



## Travis County Commissioners Court Agenda Request

**Meeting Date:** 9/10/2013

**Prepared By/Phone Number:** Patricia A. Young Brown, Central Health President and CEO/978-8100

**Elected/Appointed Official/Dept. Head:**

**Commissioners Court Sponsor:** Judge Biscoe

### **AGENDA LANGUAGE:**

RECEIVE AND DISCUSS THE TRAVIS COUNTY HEALTHCARE DISTRICT D/B/A CENTRAL HEALTH PROPOSED BUDGET FOR FISCAL YEAR 2014 AND THE ASSOCIATED TAX RATE.

### **BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:**

See attached memorandum.

### **STAFF RECOMMENDATIONS:**

See attached memorandum.

### **ISSUES AND OPPORTUNITIES:**

See attached memorandum.

### **FISCAL IMPACT AND SOURCE OF FUNDING:**

N/A

### **REQUIRED AUTHORIZATIONS:**

County Attorney's Office  
County Attorney's Office  
Planning and Budget Office  
Planning and Budget Office  
County Judge's Office

Beth Devery, Assistant County Attorney  
John Hille, Assistant County Attorney  
Leslie Browder, County Executive  
Jessica Rio, Budget Director  
David Salazar, Executive Assistant



## Fiscal Year 2014 Proposed Budget Executive Summary

### *Who We Are*

The Travis County Healthcare District (doing business as “Central Health”) was created by vote of the Travis County electorate in May 2004. Its purpose is the provision of medical and hospital care to indigent residents of Travis County, a responsibility that was previously shared by Travis County and the City of Austin prior to Central Health’s creation. Its enabling legislation is Chapter 281 of the Texas Health and Safety Code, which provides most of the statutory framework within which Texas hospital districts operate.

From its inception in fiscal year 2005, Central Health has worked to fulfill its mission – *to create access to healthcare for those who need it most*. During that time, Central Health has steadily increased the provision of primary care services to its covered population and has worked with a variety of healthcare providers and stakeholders to augment and improve the healthcare safety net here in Travis County. Central Health has the statutory obligation to provide health care to residents who are at or below 21% of the federal poverty level (FPL – currently \$4,946 for a family of four); however, Central Health also provides a Medical Access Program (MAP program) with a full benefit package to a population of eligible residents who are at or below 100% of the FPL.

### *1115 Medicaid Waiver and 10 in 10 Initiative*

Central Health owns the University Medical Center Brackenridge (UMCB) facility, which is operated by the Seton Healthcare Family under a long-term lease arrangement, initially with the City of Austin in 1995 and now with Central Health. UMCB serves as the safety-net hospital in Travis County that provides acute and specialty care to our Medical Access Program population as well as trauma services to all residents in an 11-county region. .

Since Central Health began operations in 2004, Seton and Central Health have collaborated to provide a continuum of healthcare services, with Central Health focusing on primary, specialty and behavioral health care. While we have made some progress in our efforts to integrate the healthcare delivery system, there is still much to be done to ensure care is delivered at the right time and the right place.

In July 2011, the Texas Health and Human Services Commission (HHSC) announced the implementation of the Texas Healthcare Transformation and Quality Improvement Program, also called the 1115 Medicaid waiver. The waiver is intended to accomplish two things: one, to preserve the source of federal funding for the Upper Payment Limit program and two, to provide additional federal funds for transformative projects that enhance healthcare delivery through the Delivery System Reform and Incentive Payment (DSRIP) program.

Around the same time, in September 2011, a number of public entities began work on a “10 in 10” initiative to accomplish ten projects over ten years that will benefit Travis County and Central Texas, including: implementing an integrated delivery system to provide enhanced primary care, specialty care, behavioral health services, and women’s health services; building a medical school; and, building a modern teaching hospital. To take advantage of the momentum created by this initiative



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and to maximize the additional federal funding available through the waiver, the Central Health Board of Managers authorized a tax ratification election held on November 6, 2012, to increase Central Health's tax rate by five cents. The voters approved this increase, most of which will be used as a local match for the 1115 waiver, with the rest capitalizing the Community Care Collaborative (CCC), a 501(c)(3) corporation through which Central Health and Seton will jointly manage the safety net system. To that end, Central Health and Seton have entered into a Master Agreement to fund and operate the CCC.

