a copy of their Equal Opportunity Statement and Pledge to rally their business community by diversity and inclusion within their workplace collectively across the organization and sectors.

RECOMMENDATION: Staff recommends Board of Managers approve procurement of consultants for third party software conversions as more specifically described above, in the aggregate amount of $1,363,848. The term of each contract is for 36 months.

ACTION: A MOTION approving staff’s recommendation was made by Mr. Hasslocher, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.

EVALUATION: None.

FOLLOW UP None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING PROCUREMENT OF THIRD PARTY SOFTWARE PRODUCTS FOR THE EPIC ELECTRONIC HEALTH RECORD PROJECT—BILL PHILLIPS

SUMMARY: As the Health System transitions to Epic, staff will need to procure third party software products directly from a third party vendor without Epic’s involvement. However, Epic has assimilated certain products into the core Epic enterprise suite, which they will arrange and facilitate. The software products below are recommended for this purpose: Intelligent Medical Objects (IMO), Incorporated - IMO supports the accurate capture and preservation of clinical intent for clinical documentation, decision support, reimbursement, reporting data analysis, health education and research. This annual cost for this software product is $52,151 and includes maintenance. Total cost for a three-year period is $156,454. CareSelect Imaging - CareSelect provides medical necessity checking for imaging studies. This product provides “Appropriate Use Criteria” (AUC), authored by leading medical specialty societies, directly into the EHR workflow at the point of order. This empowers enterprise-wide quality improvement efforts and compliance, which leads to better patient care, improved population health, increased provider efficiency and lower cost of care. The onetime cost for this product is $40,000. The annual maintenance fee is $85,000 for a three year period. The total cost is $295,000. Wolters Kluwer Health Incorporated – This software assists providers with medication decisions at the time of ordering. It provides critical alerts such as drug to drug interactions, drug allergies, duplication therapy screening, advanced drug dose checking, and drug to disease contraindications. The annual cost for this product is $123,698. The total cost is $371,094 for a three year period. The workforce compensation data for all three vendors was not available at the time of the meeting.

RECOMMENDATION: Staff recommends the Board of Managers approve procurement of Intelligent Medical Objects, CareSelect Imaging and Wolters Kluwer
Medi-Span for the core Epic enterprise suite. Taken together the software products total $822,547. Funds for these products and services will be obligated, but no expense recognized for maintenance fees until after the Epic go live.

**ACTION:** A **MOTION** approving staff’s recommendation was made by Mr. Hasslocher, **SECONDED** by Mr. Smith, and **PASSED UNANIMOUSLY**.

**EVALUATION:** None.
**FOLLOW UP** None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING AN AGREEMENT FOR ANNUAL FINANCIAL AUDITOR SERVICES — ROE GARRETT/REED HURLEY**

**SUMMARY:** For the past six years the Health System has engaged BKD, LLP (BKD) to perform the consolidated audit of the Health System and the separate audit of Community First Health Plans (CFHP). The contract with BKD required that they use a minority audit firm chosen by the Health System to provide 20 percent of the hours on the engagement. The firm of Garza, Gonzalez and Associates was engaged to perform the audits of the Pension Plan, University Health System Foundation including preparation of the annual IRS form 990 and the Financial Assistance programs. During these six years accounting guidance has increased the level of reporting of the Pension Plan in the consolidated report at the same time the Pension Plan has diversified its investment portfolio to assets that are more complicated and are more difficult to value, which hampers the ability of two firms to obtain the assurance of values to report. Guidelines relative to the Financial Assistance programs also suggest a change in auditors after six years is advisable. However, staff is recommending that BKD continue to perform the consolidated Health System audit and CFHP audit and also be engaged to perform the audits of the Pension Plan, the Foundation and the Financial Assistance programs. This will enhance the coordination of field work, interaction with Health System accounting staff, preparation of audited financial statements, and allows for the integrated control of the audit process. BKD will be required to engage the assistance of a small, women, minority, veteran owned accounting firm to provide field work staff and be exposed to a larger firm’s processes and technology. The smaller firm will be called on to provide 20 percent of hours on the audits similar to the current contract. Having BKD select and manage the minority firm will assure that the audit work is well planned and staffed appropriately. Staff is also proposing the engagement of BKD to perform the initial audit on the Health System Other Post Employment Benefit plan (OPEB) that relates to the provision of medical benefits to retirees of the Health System. This plan was established in 2006; however health costs for retirees have continued to be paid through the Health System on a pay as you go basis. Other Post Employment Benefit (OPEB) plan’s net asset value has grown to $45.3 million as of December 31, 2017 and is now large enough to require a separate audit. The fees proposed for all audits by BKD including the first time audit of the OPEB plan compared to the prior year are as follows:
<table>
<thead>
<tr>
<th>Audit Type</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>UHS Audit</td>
<td>260,000</td>
<td>273,000</td>
</tr>
<tr>
<td>Foundation Audit</td>
<td>14,900</td>
<td>15,000</td>
</tr>
<tr>
<td>Pension Plan Audit</td>
<td>14,900</td>
<td>20,000</td>
</tr>
<tr>
<td>Single Audit</td>
<td>21,200</td>
<td>24,000</td>
</tr>
<tr>
<td>OPEB Audit</td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td>Foundation - Form 990</td>
<td>1,000</td>
<td>3,500</td>
</tr>
</tbody>
</table>

