



Travis County Commissioners Court Agenda Request

Meeting Date: 9/23/2014

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:

CONSIDER AND TAKE APPROPRIATE ACTION ON THE TRAVIS COUNTY HEALTHCARE DISTRICT D/B/A CENTRAL HEALTH FISCAL YEAR 2015 BUDGET.

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



MEMORANDUM

TO: Travis County Judge and Commissioners

FROM: Patricia A. Young Brown, President & CEO

DATE: September 23, 2014

RE: Central Health Fiscal Year 2015 Budget and 2014 Tax Rate

Our fiscal year 2015 budget accomplishes two main objectives, supporting ongoing work to fulfill the voter mandate from November 2012 to strengthen and transform the local health care delivery system which serves our most vulnerable residents while improving affordability by increasing accessibility of these health care services by low income residents.

Fulfilling the Voter Mandate

In November of 2012, voters in Travis County approved a \$.05 per \$100 valuation tax increase for Central Health. These additional funds are being used to strengthen our local safety net and transform the health care delivery system. *See below for ballot language. Specifically these new funds allow Central Health to combine local health care tax dollars with federal matching funds that are brought back to Travis County through the 1115 Medicaid waiver transformation projects. Central Health is also using these leveraged funds to create the voter approved integrated care delivery system which will improve care, enhance health and build a more fiscally sustainable health care delivery system. Pursuant to the voter's mandate, these funds also support the new Dell Medical School at The University of Texas at Austin which will support the mission of Central Health by helping provide care for our vulnerable population and by designing new care delivery models that help reduce health disparities and address the social determinants of health.

Central Health went directly to the voters to seek additional funding and Proposition 1 represents the mandate from the voters of Travis County for Central Health to take these steps towards fixing our broken and fragmented health care system.

Central Health is delivering on that voter mandate—rapidly, however our work towards achieving the voter approved work continues. Central Health is extremely thankful to the voters of Travis County for making this transformation possible through the use of local tax dollars, and we are committed to completing the work we have begun.

Affordability

All of us who live in Travis County are concerned about the affordability of our lives here, and how that affordability is impacted by property taxes. Central Health's tax rate remains lower than the rates of hospital districts in other urban counties even after the voter approved increase because of the unique way that our delivery system is designed and financed. Our public private

partnerships with Seton and St. David's allow us to keep the tax burden low because of their commitment to providing millions of dollars in health care to low income uninsured and underinsured residents of Travis County. This model has allowed Central Health to provide access to hospital and clinical care without large capital expenditures which incur large debt loads as other hospital districts must—when they own and operate their own facilities. By staying out of the actual provision of care we can efficiently and nimbly use our funds to directly purchase health care services from a variety of community providers.

Affordability however is not just a question of the tax rate but also is determined by how the services Central Health provides help individuals and families afford to live in Travis County. The eligible residents of Travis County for whom we provide health care services struggle daily with affordability. They live on less than \$24,000 per year in order to qualify for our health care services. Therefore, Central Health's mission to serve those at lower income levels directly contributes to the goal of affordability for our community's residents. Our provision of services helps those individuals to have a more affordable and healthy life because we can provide them with health care that is focused on primary care and prevention and that is within their financial reach. These services allow our community to support those who have fewer financial resources.

Accompanying this memo you will find the summary of our public hearings held on the proposed budget. In all 18 people spoke to the Board of Managers. All who spoke during this process supported the work of Central Health and the proposed budget.

We appreciate your careful review of our budget, your thoughtful questions and the time you devote to the work of ensuring that our budget and tax rate are appropriate for the important mission we serve - providing health care to those who need it most.

The Proposition 1 November 2012 ballot language is copied below for your reference.

*

CENTRAL HEALTH TAX RATIFICATION ELECTION

PROP. 1: Approving the ad valorem tax rate of \$0.129 per \$100 valuation in Central Health, also known as the Travis County Healthcare District, for the 2013 tax year, a rate that exceeds the district's rollback tax rate. The proposed ad valorem tax rate exceeds the ad valorem tax rate most recently adopted by the district by \$0.05 per \$100 valuation; funds will be used for improved healthcare in Travis County, including support for a new medical school consistent with the mission of Central Health, a site for a new teaching hospital, trauma services, specialty medicine such as cancer care, community-wide health clinics, training for physicians, nurses and other healthcare professionals, primary care, behavioral and mental healthcare, prevention and wellness programs, and/or to obtain federal matching funds for healthcare services. For Against



Fiscal Year 2015 Draft 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 \$5,008 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 and charity care 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 and private sector entities began work on a “10 in 10” initiative to accomplish ten projects over ten years that will benefit Travis



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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 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, for capitalizing the Community Care Collaborative (CCC), a 501(c)(3) corporation through which Central Health and Seton will jointly manage the safety net system, or for funding other healthcare needs. To that end, Central Health and Seton have entered into a Master Agreement to fund and operate the CCC.

The Master Agreement includes provisions under which Seton will construct and operate a safety-net teaching hospital. Construction of this new facility has begun and Seton currently expects to occupy it in January 2017. In preparation for Seton vacating the UMCB facility, Central Health has begun developing a master plan for reuse or redevelopment of the site, *the Downtown Central Health Campus*.

For more information on Central Health, the 1115 waiver, the Community Care Collaborative, the Master Agreement with Seton, or Central Health's master plan for the Downtown Central Health Campus, please go to the Central Health website at www.centralhealth.net or call (512) 978-8000.

Fiscal Year 2015 Operating Budget

Central Health's current tax rate (fiscal year 2014) is 12.9 cents per \$100 of assessed value, as required under State law pursuant to the tax ratification election discussed above. This 2015 draft budget has been prepared at a lower tax rate of 12.64 cents per \$100 of assessed value. The total rate includes an operating tax rate of 12.53 cents and a debt service rate of .11 cents. The debt service tax rate will provide 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 total property tax of \$151.7 million being by far the largest. Although Central Health is lowering its tax rate, increases in assessed value have produced \$12.7 million in additional revenue. The second largest revenue source is Seton lease revenue for UMCB, budgeted this year at \$31.6 million.

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



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program level. See the attached budget summary (Attachment A) for a list of sources and of uses by program, as well as expected reserve balances at the end of the 2015 fiscal year.

Following is a more detailed discussion of Central Health's 2015 expenditure budget, shown by program and activity, which can be seen on Attachment B.

Healthcare Delivery Program

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

Intergovernmental Transfers (IGTs)

This activity funds the local match for the following 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 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 is made by seven 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 began on September 1, 2011. Central Health makes an IGT for the hospital-based DSRIP programs carried out by Seton and also for the remaining delivery system DSRIP programs 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.



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Payment to the Community Care Collaborative (CCC)

This Central Health activity partially 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 most of these were moved to the CCC so that Central Health and Seton could manage them jointly. These contracts are also funded by the CCC's other revenue sources; centralizing them in the CCC provides for an integrated delivery system through which all providers can be better coordinated.