For more information on Central Health, the 1115 waiver, the Community Care Collaborative, or the Master Agreement with Seton, please go to the Central Health website at [www.centralhealth.net](http://www.centralhealth.net) or call (512) 978-8000.

### *Fiscal Year 2014 Operating Budget*

Central Health's current tax rate (fiscal year 2013) is 7.8946 cents per \$100 of assessed value. This 2014 budget includes a total tax rate of 12.9 cents per \$100 of assessed value, as required under State law pursuant to the tax ratification election held on November 6, 2012. The total rate includes an operating tax rate of 12.77 cents and a debt service rate of .13 cents. The debt service tax rate will provide debt service funds for Certificates of Obligation that funded the purchase and partial renovation of the Southeast Health and Wellness Center and a portion of the construction cost of Central Health's North Central Community Health Center, the remainder of which was funded with Federal grant dollars.

Central Health's operating budget has several sources of funds, with property tax being by far the largest (\$139 million – 80% of total revenue of \$172.9 million). The second largest revenue source is Seton lease revenue for UMCB.

Central Health budgets its expenditures in two programs, the larger one being Healthcare Delivery (96% of total appropriations) and a smaller program of Administration (4% of total appropriations). The Travis County Commissioners Court approves Central Health's budget appropriations at the program level.

### *Healthcare Delivery Program*

This program consists of the following sub-programs or activities:

#### Intergovernmental Transfers (IGTs)

This activity funds the local match for three types of federal supplemental hospital payment programs:

1. Uncompensated Care ("UC") – reimburses public and private hospitals that treat significant numbers of Medicaid or uninsured patients. Central Health makes uncompensated care



## Fiscal Year 2014 Proposed Budget Executive Summary

IGTs for St. David's and Seton private hospitals and for UMCB.

2. Disproportionate Share ("DSH") – similar to Uncompensated Care, this program reimburses public and private hospitals that treat a disproportionate share of Medicaid or uninsured patients. Most of the local match for all Texas hospitals, both public and private, that participate in this program are made by the major hospital districts across the state, including Central Health.
3. Delivery System Reform Incentive Payment ("DSRIP") – provides federal funding for projects that transform the healthcare delivery system by making it more accessible, more integrated, and less costly. This funding is through the 1115 Medicaid waiver, the Texas Health Care Transformation and Quality Improvement Program that was approved by CMS on December 12, 2011. Central Health will make an IGT for the hospital-based DSRIP projects carried out by Seton and also for the remaining delivery system DSRIP projects carried out by the CCC.

Appropriations at the program level can be moved from one activity to another administratively, through the authority delegated by the Board of Managers to the Central Health President and CEO. In educating the Travis County voters for the November 2012 tax ratification election, Central Health committed to using its healthcare delivery funds first to make IGTs that will leverage additional federal funds and opportunities to enhance service delivery. To that end, Central Health may use funds in other healthcare delivery activities for IGT if there are additional opportunities to do so.

### Payment to the Community Care Collaborative (CCC)

This Central Health activity funds primary, specialty, and other services for the MAP program, primarily through contracts with a number of safety-net providers. These contracts were previously administered by Central Health, but in 2014 Central Health and Seton will jointly manage most of them in the CCC. Funding and administering these contracts in the CCC will provide for an integrated delivery system through which all providers can be better coordinated.

### Other Healthcare Delivery Activities

Other activities in the 2014 Healthcare Delivery Program are as follows:

- Payments to Austin Travis County Integral Care and Planned Parenthood;
- Seton charity care payment;
- Eligibility and medical management staff and operating costs;
- Funding risk-based capital needs for Central Health's Medicaid HMO, Sendero;
- Debt service; and
- A transfer to the capital reserve for renovations of the Southeast Health and Wellness Center.