The workforce composition data of BKD was provided for the Board’s review.

**RECOMMENDATION:** The Audit Committee recommends that the Board of Managers approve the selection of BKD LLP along with a small, women, minority, veteran-owned firm of their choice to perform the listed audits for the 2018 fees. The Committee further recommends that the Chair of the Audit Committee be authorized to execute the engagement agreements.

**ACTION:** Dr. Jimenez made a **MOTION TO AMEND** the Audit Committee’s recommendation to indicate that the process for the selection of the SWMVBE firm will include Health System staff. Further, staff will provide BKD an outline of Board-approved criteria to ensure the objectives of the Board are met. The **MOTION TO AMEND** was **SECONDED** by Mr. Hasslocher, and **PASSED UNANIMOUSLY**.

**EVALUATION:** Dr. Jimenez expressed concern that Health System leadership is not aware of the approach to be used by BKD to select the assistance of a SWMVBE firm. He agreed that BKD is a reputable firm and that it’s important for them to manage the minority firm; however, the method and criteria used to select a firm is just as important. Previously, the minority firm was selected by the Board of Managers and there were some issues meeting deadlines. Staff believes this is a much better arrangement because BKD can select the firm they can best work with.

The impetus for the change in allowing BKD to select the SWMVBE firm is integrated control of the audit process and guidelines relative to the Financial Assistance programs. Mr. Hernandez stated that the external auditors work for the Board of Managers and this is ultimately a Board decision. The Health System must have an integrated audit and if the Board wishes to select the firm, it can be done. Mr. Engberg is sensitive to the Board’s SWMVBE policy and alluded to timing issues with other small, minority firms in the past. BKD is a competent firm and highly recognized in the healthcare arena. As chair of the Board’s audit committee, he expressed that giving BKD the ability to make the minority firm selection, with Board approval, is acceptable. The firm is very capable of making the type of selection the Board needs it to make, which will bring additional assistance to the minority firm and provide a more intimate relationship for training purposes. Dr. Jimenez re-stated his sole concern - that the Board is not involved in the SMWVBE selection process; he would like to know the criteria and approach that will be used. This is one of the few opportunities the Health System has to help a local, minority firm with a large contract. Mr. Hurley informed the Board that BKD has an office in San Antonio, so they do have a local presence, and they know the market. Mr. Adams expressed confidence in the staff’s expertise and sensitivity to deal with BKD regarding Dr. Jimenez’s concern, and Dr. Jimenez agreed. At this point, Mr.
Hernandez proposed an amended recommendation to indicate that staff will provide BKD with Board-approved criteria for the selection of the SMWVBE firm for their perusal.

FOLLOW UP: Inform the Board of Managers of BKD’s SWMVBE firm selection.