Other Healthcare Delivery Activities

Other activities in the 2015 Healthcare Delivery Program are as follows:

- Payments to Austin Travis County Integral Care, Planned Parenthood, and the Integrated Care Collaboration;
- Seton charity care payment;
- Service expansion for additional needs that may arise during FY 2015;
- Transfer to the capital reserve, primarily for renovations of the Southeast Health and Wellness Center;
- Eligibility staff and operating costs;
- Funding risk-based capital needs for Central Health's Medicaid HMO, Sendero;
- Debt service; and
- New initiatives.

An additional activity in the 2015 Healthcare Delivery Program is an appropriation of Central Health's estimated 2015 contingency reserve of \$76.5 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 2015 will fall to the contingency reserve ending balance.

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. Personnel expense has decreased slightly from 2014 to 2015 due to charging staff who are performing DSRIP project activities directly to the CCC; however, there are two new enterprise positions added in FY 2015 that will provide support to Central Health and its affiliates: an Enterprise VP for Human Resources and an Enterprise Chief Information Officer. Legal fees have been increased by \$200,000 in 2015 due to an increase in complexity in our regulatory environment, and property appraisal fees paid to the Travis Central Appraisal District



CENTRAL HEALTH

Fiscal Year 2015 Draft Budget Executive Summary

(TCAD) have increased by about \$400,000 to fund activities designed to make the appraisal process more equitable across categories of property.

Reserve Policies

Central Health maintains four separate reserves, with a policy for each: an emergency reserve, a contingency reserve, a capital reserve, and a reserve for HMO risk-based capital.

There is one change to Central Health's reserve policies in this 2015 budget, a change to the contingency reserve to allow for the use of this reserve to correct deficits in partially or wholly-owned affiliated entities when accompanied by a plan to reach structural balance.

Attachment D more fully describes each of the four reserve policies.



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Revenue and Expense Summary

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
TAX RATE	0.1264	0.129
<u>SOURCES OF FUNDS</u>		
Property tax revenue	151,728,532	139,000,000
Seton lease revenue	31,637,380	32,321,472
Other revenue	1,900,000	1,600,000
Contribution from HMO risk-based capital	4,883,000	10,200,000
Contingency appropriation	78,800,000	44,657,687
TOTAL SOURCES	268,948,912	227,779,159
<u>USES OF FUNDS</u>		
Healthcare delivery program	259,098,204	218,610,705
Administration program	9,850,708	9,168,454
TOTAL USES	268,948,912	227,779,159
<u>FISCAL YEAR END RESERVE BALANCES</u>		
Capital reserve	-	2,930,811
HMO risk-based capital reserve	-	4,883,000
Emergency reserve	25,975,721	25,975,721
TOTAL RESERVES	25,975,721	33,789,532



**Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget
Expense Detail**

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
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EXPENSE DETAIL

HEALTHCARE DELIVERY

Intergovernmental transfers:

I G T - private UC	27,900,000	27,900,000
I G T - public UC	25,000,000	30,000,000
I G T - Disproportionate Share	20,000,000	20,000,000
I G T - CCC DSRIP	23,800,000	24,200,000
I G T - Seton DSRIP	20,200,000	20,200,000
I G T - St Davids DSRIP	500,000	-
Intergovernmental transfers	117,400,000	122,300,000

Providers & charity care:

Indigent care payment to CCC	15,200,000	16,477,788
Charity care - Seton	4,251,733	4,251,733

Medical providers:

ATCIC	8,045,166	7,925,319
Planned Parenthood	510,000	510,000
Integrated Care Collaboration (ICC)	617,275	736,275
Medical providers	9,172,441	9,171,594

New initiatives:

ACA education and enrollment	1,717,000	1,439,748
Health promotion	150,000	-
New initiatives	1,867,000	1,439,748

Providers & charity care	30,491,174	31,340,863
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Service expansion:

Beginning of year appropriation	2,000,000	5,000,000
Allocations to approved uses	-	(2,827,536)
Service expansion	2,000,000	2,172,464



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Expense Detail

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
Personnel & operating expenses:		
Personnel expenses	2,446,402	1,985,585
Operating expenses:		
Legal	20,000	50,000
Consulting	270,000	410,000
Other professional services	28,900	193,660
Marketing & community relations	10,000	50,000
Leases, security & maintenance	225,000	-
Phones, computer equipment & utilities	25,540	10,540
Printing, copying, postage & signage	111,075	111,075
Meetings, travel & professional development	18,000	23,283
Other operating expenses	17,906	41,634
Operating expenses	726,421	890,192
Personnel & operating expenses	3,172,823	2,875,777
Reserves, appropriated uses & transfers:		
Transfer to capital reserve	11,300,000	4,500,000
Sendero risk-based capital	16,883,000	10,200,000
Contingency appropriation	76,480,000	43,851,652
Reserves, appropriated uses & transfers	104,663,000	58,551,652
Debt service:		
Debt service - principal retirement	935,000	920,000
Debt service - interest & amortized costs	436,207	449,949
Debt service	1,371,207	1,369,949
TOTAL HEALTHCARE DELIVERY	259,098,204	218,610,705



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Expense Detail

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
ADMINISTRATION		
Personnel & operating expenses:		
Personnel expenses	4,008,281	4,010,395
Operating expenses:		
Legal	896,500	611,500
Consulting	1,283,620	1,283,620
Investment services (Travis County)	108,351	108,351
Benefits & payroll administrative services	190,800	190,800
Other professional services	363,950	363,950
Marketing & community relations	92,250	92,250
Leases, security & maintenance	590,822	590,822
Insurance & risk management	99,526	99,526
Phones, computer equipment & utilities	151,704	151,704
Printing, copying, postage & signage	86,370	86,370
Meetings, travel & professional development	116,062	116,062
Other operating expenses	507,472	541,381
Operating expenses	4,487,427	4,236,336
Personnel & operating expenses	8,495,708	8,246,731
Tax collection expenses:		
Property appraisal	855,000	453,723
Property tax collection	500,000	468,000
Tax collection expenses	1,355,000	921,723
TOTAL ADMINISTRATION	9,850,708	9,168,454
TOTAL EXPENSE	268,948,912	227,779,159



Attachment D
Fiscal Year 2015 Draft Budget
Reserve Policies

Emergency Reserve Policy

Central Health's emergency reserve will serve as a funding source for dire necessities that arise from unusual circumstances, e.g. natural disasters, pandemics, or severe business disruptions. The emergency reserve will normally be set at 55 days of working capital, equal to approximately 15% of budgeted ongoing expenses. The amount of the emergency reserve will be set annually through adoption of the budget.

Contingency Reserve Policy (as amended for FY 2015 draft budget)

The contingency reserve will serve as a funding source for one-time expenditures or for ongoing expenditures when needed for cyclical or temporary structural deficits. Cyclical deficits are caused by temporary decreases in revenue or by one-time, nonrecurring expenses that cannot be funded through current revenue. Structural deficits are caused by an excess of projected annual expense over projected annual revenue over periods of several fiscal years. Contingency reserves may be used as part of a plan for correcting structural deficits; however, the plan should also include structural fixes such as permanent increases to revenue and/or permanent reductions to expense.

The contingency reserve may also serve as a source of supplemental appropriation that can be used for Intergovernmental Transfers, depending on circumstances and amounts available. The Intergovernmental Transfers are unpredictable and are often misaligned with Central Health's fiscal year. The contingency reserve may also be used to correct deficits in partially or wholly-owned affiliated entities when accompanied by a plan to reach structural balance.