## Fiscal Year 2014 Proposed Budget Executive Summary

The final activity in the 2014 Healthcare Delivery Program is an appropriation of Central Health's estimated 2014 contingency reserve of \$44.6 million. This appropriation provides flexibility for Central Health to handle the uncertain timing of IGTs in the 1115 waiver program without a mid-year budget amendment. It is unlikely that this entire amount will be needed and whatever is not spent in 2014 will fall to the contingency reserve ending balance. Amounts that are spent in 2014 will be replenished in future years.

### Administration Program

This program funds the activities that allow Central Health to function as a governmental entity and a healthcare financing entity, e.g. financial, legal, human resource, facility management, and planning and communications activities.

### Reserve Policies

Central Health maintains four separate reserves, with a policy for each:

- Emergency Reserve
- Contingency Reserve
- Capital Reserve
- HMO Risk-Based Capital Reserve

There are two changes to Central Health's reserve policies in this 2014 budget. One change is to the contingency reserve – to allow for appropriation of this reserve to deal with IGT timing issues, as discussed above in the Healthcare Delivery Program section.

The second change is to the emergency reserve. Given that Central Health's most stable revenue source, property tax, is also by far its largest now (80% of total revenues), management recommends reducing the emergency reserve from 33% to 15% of budgeted expenditures. At this level, Central Health still has relatively higher reserves than most local governments.

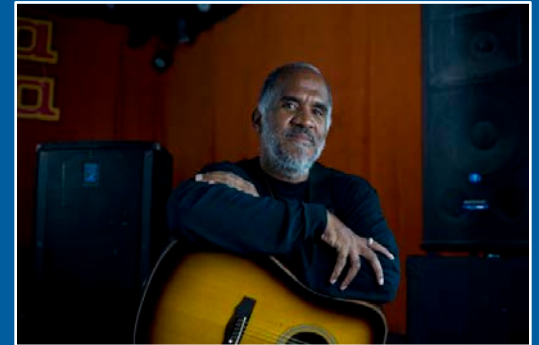


CENTRAL HEALTH

# Travis County Commissioners Court

# Presentation of Central Health 2014 Proposed Budget

Tuesday September 10, 2013





# Overview

The FY 14 Central Health budget includes the new tax revenue that was approved by Travis County voters on November 6, 2012. The budget will be used to:

1. Fund Central Health's core mission to provide access to health care for our most vulnerable residents in Travis County.
2. Fulfill the mandate of the voters as outlined in Proposition 1 and develop an integrated delivery system to deliver health care.
3. Maximize participation in 1115 waiver to enhance funding for the DSRIP projects and 10 in 10 initiatives