ITEMS FOR REVIEW AND DISCUSSION:

REVIEW AND DISCUSSION REGARDING BEXAR COUNTY HOSPITAL DISTRICT D/B/A UNIVERSITY HEALTH SYSTEM’s PRELIMINARY OPERATING, DEBT SERVICE AND CAPITAL BUDGETS FOR FISCAL YEAR 2019 — GEORGE B. HERNÁNDEZ, JR. / REED HURLEY

SUMMARY: Mr. Hurley reviewed the FY 2019 budget process and discussed major projects and programs for 2019:
• Received input from operational leaders across System
• Included 26 hours of budget review meetings
• Metric-driven variance reviews
• Prioritization of requests by Senior Leadership
• Focused investments on Health System initiatives

2019 Projects
• Women’s & Children’s Tower
• Epic Implementation
• Power Up & Power Through
• Meds to Beds Retail Pharmacy Operations
• Refunding of 2009 Bonds
• Medicaid GME Funding
• Ambulatory facility repairs/upgrades
• UT Mays Infusion Center transition potential

2019 Project: Epic Implementation First Full Year of Design & Implementation
• 2019 Budgeted $14 million Operating Expense
• Approximately 70 top performers moved to Epic team

2019 Project: Power Up & Power Through
Investment of resources to improve throughput
• Power Up: Emergency Room renovation and staffing
• Seven (7) additional FTE
• Power Through: Inpatient Care Transitions
• Fifteen (15) additional FTE

2019 Project: Meds to Beds
• Expansion of Retail Pharmacy Service
• Ability to bill most insurance plans
• Provides prescriptions to inpatients at discharge
• Patients can fill prescriptions at all Health System pharmacies

<table>
<thead>
<tr>
<th>2019 Impact</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Pt Revenue</td>
<td>$8,600,000</td>
</tr>
<tr>
<td>Salary Expense: 45 FTE</td>
<td>($2,655,000)</td>
</tr>
<tr>
<td>Supply Expense: Drugs</td>
<td>($5,163,454)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$781,546</td>
</tr>
</tbody>
</table>

2019 Project: Refunding 2009 Bonds (for lower interest rates)
• Optimal Refunding Date: February 15, 2019
• $239.4 million 2009 Build American Bonds (BABS) Subsidized - Estimated Net Present Value Savings: $16 million
• Parameter Resolution to Board - November 2018
• Parameter Resolution to Commissioners Court – December 2018

2019 Project: Medicaid GME Funding
• State Funding Opportunity for Graduate Medical Education (GME)
• Health System has 160 residents over the Medicare cap since 1998 (no reimbursement to the Health System from GME), 800 in total
• Potential to receive Medicaid GME funding, new program for Texas (retro to October 1, approximate value is $8 million, IGT net)
• Not included in preliminary 2019 budget

Budgeted Volume Changes
• Inpatient: 2.7 percent increase or 838 additional inpatients
• Heart & Vascular
• Transplant
• Additional Medicine Bed Capacity
• Outpatient: 3.6 percent Increase up 33,011 visits
• Emergency Room up 2.3 percent or 2,214 visits
• Ambulatory Clinics: Pediatrics
• Ambulatory Clinics: Cardiology

State & Federal Supplemental Funding
• Positive Impact to 2019 budget of $16.5 million
• Major Program Changes
• Medicaid UC: Increase $7 million due (CHAT, Rider 38)
• Medicare UC: Increase of $9 million due to changes in Federal rules –Net Patient Revenue (NPR)
• Medicare: move to Austin MSA increase of $2.5 million - NPR
• UHRIP: Net increase of $4.5 million - NPR
• NAIP: decrease $3 million due to 10 percent phase out
• DSRIP and DSH combined decrease of $4.5 million

Operating Revenue
• Total Operating Revenue Increase: $68 million
• M&O Tax Revenue $24 million
• UC Revenue $7 million
• Grant Revenue $5 million
• Net Patient Revenue $36 million
• Medicare Rate $9 million
• Meds to Beds $9 million
• Managed Care $7 million
• Volume Increases $3 million
• UHRIP $2 million
• Revenue Cycle $2 million

Managed Care Contract Negotiations (Rate Increases)
• 2014 - $2,400,000
• 2015 - $5,128,817
• 2016 - 9,600,451
• 2017 - 18,310,472
• 2018 - 25,464,984
• 2019 - $32,332,186