Capital Reserve Policy

A capital reserve will be established to fund capital assets or projects that will not be funded through the issuance of debt or through a grant. The capital reserve will be established in October, the first month of the fiscal year, by moving investment balances from current assets to noncurrent assets in the amount needed to fund the capital reserve. Changes may be made to the capital reserve during the year if, for example, other funding is obtained for a portion of the capital budget: in this case, the capital reserve would be decreased by moving the amount of the grant from noncurrent assets (investments) back to current assets.

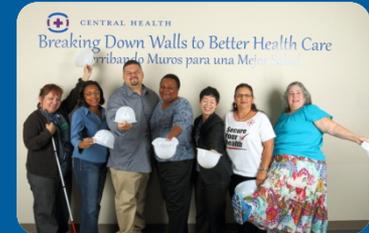
HMO Risk-Based Capital Reserve Policy

Central Health will set up a risk-based capital reserve to be used for paid-in capital payments to Sendero Health Plans, Inc., the Medicaid managed care nonprofit corporation established in 2011. This reserve will be shown in the noncurrent asset section of Central Health's balance sheet and will not be part of working capital or fund balance. This fund will be used to provide risk-based capital to Sendero. Payments will be made based on the level of enrollment and on claims experience, as recommended by the Sendero actuary.



CENTRAL HEALTH

Fiscal Year 2015 Proposed Budget



Travis County Commissioners Court
Tuesday, September 23, 2014

Patricia A. Young Brown, CEO
Jeff Knodel, Chief Financial Officer



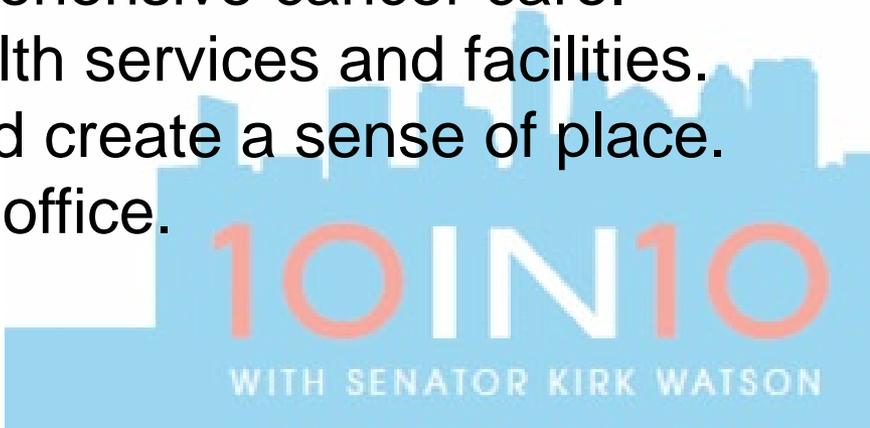
Presentation Overview

- Community goals and outcomes
- Proposed budget considerations, including revenue and tax rate
- Budget summary
- Recap of budget process



We Set Community Goals: Senator Kirk Watson's 10 in 10

1. Build a medical school.
2. Build a modern teaching hospital.
3. Foster modern, uniquely Austin health clinics.
4. Develop a research institute and laboratories for public and private research.
5. Launch a new commercialization incubator.
6. Make Austin a center for comprehensive cancer care.
7. Provide needed behavioral health services and facilities.
8. Improve basic infrastructure and create a sense of place.
9. Bolster the medical examiner's office.
10. Solve the funding puzzle.



10 IN 10
WITH SENATOR KIRK WATSON



Proposition 1

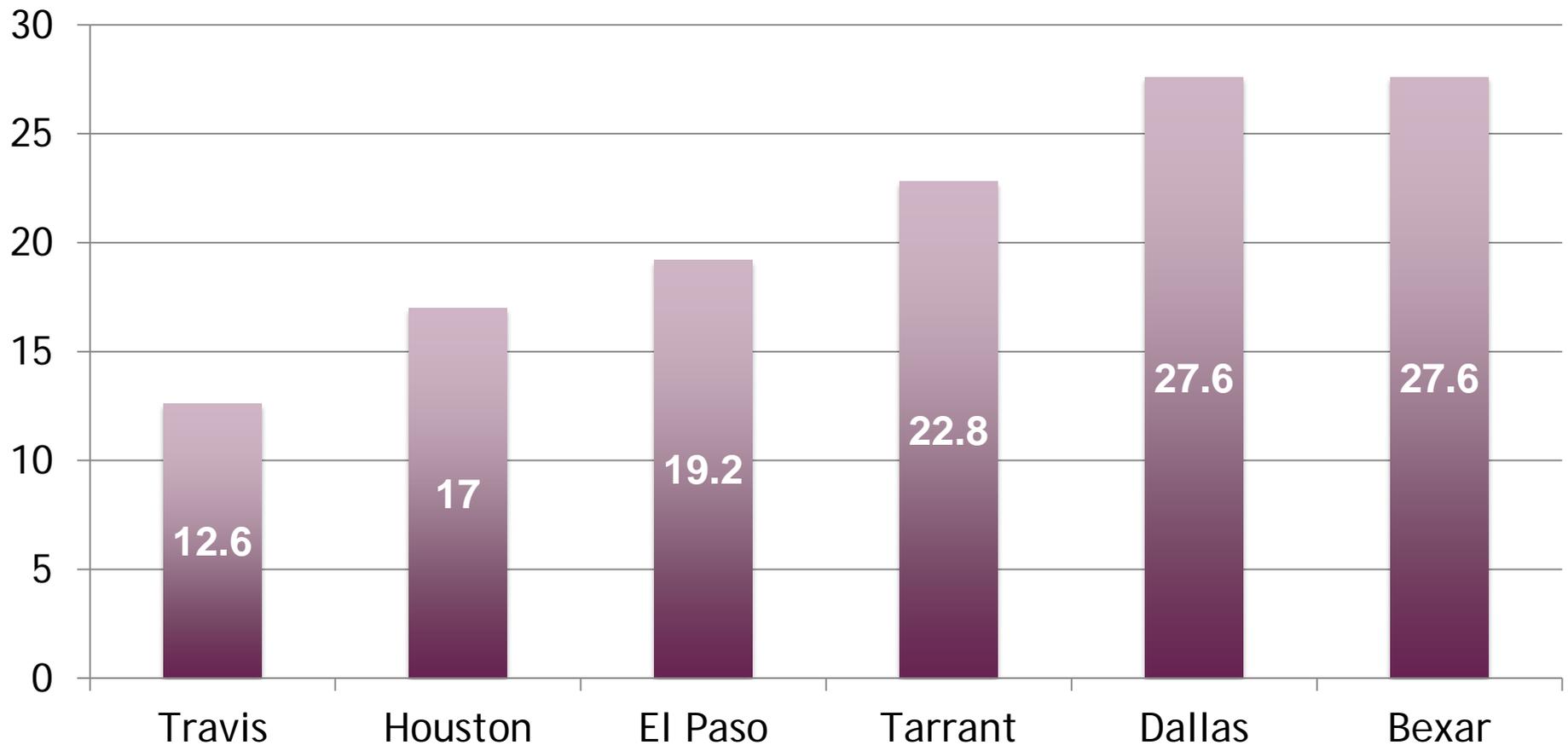
On November 6, 2012, fifty-five percent of Travis County voters approved increasing property taxes collected by Central Health from 7.89 cents to 12.9 cents per \$100 of assessed property value:

“Funds will be used for improved healthcare in Travis County, including support for a new medical school consistent with the mission of Central Health, a site for a new teaching hospital, trauma services, specialty medicine such as cancer care, community-wide health clinics, training for physicians, nurses and other healthcare professionals, primary care, behavioral and mental healthcare, prevention and wellness programs, and/or to obtain federal matching funds for healthcare services.”