# What is different in 2014?

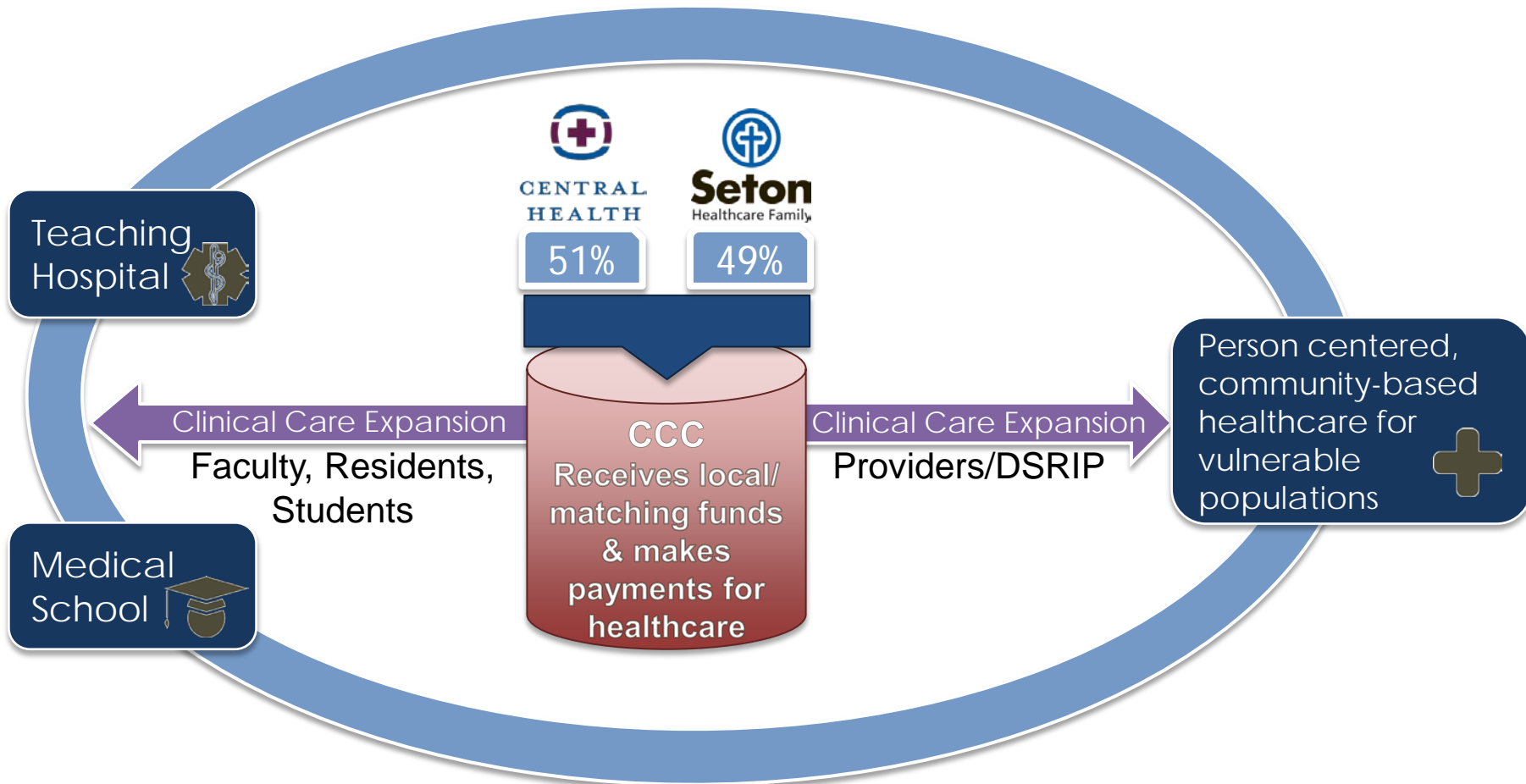
There are fundamental changes in the proposed 2014 budget. These changes are driven by:

- A voter mandate to transform the way we deliver health care to vulnerable populations
- A property tax rate of 12.9 cents per \$100 assessed value
- The establishment of the Community Care Collaborative
- Implementation of 1115 Waiver





# Transforming the Way We Deliver Health Care: The Integrated Delivery System





## FY 14 Budget Overview: Tax Increase

- On November 6, 2012 Travis County voters approved Proposition 1 which raised the property tax rate collected by Central Health from 7.89 cents to 12.9 cents per \$100 of assessed property value.
- As a result of the voter approved tax increase, Central Health's property tax revenues will increase from \$80m in 2013 to \$139m in 2014.
- The increase in property tax revenue (\$59m) will be used to deliver new and enhanced health care services for uninsured, underinsured and vulnerable residents of Travis County.
- Participation in the Medicaid 1115 Waiver allows Central Health to leverage local funds through a federal match.