Total Operating Expense Increase: $87.6 million
• Salaries: $30 million 6%
(3 percent merits = $14M, living wage = $4M, volume impact = $8M)
- Benefits: $7 million 7%
- Medical Services: $6 million 4%
- Purchased Services: $31 million 15%
(Epic = $14M, PDC = $8M, Ryan White = $5M)
- Supplies: $17 million 8%
(Meds to Beds = $5M, impact drug inflation = $4M, volume impact = $5M)
- Other Operating Expense: $1 million 44%

**Bottom Line**

<table>
<thead>
<tr>
<th>Summary of the 2019 Budget (UHS less CFHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollars in millions</strong></td>
</tr>
<tr>
<td><strong>2018 Projected</strong></td>
</tr>
<tr>
<td><strong>2019 Preliminary Budget</strong></td>
</tr>
<tr>
<td><strong>Variance from Projected</strong></td>
</tr>
<tr>
<td><strong>% Variance</strong></td>
</tr>
</tbody>
</table>

| Adjusted Discharges                     | 61,716 | 63,392 | 1,676 | 2.7% |
| Total Operating Revenue                 | $1,268.8 | $1,336.9 | $68.0 | 5.4% |
| Total Operating Expense                 | $1,170.9 | $1,263.2 | ($92.2) | (7.9%) |
| Gain/(Loss) from Operations             | $97.9 | $73.7 | ($24.2) | (24.7%) |
| Depreciation Expense                   | ($574.9) | ($75.3) | ($50.3) | (0.4%) |
| Other Non-Operating Revenue             | $15.9 | $15.1 | ($0.8) | (4.8%) |
| Total Non-Operating Revenue/Expense     | ($59.1) | ($60.2) | ($1.1) | (1.8%) |
| **Bottom Line**                         | $38.8 | $13.5 | ($25.3) | (65.2%) |

**Capital**

<table>
<thead>
<tr>
<th>2019 Routine Capital Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority</strong></td>
</tr>
<tr>
<td><strong>Mandated (Regulatory Safety &amp; Required Maintenance)</strong></td>
</tr>
<tr>
<td><strong>Replacement</strong></td>
</tr>
<tr>
<td><strong>Strategic (New Service / Expansion)</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
</tr>
</tbody>
</table>

| Essential: Cannot Function Without     |
| $1,649,425                             |
| $7,468,383                             |
| $4,144,171                             |
| $13,261,979                            |
| Important: Necessary For Improvement   |
| $663,201                               |
| $5,807,704                             |
| $2,773,744                             |
| $9,244,649                             |
| Proactive: Necessary To Avoid Problems |
| $4,901,091                             |
| $161,500                               |
| $4,152,254                             |
| $9,214,845                             |
| **Total Clinical Services**            |
| $7,213,717                             |
| $13,437,587                            |
| $11,070,169                            |
| **31,721,473**                         |

Major Investments: IT imaging = $3.7M, IT infrastructure upgrade = $2.4M Electric Substation = $3M, procedural equipment: neuro biplane $2M, MRI upgrade = $2M, CT = $1M

**Debt Service**

<table>
<thead>
<tr>
<th><strong>Dollars in millions</strong></th>
<th><strong>2018 Projected</strong></th>
<th><strong>2019 Preliminary Budget</strong></th>
<th><strong>Variance from Projected</strong></th>
<th><strong>% Variance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service I&amp;S Tax Funds</td>
<td>$62.2</td>
<td>$55.4</td>
<td>$7.2</td>
<td>11.5%</td>
</tr>
<tr>
<td>Debt Service Payment</td>
<td>$62.2</td>
<td>$55.4</td>
<td>$7.2</td>
<td>11.5%</td>
</tr>
<tr>
<td>Net Debt Service Revenue</td>
<td>-$</td>
<td>-$</td>
<td>-</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

RECOMMENDATION: This report was provided for information and discussion purposes only.

ACTION: No action by the Board of Managers was required.