Hospital District Tax Rates

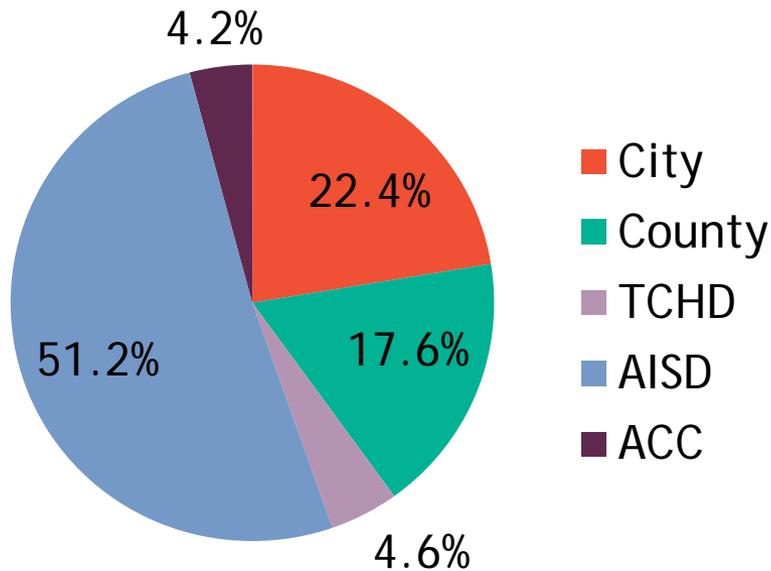
Cents per \$100 of property valuation





Allocation of Property Taxes

Tax Bill on \$200,000 Home



Jurisdiction	Rate	Amount	% Amount
City	0.5027	\$1,005	22.4%
County	0.4946	\$791	17.6%
Central Health	0.129	\$206	4.6%
AISD	1.242	\$2,298	51.2%
ACC	0.0949	\$188	4.2%
Total	2.4632	\$4,489	100.0%



FY15 Revenues

- Property Tax Rate
 - Reduce the tax rate from the voter-approved rate of 12.9 cents to 12.64 cents per \$100 valuation
 - At 12.64 rate, annual tax increase on homeowner with median value home (\$180,760) - \$14.64 and for the average home value (\$240,026) - \$16.27

Budget (millions)	<u>FY 14</u>	<u>FY15</u>
Property Tax Revenue	\$139.0	\$151.7



FY 2015 Major Budget Considerations

Timing of Intergovernmental Transfers	Maintain practice of appropriating contingency reserve due to the uncertain timing of intergovernmental transfers
Sendero Health Plans	Invest \$12 million to continue working toward our strategic objective to expand care management in our developing integrated delivery system model
Southeast Health & Wellness Center	Allocate \$9.5 million for funding to complete the Southeast Health & Wellness Center
Affordable Care Act	Expand public information and awareness campaign, and enrollment efforts in the Federal Insurance Marketplace
Downtown Campus	Continue work on Master Plan, including community engagement



Budget Summary (FY15 Proposed)

Sources	<u>FY14</u>	<u>FY15</u>
Property Taxes	139.0	151.7
Lease Revenue	32.3	31.6
Other	<u>1.6</u>	<u>1.9</u>
Subtotal - Revenues	172.9	185.2
Contribution from HMO Reserves	2.2	4.8
Contingency Appropriation	<u>44.7</u>	<u>78.8</u>
Total Sources	<u>219.8</u>	<u>268.8</u>
Uses		
Healthcare Delivery	210.6	258.9
Administration	<u>9.2</u>	<u>9.9</u>
Total Uses	<u>219.8</u>	<u>268.8</u>



1115 Waiver Transformation Projects

Under the 1115 Medicaid Transformation Waiver, Central Health serves as the Intergovernmental Transfer (IGT) entity for 33 transformation projects (“DSRIP projects) by four performing providers in Travis County

Value to the Community	Performing Provider	Number of Projects
\$239.9 M	Community Care Collaborative	15
\$33.1 M	Dell Children’s Medical Center	2
\$168 M	University Medical Center Brackenridge	15
\$4.1 M	St. David’s Medical Center	1
\$445.1M	-	33

Projects fall into four general categories:

- Behavioral Health
- Chronic Care
- Prevention
- Primary/Specialty/ Dental expansion



FY 15 Budget Intergovernmental Transfer Summary Includes Federal Matching Funds

	FY15		
	<u>Local</u>	<u>Federal</u>	<u>Total</u>
Uncompensated Care	\$ 52.9	\$ 75.2	\$ 128.1
Disproportionate Share	\$ 20.0	\$ 23.2	\$ 43.2
DSRIP	\$ 44.5	\$ 63.2	\$ 107.7
Total	<u>\$117.4</u>	<u>\$161.6</u>	<u>\$ 279.0</u>

Central Health uses \$117.4 million of local funds to draw an additional \$161.6 million in federal funds, for a total of \$279 million for health care services for vulnerable Travis County residents.



Recap of Budget Process

- Began budget process in May
- Three presentations to full Board
- Several work sessions at Budget and Finance Committee
- Two required public hearings on the budget and the tax rate as prescribed by State law plus one additional public hearing
- Two presentations to Commissioners Court
- Final presentation to Court for approval on September 23

EXECUTIVE SUMMARY
Public Hearings on the Central Health Fiscal Year 2015 Budget
and the Associated Tax Rate

Public Hearing - August 28, 2014

Vice-Chairperson Daniel opened the public hearing on the Central Health proposed Fiscal Year 2015 budget and the associated tax rate. Vice-Chairperson Daniel stated that following a presentation from Central Health, the Board of Managers would open the public hearings.

Ms. Christie Garbe, Vice President and Chief Strategy Officer, provided an overview of Central Health's mission, stated objectives of the Fiscal Year 2015 ("FY 2015") budget, and highlighted accomplishments from Central Health's strategic plan as outlined in the presentation provided with the meeting materials.

Mr. John Stephens, Director of Financial Planning and Management, discussed the FY 2015 budget considerations, FY 2015 revenue projections, and the associated tax rate. Mr. Stephens provided information regarding Intergovernmental Transfers and the Central Health reserve policy as included in the meeting materials. Mr. Stephens reviewed both the sources and uses of funds in the Central Health budget. Mr. Stephens discussed a tax rate for the 2014 tax year of 12.64 cents per \$100 of valuation which is a reduction from the 2013 rate of 12.9 cents per \$100 of valuation. Mr. Stephens referred to the meeting materials to illustrate the tax rate for a home of median value and a home of average value.