## Change in Budget from July 10 to Today *(in millions)*

	7/10 Presentation	Today
<b><u>Sources</u></b>		
Property Tax Revenue	\$140.0	\$139
Seton Lease Revenue	\$32.3	\$32.3
Other Revenue	\$1.7	\$1.6
Contributions from HMO Reserves	\$2.2	\$2.2
Contingency Fund Appropriation	-	\$44.7
Total Sources of Funds	\$176.2	\$219.8
<b><u>Uses</u></b>		
Healthcare Delivery	\$167.2	\$210.6
Administration	\$9.0	\$9.2
Total Uses of Funds	\$176.2	\$219.8



# Central Health Comparative Budget *(in millions)*

<b>SOURCES OF FUNDS</b>		
	<u>FY 2014</u>	<u>FY 2013</u>
Property tax revenue	139	80
Seton lease revenue	32.3	30.9
Interest revenue	0.4	0.2
Tobacco settlement revenue	1.2	1.9
Contingency Reserve Appropriation	44.7	29.7
Contribution from HMO Reserve	<u>2.2</u>	-
<b>TOTAL SOURCES</b>	<b><u>219.8</u></b>	<b><u>142.7</u></b>
<b><u>USES OF FUNDS</u></b>		
Healthcare delivery	210.6	134.2
Administration	<u>9.2</u>	<u>8.5</u>
<b>TOTAL USES</b>	<b><u>219.8</u></b>	<b><u>142.7</u></b>



## FY 14 Combined *(in millions)*

	Central Health	Community Care Collaborative
<b><u>Sources</u></b>		
Property tax revenue	139.0	
Seton lease revenue	32.3	
Interest revenue	0.4	
Tobacco settlement revenue	1.2	
Contingency Reserve	44.7	
Contribution from HMO risk-based capital	2.2	
DSRIP Revenue		49.2
Payments for Indigent Healthcare:		
<i>Seton (1)</i>		60.0
<i>Central Health (1)</i>		15.2
Operations Contingency		10.5
<b>Total Sources</b>	<b>219.8</b>	<b>134.9</b>
<b><u>Uses</u></b>		
Healthcare Delivery	210.6	73.3
Administration	9.2	
DSRIP Project Costs		21.6
Permitted Investments - UT		35.0
Emergency Reserve		5.0
<b>Total Uses</b>	<b>219.8</b>	<b>134.9</b>



## Continuity of Services in FY 2014 Budget

- CH will continue to make IGTs for uncompensated care:
  - Private facilities – St. David's and Seton
  - UMCB
- All 2013 provider contracts are in place for 2014, primarily funded in the CCC
  - FQHCs – CommUnityCare, Lone Star Circle of Care, People's Community Clinic, and the remaining provider network



## Additional Services in FY 2014 Budget

- DSRIP projects – 30 total
  - Seton – 14
  - CCC - 14
  - Dell Children's - 2
- Renovation of Southeast Health and Wellness Center
  - Capital appropriation of \$4.5m for Primary, Specialty, Dental and Behavioral Health Services



# New Enhanced Services

## Community Care Collaborative -14 Projects

### Infrastructure

- ❖ Disease Management Registry
- ❖ Patient Centered Medical Home Model
- ❖ Chronic Disease Management Model

### Care Expansion

- ❖ Expanded Hours at Community Clinics
- ❖ Mobile Care Vans
- ❖ Gastroenterology at Community Clinics
- ❖ Pulmonology at Community Clinics
- ❖ Expanded Dental Services

### Behavioral Health

- ❖ Integrated Behavioral Health for Diabetes
- ❖ Telepsychiatry at Community Clinics

### Women's Health/Sexual Health

- ❖ Pregnancy Reduction Program
- ❖ STD/HIV Screening & Treatment

### Navigation

- ❖ Patient Navigation - IDS
- ❖ Community Paramedic Navigation





# Central Health and the CCC

- Role of the CCC is to better integrate service delivery
  - Provider contracts are jointly evaluated
  - MAP population and benefit package are jointly determined
- Board of Managers retains control of contract and funding process in the CCC
  - Central Health Board of Managers has significant reserve powers including approval of new contracts, changes to MAP population and benefit package, and approval of budget



# Questions?



[www.CentralHealth.net](http://www.CentralHealth.net)