EVALUATION: Dr. Hromas commended the staff for re-negotiating rate increases in managed care contracts. He suggested that staff keep this opportunity in mind when negotiating contracts for women’s and children’s health services.
Mr. Adams requested additional details at the next meeting on the proposed Full Time Equivalent (FTE) numbers in the budget document. He recalls that about one-third to one-half of last year’s positions were not filled this year and there will be an unfilled number of slots in 2019. He would like the staff to let the Board know how they plan to exercise proper controls with FTEs. In addition, the Health System has a healthy supply increase of $100 million over the prior year going into 2019. Board members need to know how the staff will manage supply expenses since Mr. Adams does not recall supplies expense ever being under budget. He also requested an explanation regarding 3 percent merit increases that are estimated to total $14 million, to which Mr. Hurley responded. The Health System grants merit increases on a scale of zero to five (5) percent, with the average being 2.8. Salaries expense also includes a couple of million dollars for market adjustments, which are necessary for the Health System to remain competitive and attract quality employees. This amount is not a stand-alone number in the budget document.

Mr. Smith prefers a more detailed review of the operating and capital budget by the Board of Managers. At the present time, discussion is minimal and he does not like the fact that Board members are told to individually contact staff members with specific questions after their presentations. He would like the Board to review the budget as a group, so that all members are on the same page. Mr. Engberg agreed that sometimes Board members don’t get the entire picture, for example, when offsetting revenue is not reflected. However, he reviews his packet in detail and has an opportunity to ask additional questions during his monthly financial briefing.

Mr. Adams expressed sensitivity to the issue raised by Mr. Smith. He also feels that the staff provides the Board with sufficient background information before each meeting. He asked Board members to review these materials carefully upon receipt and note the areas where there are questions. Mr. Smith encouraged Board members to ask these questions at the public meetings so that all Board members can receive the answer. Every Board member ought to feel comfortable asking any question or requesting additional review. Mr. Hernandez responded that he strives to provide the Board with high level explanations and summaries rather than many spreadsheets. Anything Board members have questions about, or do not understand, the staff is happy to spend time with them members individually.

Dr. Jimenez again requested inclusion of the Health System’s investment in education of the workforce in both the annual report and the budget document. Although Ms. Scepanski presents an annual report to the Board on learning and development, it’s important for public documents to reflect the investment in terms of nurse retention and savings involved. Dr. Jimenez raised this point because often, nurses leave an employer not necessarily for monetary reasons, but rather, for career opportunities, working conditions, and/or variety of other things that nurses cherish.
He believes this applies to other health professions as well. Dr. Austin confirmed this fact, revealing that some nurses will leave for 50 cents more per hour. However, the Health System has a very low nursing turnover, great nurse staffing and nurse to patient ratios according to the National Data Base for Nursing Quality Indicators. At times the Health System is at the 75th percentile, which is very good, to almost the 90th percentile, in nurse staffing. Further, the Health System provides a very good learning environment with internal continuing education opportunities every month as well as opportunities to participate in shared decision-making. Further, nursing leadership encourages nurses to move into a competitor’s float pool, while maintaining employment at the Health System so that they can experience what it’s like to work there. Dr. Jimenez is interested in reviewing the learning and development report more often than annually, although the data is available for staff to review on a daily basis. Ms. Seepanski offered to present the report to the Board on a quarterly basis.

Mr. Engberg asked how staff plans to control Epic costs. Staff is working on standardizing Board reports so that each purchase request or update includes an attachment with line by line items reflecting costs, whether it’s a one-time operating expense, or an ongoing expense, account balances, with costs further broken down by categories: hardware/infrastructure, Epic license/implementation, personnel, third party software, and consulting, budget.

Dr. Jimenez wanted to know who would be managing the Epic project. Mr. Hernandez informed the Board that the Health System’s IT Steering Committee is going to manage the entire project, with help from team leaders. Leadership will interview five (5) firms, all with extensive experience in the implementing Epic. One of these firms will serve as facilitator for the Health System because this is a very complicated process with many checks and balances. Mr. Bill Phillips and Mr. Ed Banos are the lead team on this project with lots of details and reporting requirements to the Board of Managers. At this point Mr. Adams described Health System management schemes in place right now. One external project management firm (Project Control) was engaged to manage various existing projects throughout the Health System. Mr. Don Ryden serves as the Women’s and Children’s Tower project internal liaison. The firm providing project management for the new tower is Broadus. And, with the Epic project, there is a separate project control team as Mr. Hernandez noted, the IT Steering Committee with Mr. Phillips and Mr. Banos handling most details. The Board of Managers is very interest regarding cost control for the Epic project and Mr. Adams requested regular updates. Staff will provide the Board with in-depth updates on a quarterly basis so that they know exactly where we stand on the project.