Ms. Ginette Magana, Central Health Program Specialist - Communications & Community Engagement, read the Public Hearing guidelines and introduced the speakers for the Public Hearing.

George Miller, CEO of CommUnityCare, spoke first and shared his support of the budget. He shared demographic info for FY 15, reporting that CommUnityCare had over 271,500 service encounters, ultimately caring for approximately 70,000 patients, regardless of their ability to pay for services. He also touched on CommUnityCare's continuing education efforts, and closed with a short video.

Karen Jones, a Travis County resident and Planned Parenthood employee, thanked Central Health for meeting community needs in terms of women's health, especially with STD/STI screening efforts and breast/cervical cancer exams.

Sarah Wheat, a Travis County taxpayer and VP of Community Affairs for Planned Parenthood, thanked Central Health for its partnership with Planned Parenthood clinics in providing preventive care to a demographic that otherwise wouldn't be able to afford it. She read a thank you note from a patient.

Dr. Clay Johnston, Dean of the Dell Medical School, thanked Travis County residents for creating a medical school and embarking on a long journey to make Austin a model healthy community. He informed attendees that school funds will continue to provide support for the underserved. He also announced that the first funding (from Central Health) for the new school was received last week, that faculty leaders are in the process of being selected and he's very excited for the future.

Ana Kladzyk, a Planned Parenthood volunteer and graduate student at UT in the environment and water resources engineering program, thanked Central Health for its support and commitment to women's health services. She described the typical Planned Parenthood patient as being either uninsured or underinsured, and emphasized the importance of equitable care. She encouraged Central Health to continue to provide for this demographic.

Amy Kamp, a Travis County resident, described how she benefited from healthcare services in 2011 when she was uninsured and was thus able to get a life-saving cervical cancer screening at Planned Parenthood. She thanked Central Health for continuing to fund Planned Parenthood.

Heather Alden, Managing Director of the SIMS Foundation which provides mental health and addiction recovery services to Austin musicians and family, introduced the executive leadership of her organization present at the meeting. She thanked Central Health for its support of SIMS and expressed that her organization is in full support of the budget.

Debbie Brezette, with the United Way for Greater Austin, explained the navigation center known as 2-1-1 and described its expanded partnership with Central Health. She touched on how Central Health tax dollars have made United Way a much more efficient system for navigating healthcare. Her organization is now looking into increasing outbound calls, adding chat and text capabilities, and establishing more prevention partnerships. She finished by telling the story of her brother who has a mental illness and how his ER visits have significantly decreased after receiving care funded through Central Health.

Vice-Chairperson Daniel also announced the first public hearing held in accordance with Chapter 26, Texas Tax Code, will be held on Wednesday, September 3, 2014, 5:30 p.m. at Central Health Administrative Offices, 1111 E. Cesar Chavez, Austin, Texas 78702.

Vice-Chairperson Daniel further announced the second public hearing held in accordance with Chapter 26, Texas Tax Code, will be held on Wednesday, September 10, 2014, 10:30 a.m. at Central Health Administrative Offices, 1111 E. Cesar Chavez, Austin, Texas 78702.

First Public Hearing - September 3, 2014

Board Chair Brenda Coleman-Beattie opened the public hearing on the Central Health proposed Fiscal Year 2015 budget and the associated tax rate. Board Chair Brenda Coleman-Beattie stated that following a presentation from Central Health, the Board of Managers would open the public hearings.

Ms. Christie Garbe, Vice President and Chief Strategy Officer, provided an overview of Central Health's mission, stated objectives of the Fiscal Year 2015 ("FY 2015") budget, and highlighted accomplishments from Central Health's strategic plan as outlined in the presentation provided with the meeting materials.

Mr. Jeff Knodel, Vice President of Finance and Chief Financial Officer, discussed the FY 2015 budget considerations, FY 2015 revenue projections, and the associated tax rate. Mr. Knodel provided information regarding Intergovernmental Transfers and the Central Health reserve policy as included in the meeting materials. Mr. Knodel reviewed both the sources and uses of funds in the Central Health budget. Mr. Knodel discussed a tax rate for the 2014 tax year of 12.64 cents per \$100 of valuation which is a reduction from the 2013 rate of 12.9 cents per \$100 of valuation. Mr. Knodel referred to the meeting materials to illustrate the tax rate for a home of median value and a home of average value.

Mr. Mike McKinnon, Communications & Media Program Specialist, went over the Public Hearing guidelines and read off the names of those signed up to speak.

Ned Lore, a member of St. David's Episcopal Church and a leader with Austin Interfaith, spoke first and stressed that specialty care should be a budget priority for Central Health. He recounted how he had to wait 9 months for a specialty care appointment when he was on the MAP program, and how numerous other MAP patients referred to specialty care are on a waiting list for 6 months to a year. He urged the Board to set aside necessary funds for specialty care and set specific targets to reduce wait.

Barbara Grove, a member of St David's Episcopal Church and a Healthcare Team Member with Austin Interfaith, thanked the Board for everything that will be made possible with the Southeast Health and Wellness Center. She announced that Austin Interfaith will be holding an accountability session to ask both city and county candidates to support its budget priorities related to health and food incentives, disaster relief in Onion Creek, literacy outreach, affordable and emergency housing compliance, and affordable energy for the low income population.

Ofelia Zapata, a San Jose Episcopal Church member with Austin Interfaith, reiterated the accountability session and invited the Central Health Board to join on Sept 16th at the Dell Jewish Community Center. A second session will be held on Oct 5th at the Abiding Love Lutheran Church in southwest Austin. Flyers were distributed to the Board.

Susan Roberts, Travis County resident and tax payer, thanked the Board for their support and commitment to women's health. As a senior citizen, she attested to the benefits of having had affordable care most of her life and the success of early screening. She stressed how basic preventive health exams should be routinely accessible to all women.

Dawn Handley, Chief Operating Officer at Austin Travis County Integral Care, thanked the Board for their commitment to the community. She also thanked them for their long-standing commitment to behavioral health and focusing on it as a primary planning initiative. She expressed gratitude for the \$8 million in funding received from Central Health for inpatient beds, invaluable to providing inpatient care. She explained how this also serves as a substantial match to offer extended outpatient ongoing services around psychiatric care. Dawn then acknowledged CommUnityCare as a standing partner through its collaborative with integrated care delivery, and thanked Central Health once more for its role as the anchor for Region 7, and for the opportunity afforded to ATCIC to utilize land behind the South East Health & Wellness Center for a mental health process center and extended observation unit.

Delma Limones, a resident of Travis County, also thanked Central Health for its commitment to women's health. She spoke on the high rate of uninsured Latinas in Austin, and along with it, a high rate of cervical cancer due to lack of screening.

George Miller, CEO of CommUnityCare, shared his support of the budget. He spoke on demographic info for FY 15, reporting that CommUnityCare had over 271,500 service encounters, ultimately caring for approximately 70,000 patients from 34 different countries, regardless of their ability to pay for services. He also touched on CommUnityCare's continuing education efforts for future providers, explaining that approximately 25 CommUnityCare team members regularly work with students. He's anticipating 170 different students for the fall semester, costing the organization between 500 to 800 thousand dollars. He closed with a short video.

Courtenay Paris, a Travis County resident and tax payer, thanked the Board for its support and commitment to women's health. She talked about the high rate of uninsured women in Texas, and how legislature has defunded women's preventive health services. She believes all women should have access to preventive screening services.

Perla Cavazos, a Travis County resident and tax payer and Community Board Member of Planned Parenthood, also thanked Central Health for its support and commitment to women's health. She was uninsured for 9 months in between jobs, relying on Planned Parenthood, and is happy she supported the creation of Central Health and Proposition 1. She expressed support of the budget and said she believes it reflects the values of Travis County residents.

Mary Jo Hernandez, a retired physician and Health Representative with the Restore Rundberg team, thanked the Board for its support of the new medical needs assessment for the Rundberg area. She cited currently failing mental health facilities unable to meet quantity and need in a quality fashion, and pointed to the fact there are no drug and alcohol detox facilities in the city. She said she believes 80 dollars per patient per inpatient day provided by the State as reimbursement is clearly inadequate, and a subsidy should be provided by Central Health so that critical services are available. She then pointed to a lack of services for severely disturbed or suicidal youth and voiced concern over a lack of specific parameters for indigent care obligations being assumed by the Dell Med School. She also questioned the decision to underwrite undergrad costs of med students rather than paying for the operation of clinics, and was concerned by Central Health's underwriting of Seton's fiscal obligations to the Medical School, as well as its agreement to accept 60 cents on the dollar for all Seton-run hospitals and clinics due to its decision to not become a federally qualified healthcare provider.

Board Member Rosie Mendoza then asked the Board to talk to Mary at a later time about her concerns and go over the source of her information, as some of it seems to be inaccurate.

Board Chair Brenda Coleman-Beattie announced the second public hearing held in accordance with Chapter 26, Texas Tax Code, will be held on Wednesday, September 10, 2014, 10:30 a.m. at Central Health Administrative Offices, 1111 E. Cesar Chavez, Austin, Texas 78702.

Board Chair Brenda Coleman-Beattie reminded speakers that the Board of Managers Meeting to adopt the FY 15 budget will be held on Wednesday, Sept 17th at 5:30 p.m., and a second public hearing will be held September 10th at 10:30 a.m. Both meetings will provide an opportunity for additional public comment.

Second Public Hearing - September 10, 2014

Vice-Chairperson Daniel opened the public hearing on the Central Health proposed Fiscal Year 2015 budget and the associated tax rate.

Mr. Jeff Knodel, Chief Financial Officer, discussed the Fiscal Year 2015 budget considerations, and the associated tax rate. Mr. Knodel discussed Intergovernmental Transfers and the Central Health reserve policy as presented at the previous Board of Managers meetings and public hearings. Mr. Knodel discussed a tax rate for the 2014 tax year of 12.64 cents per \$100 of valuation, which is a reduction from the 2013 rate of 12.9 cents per \$100 of valuation.

Ms. Ginette Magana, Central Health Program Specialist - Communications & Community Engagement, announced that no speakers were signed-in for the public hearing.

Treasurer Lightsey announced that the meeting at which the Central Health Board of Managers will vote to adopt the Fiscal Year 2015 budget and its associated tax rate and the next regularly scheduled meeting would be held on Wednesday, September 17, 2014 at 5:30 p.m. at the Central Health Administrative Offices, 1111 E. Cesar Chavez St., Austin, Texas 78702.



#	Name	Address	Organization	Phone or Email	Comments
1	George Miller	Community care Kramer W.	Community Care		
2	Karen Jones		Planned Parenthood of Greater Texas		
3	Sarah West		Planned Parenthood		
4	Dr. C. Key Johnson Dr. Key Johnson		Dell Medical School		
5	Anna Kladyke		PP		
6	Amy Kamp		SELF		
7	Heather Aude	11 11 11	Sim's Foundation	11 11 11	
8	HEATHER AUDE	11 11 11	SIMS FOUNDATION		
9	Debbie Brantle	11	UWATX	11	11
10					

Note: Each speaker has a limit of three (3) minutes. You will not have the right to speak if you sign in after the Public Hearing is closed. Speakers are expected to conduct themselves in an appropriate manner. The use of profanity, obscenity, personal attacks and/or otherwise offensive language shall be sufficient cause for the Board Chairperson to withdraw permission to address the Board.

→ Anna Klady-ke



CENTRAL HEALTH

Public Hearing
Central Health FY2015 Budget

Central Health Public Hearing
Wednesday, August 28, 2014

#	Name/Last	Address	Organization	Phone or Email	Comments
1	Med Leone Ashley Storti MD	Ashley Storti MD			
2	Barbara Storti Storti	11			
3	Delia Zepke	11			
4	Susan Robertson Robertson	Cunha Travis County, TX			
5	Dawn Handley	Austin Travis County Integral care			
6	Delma Leone Leone		Planned Parenthood Greater TX		
7	George Miller	Kramer	CRC		
8	Courtney Paris				
9	Perla Cavares		Planned Parenthood Greater TX		
10	Marcy Jo Hernandez		ASore Ruddberg team		

Note: Each speaker has a limit of three (3) minutes. You will not have the right to speak if you sign in after the Public Hearing is closed. Speakers are expected to conduct themselves in an appropriate manner. The use of profanity, obscenity, personal attacks and/or otherwise offensive language shall be sufficient cause for the Board Chairperson to withdraw permission to address the Board.



#	Name	Address	Organization	Phone or Email	Comments
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

No one signed up for Public Hearing.

Richard Costello

Note: Each speaker has a limit of three (3) minutes. You will not have the right to speak if you sign in after the Public Hearing is closed. Speakers are expected to conduct themselves in an appropriate manner. The use of profanity, obscenity, personal attacks and/or otherwise offensive language shall be sufficient cause for the Board Chairperson to withdraw permission to address the Board.

**TRAVIS COUNTY HEALTHCARE DISTRICT D/B/A
CENTRAL HEALTH
BOARD OF MANAGERS**

RESOLUTION ADOPTING THE FISCAL YEAR 2015 BUDGET

The Travis County Healthcare District Board of Managers hereby adopts the Travis County Healthcare District Fiscal Year 2015 Budget, consisting of this resolution, the Travis County Healthcare District Fiscal Year 2015 Budget Revenue and Expense Program Summary (attached as Attachment A), and the Travis County Healthcare District Fiscal Year 2015 Budget Expense Detail (attached as Attachment B), all incorporated herein by reference as if set out in full, subject to the following provisions:

1. The attached Travis County Healthcare District Fiscal Year 2015 Budget Revenue and Expense Program Summary shall be the official budget of the Travis County Healthcare District for Fiscal Year 2015. This budget and any changes thereto must be approved by the Travis County Commissioners Court before they become effective.
2. Expenditures made pursuant to the Travis County Healthcare District Fiscal Year 2015 Budget shall be controlled by the Travis County Healthcare District Fiscal Year 2015 Budget Revenue and Expense Program Summary. All expenditures by or on behalf of the Travis County Healthcare District pursuant to the Travis County Healthcare District 2015 Budget shall be made in strict compliance with the Travis County Healthcare District Fiscal Year 2015 Budget Revenue and Expense Program Summary as hereby adopted or as amended from time-to-time by the Travis County Healthcare District Board of Managers.

ADOPTED this 17th day of September, 2014.

TRAVIS COUNTY HEALTHCARE DISTRICT BOARD OF MANAGERS



Brenda Coleman-Beattie
Chairperson



Fiscal Year 2015 Draft 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 \$5,008 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 and charity care 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 and private sector entities began work on a “10 in 10” initiative to accomplish ten projects over ten years that will benefit Travis



Fiscal Year 2015 Draft Budget Executive Summary

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 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, for capitalizing the Community Care Collaborative (CCC), a 501(c)(3) corporation through which Central Health and Seton will jointly manage the safety net system, or for funding other healthcare needs. To that end, Central Health and Seton have entered into a Master Agreement to fund and operate the CCC.

The Master Agreement includes provisions under which Seton will construct and operate a safety-net teaching hospital. Construction of this new facility has begun and Seton currently expects to occupy it in January 2017. In preparation for Seton vacating the UMCB facility, Central Health has begun developing a master plan for reuse or redevelopment of the site, *the Downtown Central Health Campus*.

For more information on Central Health, the 1115 waiver, the Community Care Collaborative, the Master Agreement with Seton, or Central Health's master plan for the Downtown Central Health Campus, please go to the Central Health website at www.centralhealth.net or call (512) 978-8000.

Fiscal Year 2015 Operating Budget

Central Health's current tax rate (fiscal year 2014) is 12.9 cents per \$100 of assessed value, as required under State law pursuant to the tax ratification election discussed above. This 2015 draft budget has been prepared at a lower tax rate of 12.64 cents per \$100 of assessed value. The total rate includes an operating tax rate of 12.53 cents and a debt service rate of .11 cents. The debt service tax rate will provide 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 total property tax of \$151.7 million being by far the largest. Although Central Health is lowering its tax rate, increases in assessed value have produced \$12.7 million in additional revenue. The second largest revenue source is Seton lease revenue for UMCB, budgeted this year at \$31.6 million.

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



Fiscal Year 2015 Draft Budget Executive Summary

program level. See the attached budget summary (Attachment A) for a list of sources and of uses by program, as well as expected reserve balances at the end of the 2015 fiscal year.

Following is a more detailed discussion of Central Health's 2015 expenditure budget, shown by program and activity, which can be seen on Attachment B.

Healthcare Delivery Program

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

Intergovernmental Transfers (IGTs)

This activity funds the local match for the following 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 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 is made by seven 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 began on September 1, 2011. Central Health makes an IGT for the hospital-based DSRIP programs carried out by Seton and also for the remaining delivery system DSRIP programs 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.



Fiscal Year 2015 Draft Budget Executive Summary

Payment to the Community Care Collaborative (CCC)

This Central Health activity partially 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 most of these were moved to the CCC so that Central Health and Seton could manage them jointly. These contracts are also funded by the CCC's other revenue sources; centralizing them in the CCC provides for an integrated delivery system through which all providers can be better coordinated.

Other Healthcare Delivery Activities

Other activities in the 2015 Healthcare Delivery Program are as follows:

- Payments to Austin Travis County Integral Care, Planned Parenthood, and the Integrated Care Collaboration;
- Seton charity care payment;
- Service expansion for additional needs that may arise during FY 2015;
- Transfer to the capital reserve, primarily for renovations of the Southeast Health and Wellness Center;
- Eligibility staff and operating costs;
- Funding risk-based capital needs for Central Health's Medicaid HMO, Sendero;
- Debt service; and
- New initiatives.

An additional activity in the 2015 Healthcare Delivery Program is an appropriation of Central Health's estimated 2015 contingency reserve of \$76.5 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 2015 will fall to the contingency reserve ending balance.

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. Personnel expense has decreased slightly from 2014 to 2015 due to charging staff who are performing DSRIP project activities directly to the CCC; however, there are two new enterprise positions added in FY 2015 that will provide support to Central Health and its affiliates: an Enterprise VP for Human Resources and an Enterprise Chief Information Officer. Legal fees have been increased by \$200,000 in 2015 due to an increase in complexity in our regulatory environment, and property appraisal fees paid to the Travis Central Appraisal District



CENTRAL HEALTH

Fiscal Year 2015 Draft Budget Executive Summary

(TCAD) have increased by about \$400,000 to fund activities designed to make the appraisal process more equitable across categories of property.

Reserve Policies

Central Health maintains four separate reserves, with a policy for each: an emergency reserve, a contingency reserve, a capital reserve, and a reserve for HMO risk-based capital.

There is one change to Central Health's reserve policies in this 2015 budget, a change to the contingency reserve to allow for the use of this reserve to correct deficits in partially or wholly-owned affiliated entities when accompanied by a plan to reach structural balance.

Attachment D more fully describes each of the four reserve policies.



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Revenue and Expense Summary

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
TAX RATE	0.1264	0.129
<u>SOURCES OF FUNDS</u>		
Property tax revenue	151,728,532	139,000,000
Seton lease revenue	31,637,380	32,321,472
Other revenue	1,900,000	1,600,000
Contribution from HMO risk-based capital	4,883,000	10,200,000
Contingency appropriation	78,800,000	44,657,687
TOTAL SOURCES	268,948,912	227,779,159
<u>USES OF FUNDS</u>		
Healthcare delivery program	259,098,204	218,610,705
Administration program	9,850,708	9,168,454
TOTAL USES	268,948,912	227,779,159
<u>FISCAL YEAR END RESERVE BALANCES</u>		
Capital reserve	-	2,930,811
HMO risk-based capital reserve	-	4,883,000
Emergency reserve	25,975,721	25,975,721
TOTAL RESERVES	25,975,721	33,789,532



**Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget
Expense Detail**

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
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EXPENSE DETAIL

HEALTHCARE DELIVERY

Intergovernmental transfers:

I G T - private UC	27,900,000	27,900,000
I G T - public UC	25,000,000	30,000,000
I G T - Disproportionate Share	20,000,000	20,000,000
I G T - CCC DSRIP	23,800,000	24,200,000
I G T - Seton DSRIP	20,200,000	20,200,000
I G T - St Davids DSRIP	500,000	-
Intergovernmental transfers	117,400,000	122,300,000

Providers & charity care:

Indigent care payment to CCC	15,200,000	16,477,788
Charity care - Seton	4,251,733	4,251,733

Medical providers:

ATCIC	8,045,166	7,925,319
Planned Parenthood	510,000	510,000
Integrated Care Collaboration (ICC)	617,275	736,275
Medical providers	9,172,441	9,171,594

New initiatives:

ACA education and enrollment	1,717,000	1,439,748
Health promotion	150,000	-
New initiatives	1,867,000	1,439,748

Providers & charity care	30,491,174	31,340,863
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Service expansion:

Beginning of year appropriation	2,000,000	5,000,000
Allocations to approved uses	-	(2,827,536)
Service expansion	2,000,000	2,172,464



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Expense Detail

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
Personnel & operating expenses:		
Personnel expenses	2,446,402	1,985,585
Operating expenses:		
Legal	20,000	50,000
Consulting	270,000	410,000
Other professional services	28,900	193,660
Marketing & community relations	10,000	50,000
Leases, security & maintenance	225,000	-
Phones, computer equipment & utilities	25,540	10,540
Printing, copying, postage & signage	111,075	111,075
Meetings, travel & professional development	18,000	23,283
Other operating expenses	17,906	41,634
Operating expenses	726,421	890,192
Personnel & operating expenses	3,172,823	2,875,777
Reserves, appropriated uses & transfers:		
Transfer to capital reserve	11,300,000	4,500,000
Sendero risk-based capital	16,883,000	10,200,000
Contingency appropriation	76,480,000	43,851,652
Reserves, appropriated uses & transfers	104,663,000	58,551,652
Debt service:		
Debt service - principal retirement	935,000	920,000
Debt service - interest & amortized costs	436,207	449,949
Debt service	1,371,207	1,369,949
TOTAL HEALTHCARE DELIVERY	259,098,204	218,610,705



**Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget
Expense Detail**

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
ADMINISTRATION		
Personnel & operating expenses:		
Personnel expenses	4,008,281	4,010,395
Operating expenses:		
Legal	896,500	611,500
Consulting	1,283,620	1,283,620
Investment services (Travis County)	108,351	108,351
Benefits & payroll administrative services	190,800	190,800
Other professional services	363,950	363,950
Marketing & community relations	92,250	92,250
Leases, security & maintenance	590,822	590,822
Insurance & risk management	99,526	99,526
Phones, computer equipment & utilities	151,704	151,704
Printing, copying, postage & signage	86,370	86,370
Meetings, travel & professional development	116,062	116,062
Other operating expenses	507,472	541,381
Operating expenses	4,487,427	4,236,336
Personnel & operating expenses	8,495,708	8,246,731
Tax collection expenses:		
Property appraisal	855,000	453,723
Property tax collection	500,000	468,000
Tax collection expenses	1,355,000	921,723
TOTAL ADMINISTRATION	9,850,708	9,168,454
TOTAL EXPENSE	268,948,912	227,779,159



Attachment D
Fiscal Year 2015 Draft Budget
Reserve Policies

Emergency Reserve Policy

Central Health's emergency reserve will serve as a funding source for dire necessities that arise from unusual circumstances, e.g. natural disasters, pandemics, or severe business disruptions. The emergency reserve will normally be set at 55 days of working capital, equal to approximately 15% of budgeted ongoing expenses. The amount of the emergency reserve will be set annually through adoption of the budget.

Contingency Reserve Policy (as amended for FY 2015 draft budget)

The contingency reserve will serve as a funding source for one-time expenditures or for ongoing expenditures when needed for cyclical or temporary structural deficits. Cyclical deficits are caused by temporary decreases in revenue or by one-time, nonrecurring expenses that cannot be funded through current revenue. Structural deficits are caused by an excess of projected annual expense over projected annual revenue over periods of several fiscal years. Contingency reserves may be used as part of a plan for correcting structural deficits; however, the plan should also include structural fixes such as permanent increases to revenue and/or permanent reductions to expense.

The contingency reserve may also serve as a source of supplemental appropriation that can be used for Intergovernmental Transfers, depending on circumstances and amounts available. The Intergovernmental Transfers are unpredictable and are often misaligned with Central Health's fiscal year. The contingency reserve may also be used to correct deficits in partially or wholly-owned affiliated entities when accompanied by a plan to reach structural balance.

Capital Reserve Policy

A capital reserve will be established to fund capital assets or projects that will not be funded through the issuance of debt or through a grant. The capital reserve will be established in October, the first month of the fiscal year, by moving investment balances from current assets to noncurrent assets in the amount needed to fund the capital reserve. Changes may be made to the capital reserve during the year if, for example, other funding is obtained for a portion of the capital budget: in this case, the capital reserve would be decreased by moving the amount of the grant from noncurrent assets (investments) back to current assets.

HMO Risk-Based Capital Reserve Policy

Central Health will set up a risk-based capital reserve to be used for paid-in capital payments to Sendero Health Plans, Inc., the Medicaid managed care nonprofit corporation established in 2011. This reserve will be shown in the noncurrent asset section of Central Health's balance sheet and will not be part of working capital or fund balance. This fund will be used to provide risk-based capital to Sendero. Payments will be made based on the level of enrollment and on claims experience, as recommended by the Sendero actuary.

ORDER OF TRAVIS COUNTY COMMISSIONERS COURT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

At a regular meeting of the Travis County Commissioners Court held on September 23, 2014,

on motion made by: _____, and

seconded by: _____,

The following Order related to the budget of the Travis County Healthcare District d/b/a Central Health was adopted:

WHEREAS, the Commissioners Court has by Order dated September 23, 2014 set the tax rate and levied taxes based on the tax requirements identified in Central Health's budget for the fiscal year beginning October 1, 2014; and

WHEREAS, in accordance with the Revised Statutes of the State of Texas, a budget summary has been prepared to cover all proposed expenditures of Central Health for the period beginning October 1, 2014 and ending September 30, 2015, which is attached to this Order as Attachment A; and

WHEREAS, after careful consideration of the budget, it appears to the Commissioners Court that this budget is in the best interests of Central Health for the period for which appropriations are made in it, and that it should be adopted and approved;

THEREFORE, the Travis County Commissioners Court orders that the budget for the Travis County Healthcare District d/b/a Central Health for the period beginning October 1, 2014 and ending September 30, 2015, as stated in Travis County Healthcare District Fiscal Year 2015 Budget Revenue and Expense Program Summary (attached as Attachment A), is hereby finally approved and adopted for that period.

Except as herein provided, no expenditures of the funds of Central Health shall be made for that period, except in strict compliance with this budget, unless it is amended according to the laws of the State of Texas.

DONE IN OPEN MEETING on September 23, 2014.

Samuel T. Biscoe, County Judge

Ron Davis
Commissioner, Precinct 1

Bruce Todd
Commissioner, Precinct 2

Gerald Daugherty
Commissioner, Precinct 3

Margaret Gómez
Commissioner, Precinct 4

ATTACHMENT A



Proposed Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget Revenue and Expense Summary

DESCRIPTION	FY 2015 PROPOSED BUDGET	FY 2014 AMENDED BUDGET
TAX RATE	0.1264	0.129
<u>SOURCES OF FUNDS</u>		
Property tax revenue	151,728,532	139,000,000
Seton lease revenue	31,637,380	32,321,472
Other revenue	1,900,000	1,600,000
Contribution from HMO risk-based capital	4,883,000	10,200,000
Contingency appropriation	78,800,000	44,657,687
TOTAL SOURCES	268,948,912	227,779,159
<u>USES OF FUNDS</u>		
Healthcare delivery program	259,098,204	218,610,705
Administration program	9,850,708	9,168,454
TOTAL USES	268,948,912	227,779,159
<u>FISCAL YEAR END RESERVE BALANCES</u>		
Capital reserve	-	2,930,811
HMO risk-based capital reserve	-	4,883,000
Emergency reserve	25,975,721	25,975,721
TOTAL RESERVES	25,975,721	33,789,532