Mr. Engberg asked about capital carry-over items from 2018, are those items included in the $31 million capital expenditure for 2019? Those items do not go away; rather, they are encumbered and placed in a delayed action bucket. Vice Presidents will help determine the priority
level for those items and the list will be continually reviewed throughout the year. High priority items on this rolling list are outdated equipment and patient safety items which are acted upon immediately.

Mr. Engberg also asked about the Meds to Beds program, and whether the proposed 45 FTEs were strictly assigned to this program. Mr. Hurley replied that the Meds to Beds program is labor intense and involves staff members delivering medications to the patient’s bedside. In addition, inpatient pharmacists who are specialized (e.g., Cardiology, Transplant) will provide consults to patients and physicians on the various units. The program will pay for itself and is projected to produce revenue in the amount $781,546 in 2019.

FOLLOW UP: Staff will present a consolidated Health System budget at a special meeting on November 6, 2018. If the Board is ready, staff will recommend approval of the 2019 operating, capital, and debt service budget. The Health System is scheduled for its budget presentation to Bexar County Commissioners Court on Tuesday, December 4, 2018 at 10:30 am. Dr. Austin and Ms. Scepanski will follow up with Dr. Jimenez to review learning and development data, and Dr. Jimenez will review those findings to the Board. Staff will update the Board regarding Epic activities on a quarterly basis. Dr. Jimenez again requested a presentation by medical students regarding their individual medical school experiences at University Hospital. Dean Hromas agreed and asked for two business days’ notice. Mr. Adams expanded upon this request, asking for periodic presentations by those who make things happen at University Health System, such as, front line staff and/or mid-level managers, and physicians. For example, the ongoing activities to greatly improve the Emergency Department (Power Up) and other areas of the hospital (Power Through). Mr. Hernandez suggested a presentation by nursing rank and file regarding the Magnet program.

INFORMATION ONLY ITEMS:

UPDATE ON PLANNING, DESIGN AND CONSTRUCTION ACTIVITIES — DON RYDEN
UNIVERSITY HEALTH SYSTEM FOUNDATION UPDATE — LOURDES CASTRO-RAMIREZ

UNIVERSITY HEALTH SYSTEM FOUNDATION UPDATE — LOURDES CASTRO-RAMIREZ

REPORT ON RECENT RECOGNITIONS AND UPCOMING EVENTS — LENI KIRKMAN

SUMMARY: Mr. Adams directed his colleagues’ attention to the two reports above and asked them to provide feedback, comments, or questions directly to the staff.

RECOMMENDATION: These reports were provided for informational purposes only.

ACTION: No action by the Board of Managers was required.
Dr. Jimenez asked Dr. Alsip to elaborate on the activities of the Health System’s Veterans Committee activities. The Veteran’s Committee was approved by Mr. Hernandez and established about 2.5 years ago, recognizing that San Antonio is Military City USA, and to honor the many Health System who have served in the military. The Committee has evolved over time to a group that is very active in many aspects of what the Health System does. The Committee recognizes veterans at least two times per year on Veterans’ Day and on Memorial Day. The Committee is hosting a remembrance event for Veteran’s Day this year and the 100th anniversary of World War 1. Beyond these events, the Committee does a lot with patients who are recognized service members by acknowledging that service. As a Committee, the staff sends care packets to deployed service members overseas and enjoys a good relationship with the Fisher House in the medical center. During its next meeting, the committee will tour the VA Hospital’s trauma unit. The Committee is very active; produces a newsletter that is posted to a dedicated webpage where comparison staff-veteran photos are posted, as a service to Health Systems patients, staff, and many physician partners at UT Health, San Antonio. The committee is co-chaired by two veteran staff members. Dr. Hromas thanked Dr. Alsip and reported that 16 percent of the faculty at UT Health is veterans.

FOLLOW UP:
None.

ADJOURNMENT—JIM ADAMS, CHAIR

There being no further business, Mr. Adams adjourned the meeting at 8:20 pm.

Jim Adams
Chair, Board of Managers

Dianna M. Burns, M.D.
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary