



EPCHD Board of Managers

FY 2020 Budget Work Session

July 24, 2019





2020 Budget Timetable

- Wednesday, July 24, 9am UMC budget worksession meeting
- Monday, July 29, 9:30am Commissioners' Court meeting to present effective and rollback tax rates
- Tuesday, July 30, 2pm Commissioners' Court worksession #1
- Wednesday, July 31, 8:15am UMC regularly scheduled Finance Committee meeting

- Monday, August 12, 9:30am Commissioners' Court to propose tax rates
- Tuesday, August 13, 3pm UMC regularly scheduled Board of Manager's meeting
- Wednesday, August 14, 9am Commissioners' Court budget worksession #2
- Wednesday, August 21, 6pm Tax rate Public Hearing number 1
- Wednesday, August 28, 6pm Tax rate Public Hearing number 2

- Monday, September 9, 9:30am Commissioners' Court meeting to approve budget and tax rate
- September 15 Tax Rate Board Resolution due to County Tax Office



FY 2019 El Paso County Hospital District Highlights

UMC

Quality of Care



- **LeapFrog – “A” grade** – only safety net hospital in TX with an “A” grade
- American Heart Association/American Stroke Association’s Get With The Guidelines® **Target: Stroke Honor Roll Elite Plus Gold Plus Quality Achievement Award**
- American College of Surgeons National Surgical Quality Improvement Program (ACS NSQIP®) - **meritorious outcomes for surgical patient care**
- Texas Department of State Health Services **Level IV Designation for Maternal Care**
- Started **Baldrige Journey** – Quality Texas
 - Engagement Level Recognition
 - Pioneer Level Recognition for Communities of Excellence

UMC

Service Line Expansion



- Assumed responsibility for healthcare services at El Paso County Detention Facilities (May 2019)
- Preparing to open Interventional / Electrophysiology Lab (August 2019)



El Paso Children's Higher Levels of Service



- American Cleft Palate Association Approved Craniofacial Team
- Oral and Maxillofacial Surgery Craniofacial Fellowship – one of eight fellowships internationally
- Successful Children's Oncology Group – successful audit
- Expanded pediatric neurosurgery and craniofacial programs

El Paso Health Continued Excellence



- Successful launch of the initial phase of overarching expansion plan for Medicare
- Continued El Paso service area market share leader; 57% market share for STAR and CHIP
- 1st in Texas for the following STAR and CHIP 2017 Quality of Care Rankings:
 - Adolescent Well Care Visits
 - Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents
 - Well-Child Visits in the first 15 months of life (STAR only)
 - Immunizations for Adolescents
- Excellent provider satisfaction survey results- 86.8% satisfaction rating
 - Higher when compared to the Symphony Performance Health, Inc. d/b/a SPH Analytics Medicaid Benchmark (68.1%) nationwide and the Texas Association of Community Health Plans (TACHP) Benchmark (77.7%)

UMC Market Share

- Using the most recent year of data, market share increased in the following service lines:
 - Neuroscience
 - Cardiovascular Disease
 - General Medicine
 - Orthopedics
 - Cardiovascular
 - Cardiac, Vascular, & Thoracic (CVT) Surgery
 - General Surgery

El Paso Children's Market Share



- Using the most recent year of data, market share increased in the following service lines:
 - Cardiac Surgery
 - Ear, Nose, & Throat
 - General Surgery
 - Neonatology
 - Nephrology/Urology
 - Neurosciences
 - Orthopedics



FY 2019 Operations Update

District 2019 Performance to Budget and 2018

Actual results through June 2019

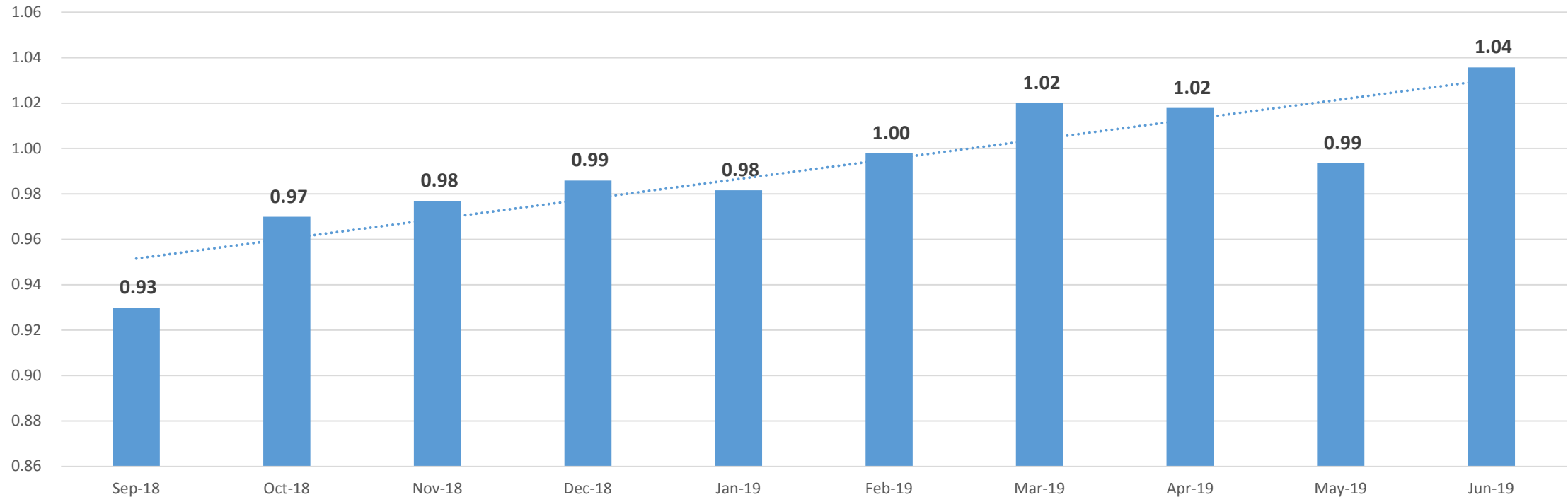


2019 Annual Projections					
	2019 Budget			2018 Actual	
	<u>Projection</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Variance</u>
Increase (decrease) in Net Position-					
UMC	(\$11,893,821)	(\$13,261,684)	\$1,367,863	(\$24,923,385)	\$13,029,564
El Paso Health	1,451,241	1,941,008	(489,767)	1,664,712	(213,471)
El Paso Children's	(1,118,829)	(3,998,570)	2,879,741	(10,497,681)	9,378,852
UMC Foundation	293,487	2,590,108	(2,296,621)	902,096	(608,609)
	(11,267,922)	(12,729,138)	1,461,216	(32,854,258)	21,586,336
Eliminations	1,525,476	1,525,476	-	1,525,476	-
	(\$9,742,446)	(\$11,203,662)	\$1,461,216	(\$31,328,782)	\$21,586,336

Includes a \$12 million GASB No. 68 non-cash annual adjustment for UMC.

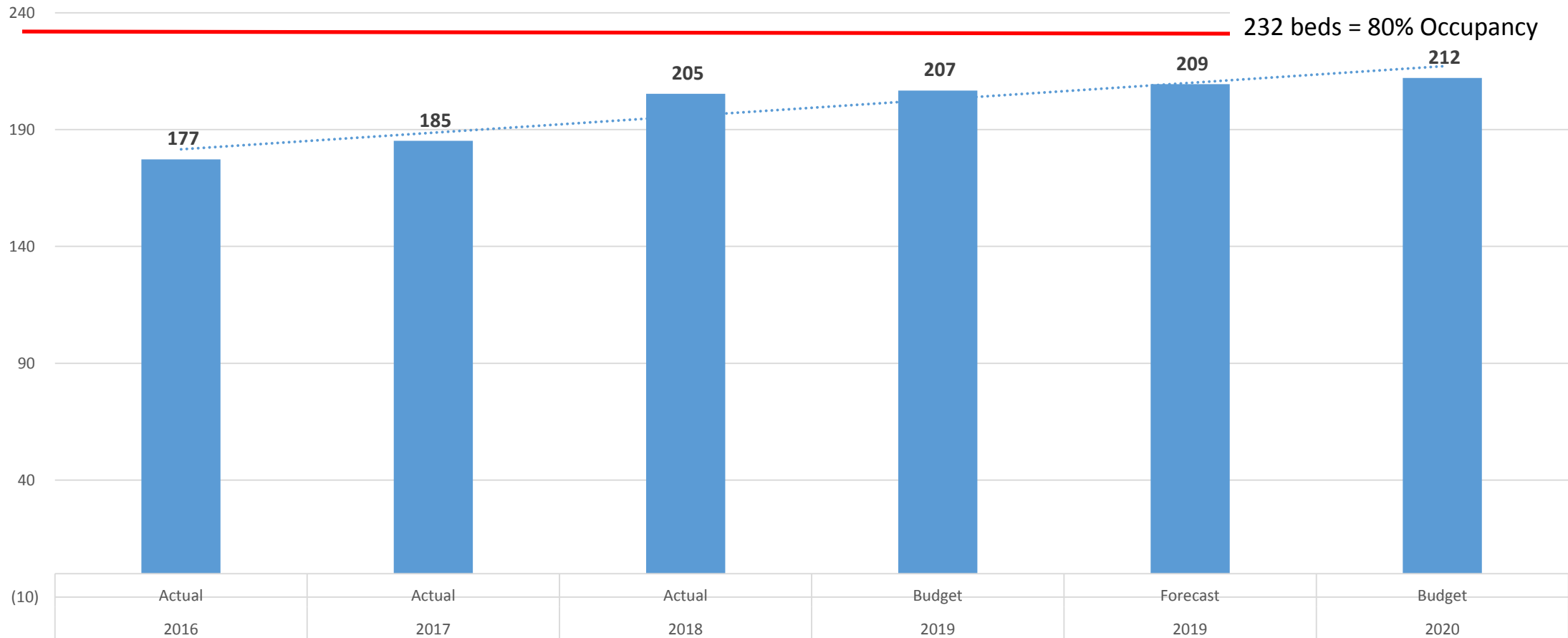


District's Current Ratio



As 2019 operations have improved, the District's current ratio has also improved as a result of liabilities being reduced and cash increasing.

UMC Average Daily Census Capacity Challenges

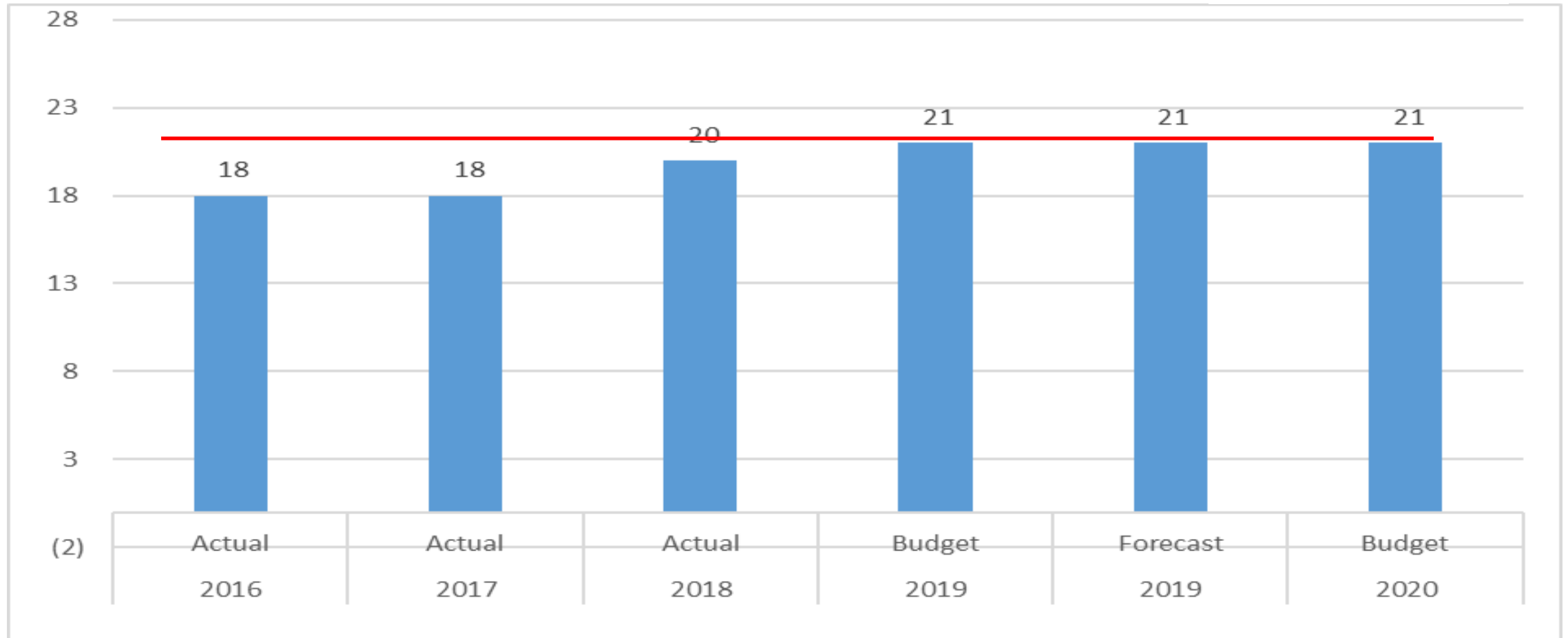


20% increase from 2016. Certain floors approach 90% during the month.

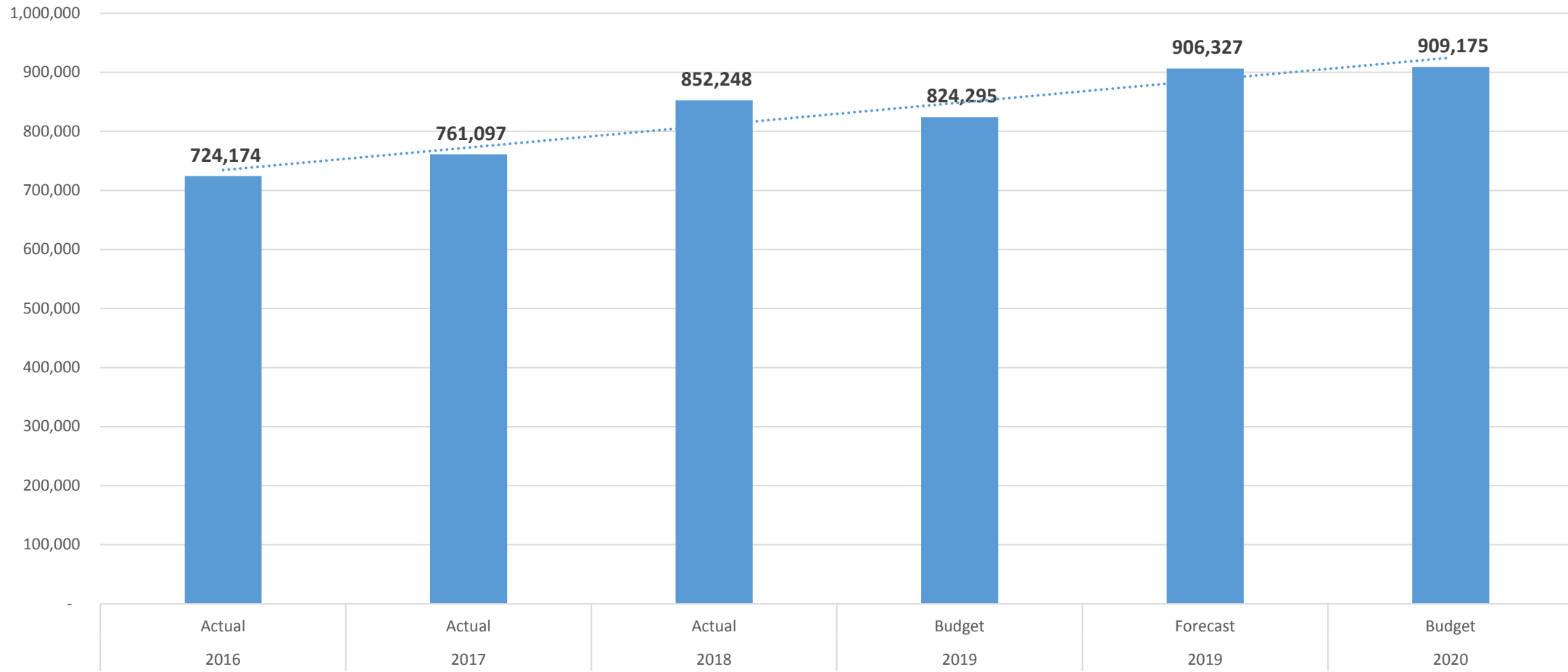
El Paso Children's General Pediatrics Capacity Challenges



21 beds = 80% Occupancy

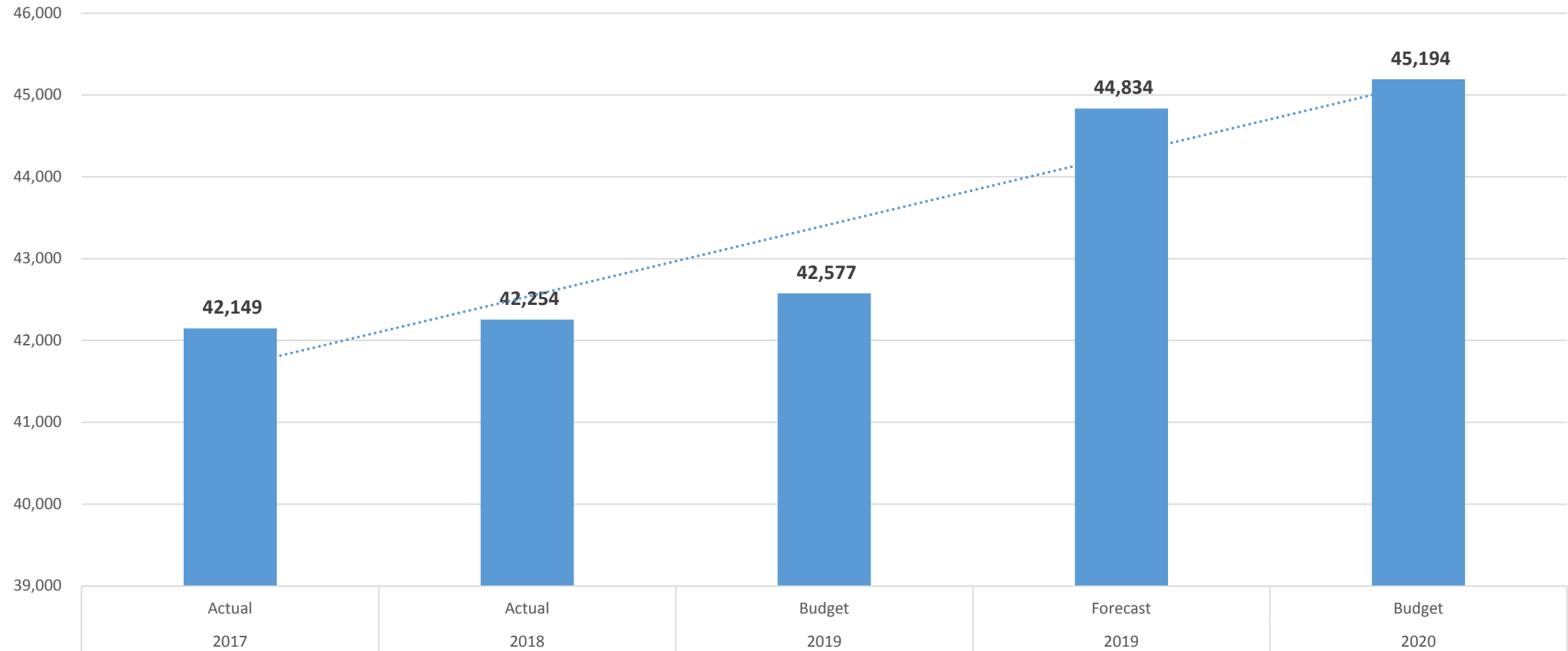


UMC Outpatient Visits Continued Growth



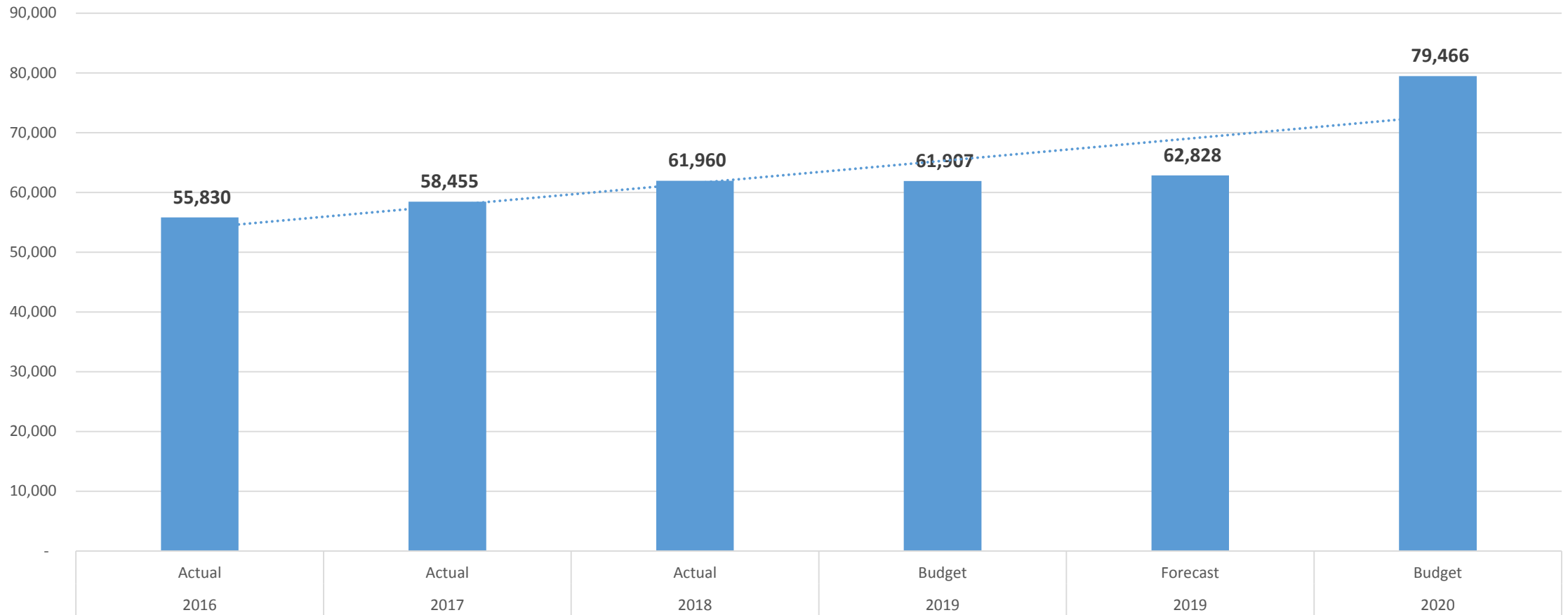
26% growth from 2016.

El Paso Children's Outpatient Visits Continued Growth



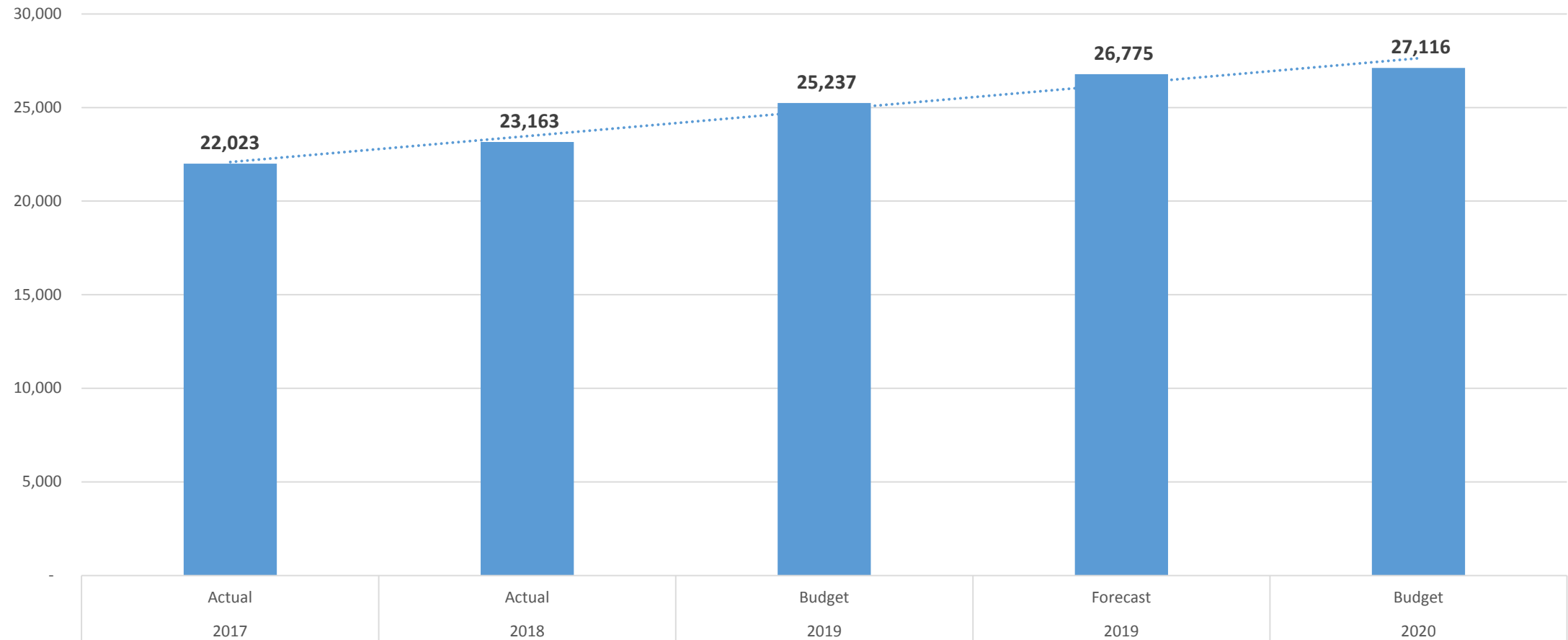
7% growth from 2017

UMC Emergency Room Visits Continued Growth



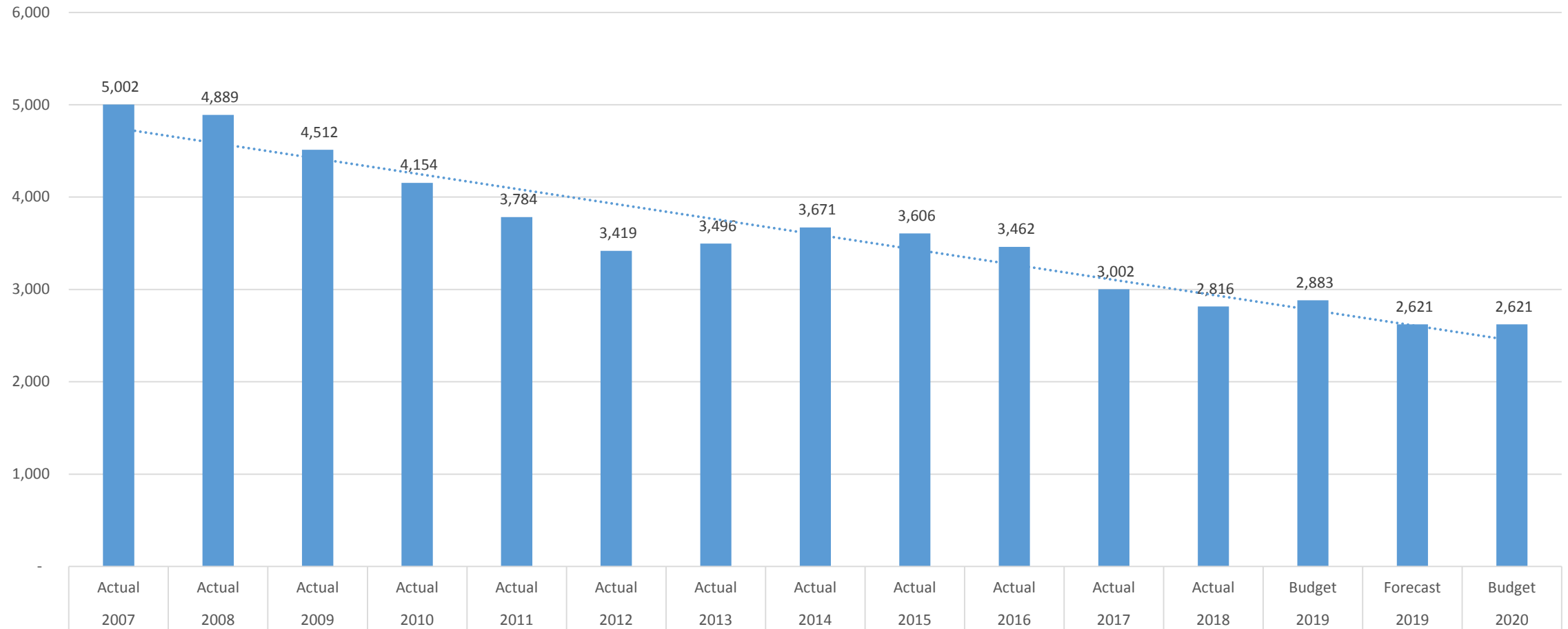
12% growth from 2016 to 2019. 42% growth from 2016 to 2020.

El Paso Children's Emergency Room Visits Continued Growth



23% growth from 2017.

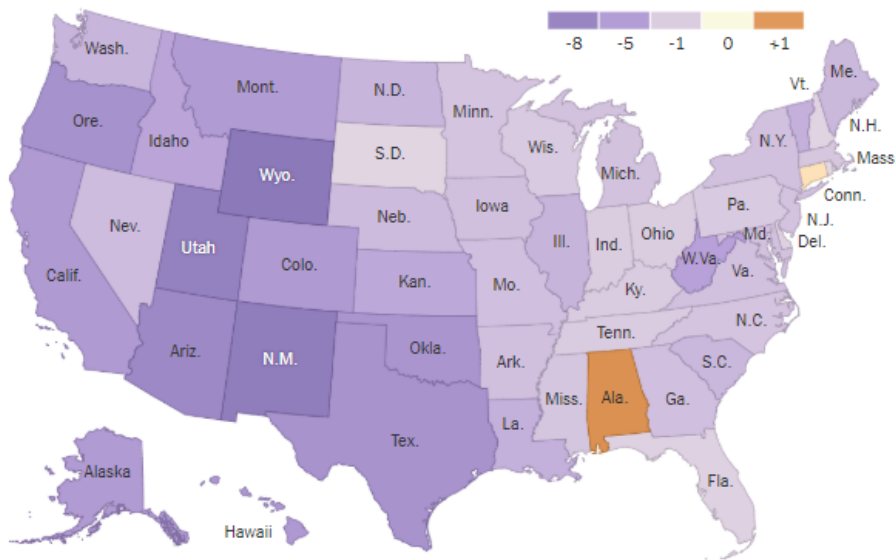
UMC Births Ongoing Challenge



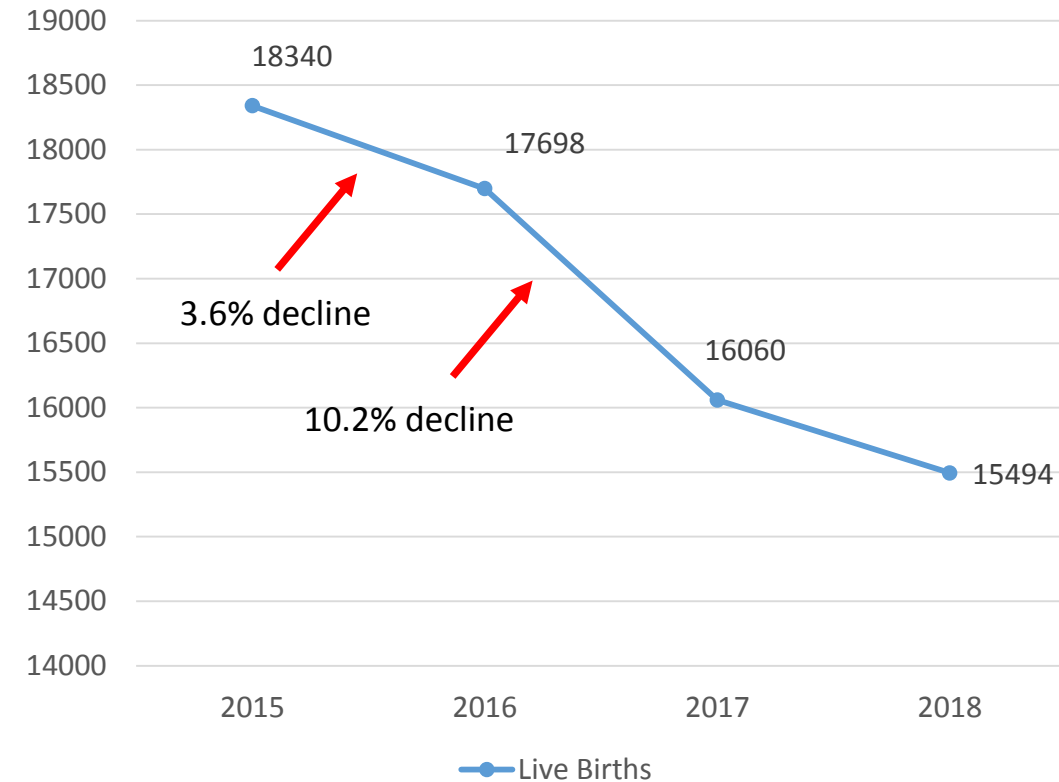
48% decrease from 2007.

Declining Births Across U.S. & El Paso County

Declines by state (2014-2017)

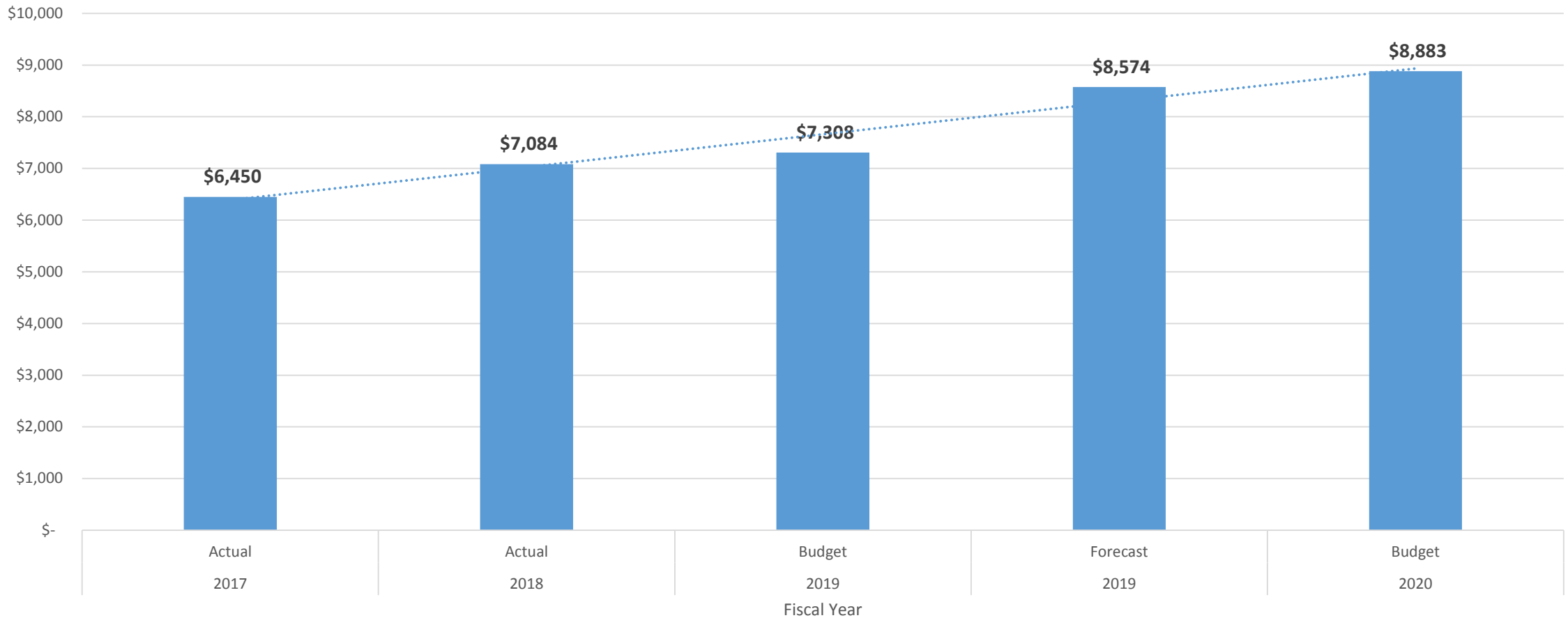


Sources: Births from C.D.C. data (provisional for 2017); Reproductive-age female population estimated by Demographic Intelligence



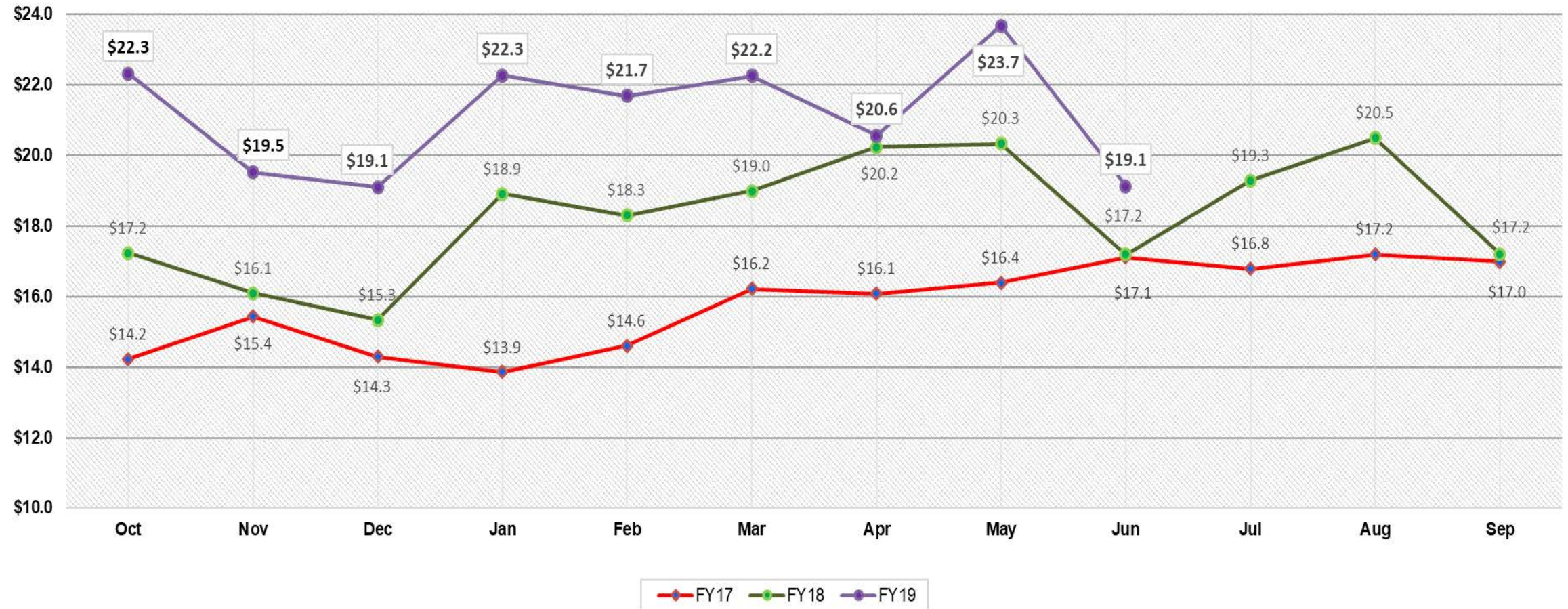
Data provided by Vitals Division, Office of the County Clerk – El Paso, TX

UMC Net Patient Revenue per Adjusted Admission Sustained Annual Improvement

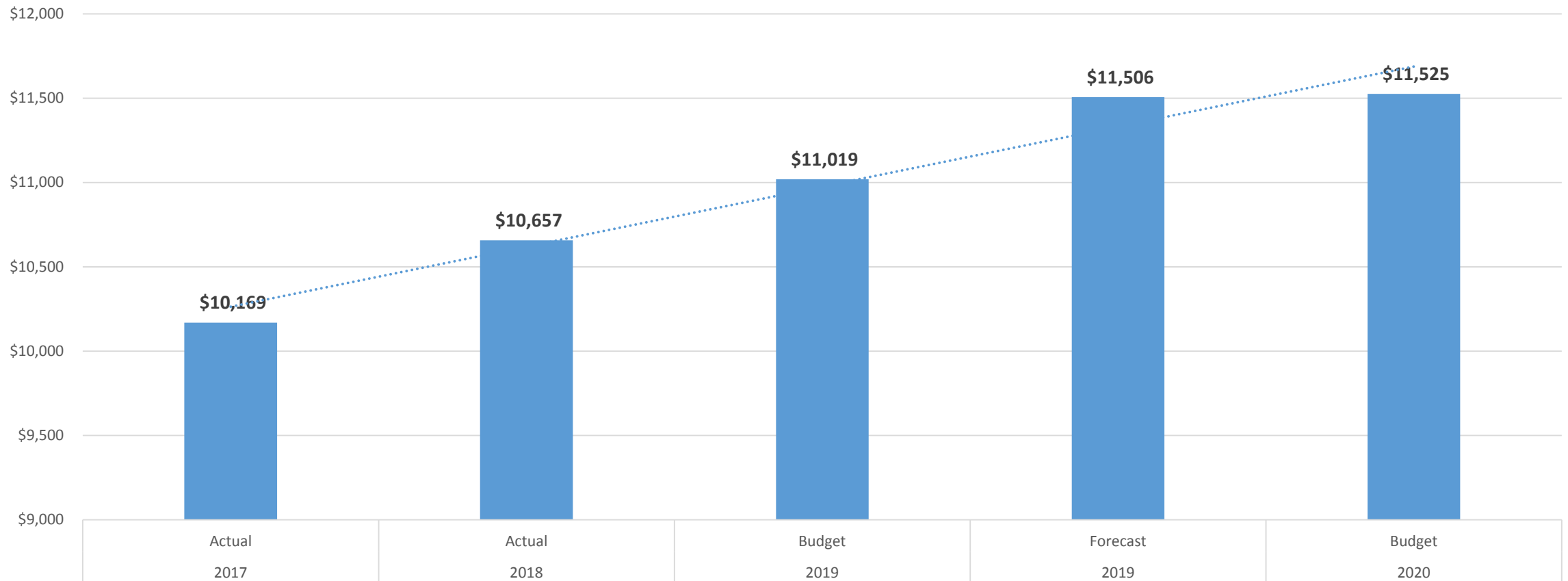


38% increase from 2017.

UMC Cash Collections Strong Improvement

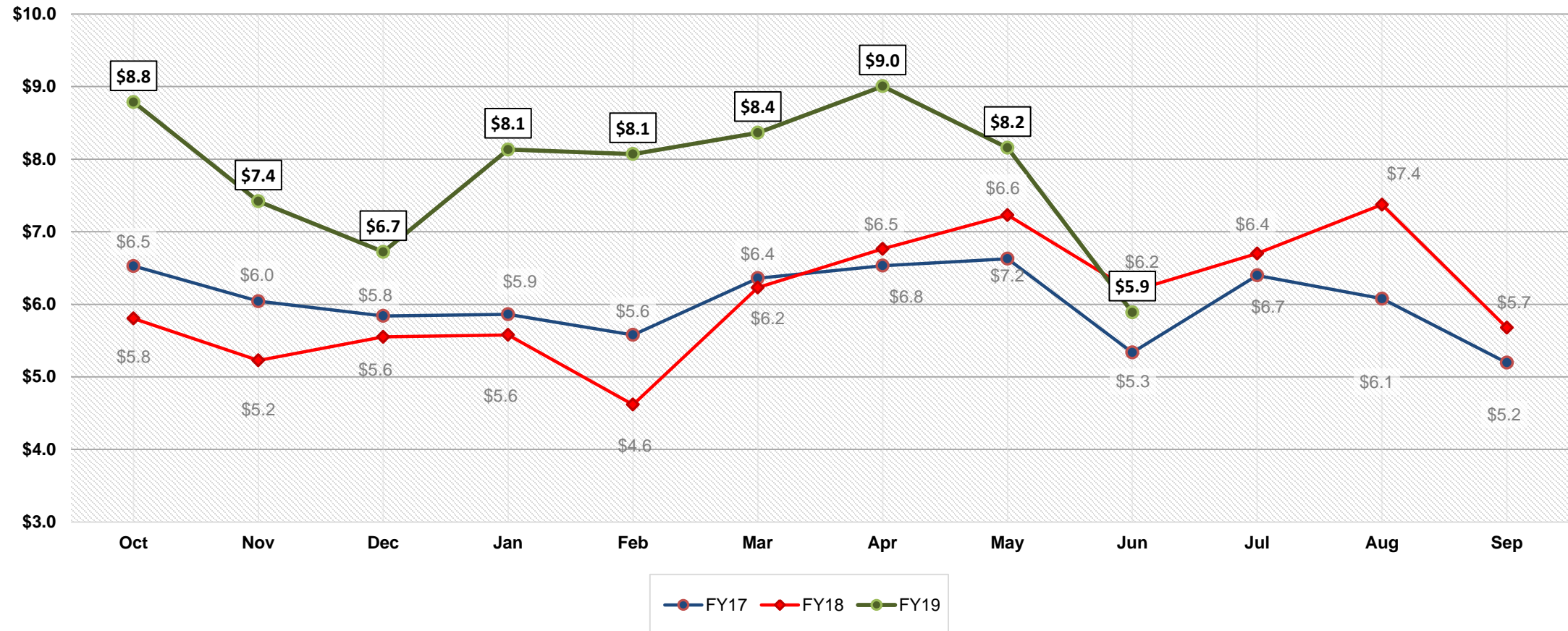


El Paso Children's Net Patient Revenue per Adjusted Admission



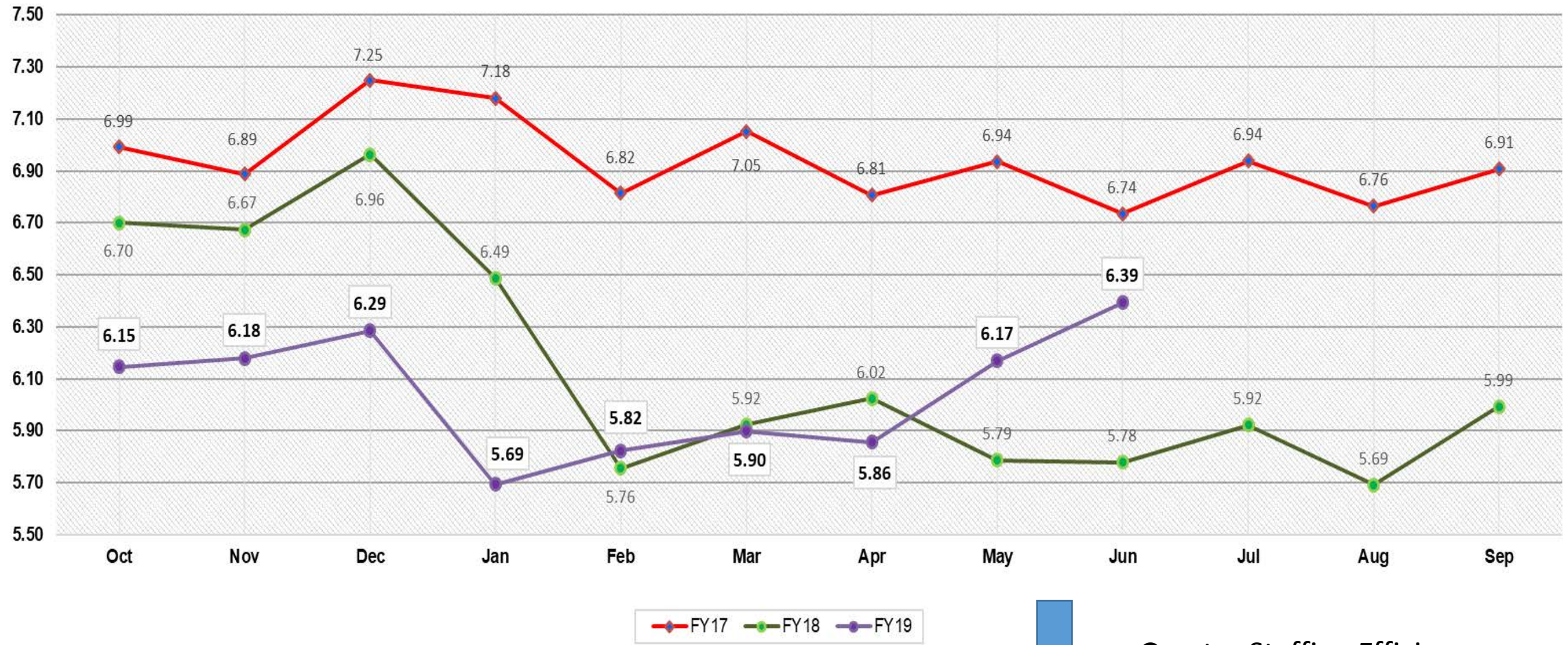
13% increase from 2017.

El Paso Children's Cash Collections Strong Improvement



UMC Paid FTEs per Adjusted Occupied Bed

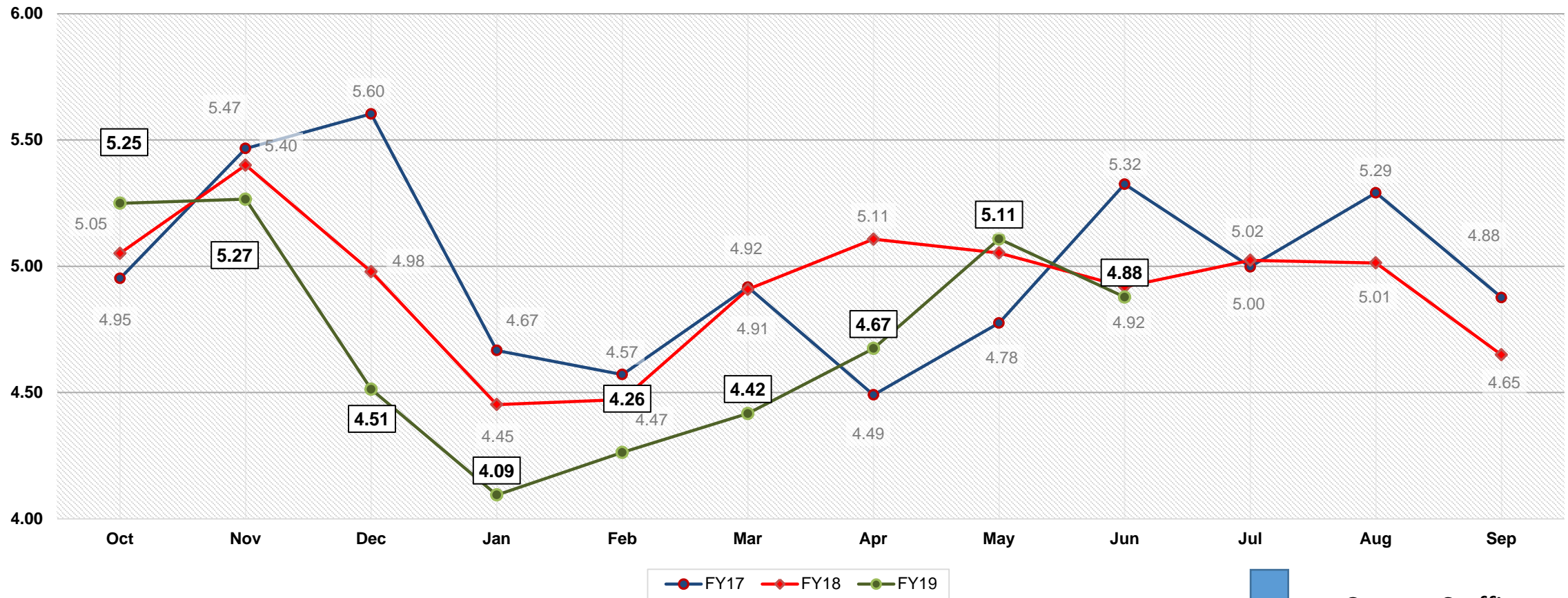
Sustained Improvement



= Greater Staffing Efficiency

Excludes Correctional Health FTEs, El Paso Children's FTEs and Grant-funded department FTEs.

El Paso Children's FTE Per Adjusted Occupied Bed Increased Efficiency



↓ = Greater Staffing Efficiency

A large, faint, circular seal of the El Paso County Hospital District is visible in the background. The seal features a five-pointed star in the center, surrounded by a ring of dots. The outer ring of the seal contains the text "EL PASO COUNTY HOSPITAL DISTRICT" in a serif font.

Proposed 2020 Operating Budget

University Medical Center of El Paso

El Paso Health

El Paso Children's

UMC of El Paso Foundation



Latest Rating Agency Scores

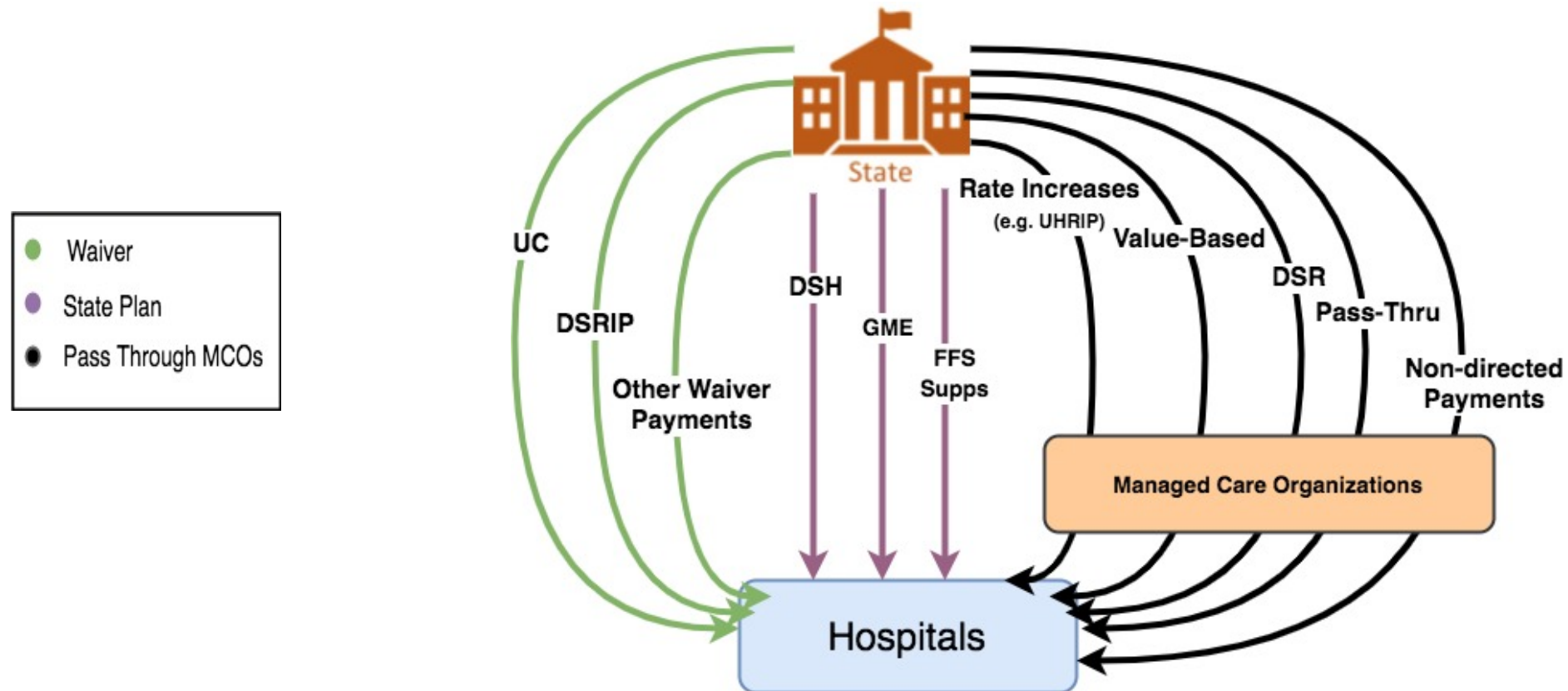
- Moody's
 - Baa1, Negative outlook
 - September 2018
 - Nine (9) public hospital downgrades in 2018, 3 in Texas
- FitchRatings
 - A-, Stable outlook
 - June 2018
 - Eight (8) public hospital downgrades in 2018, 4 in Texas
- Standard & Poors
 - BBB+, Negative outlook
 - June 2018
 - Three (3) public hospital downgrades in 2018, 3 in Texas



FY20 Service Expansion

- Expanded Emergency Room Services (UMC)
 - Northeast Emergency Room – November 2019
 - East Emergency Room – December 2019
- Continued expansion of Electrophysiology program (UMC)
- Expanded neurosurgery program (UMC and El Paso Children's)
 - Pediatric
 - Adult
- Expanding into Medicare Dual Eligible Special Needs Plan (D-SNP) and STAR+PLUS (El Paso Health)

Medicaid Supplemental Funding – An Overview



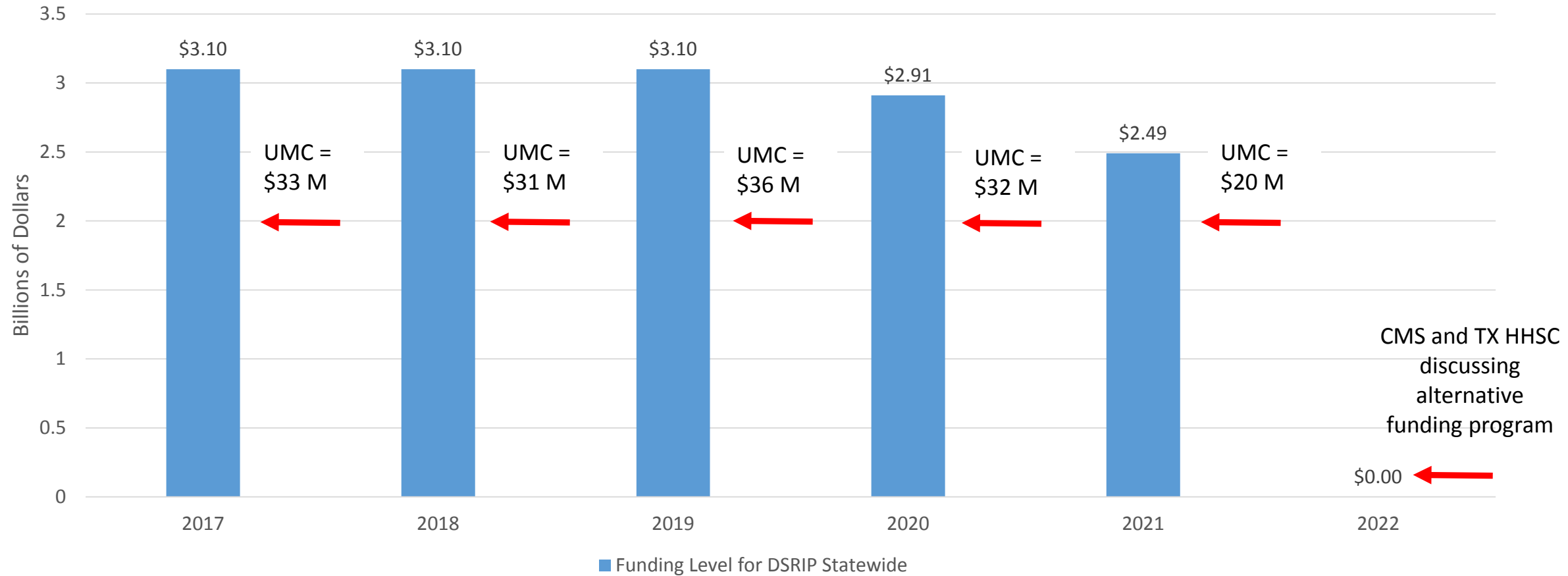
UMC

Medicaid Supplemental Funding - UC



- Uncompensated Care (UC) program
 - 2019 state-wide funding level is \$3.1 billion
 - 2020 state-wide funding level range is between \$2.7 billion to \$3.8 billion
 - 2020 state-wide funding level has yet to be agreed upon by HHSC and CMS.
 - Should be known by late August / early September 2019
 - 2020 formula distribution is changing to solely on Charity Care (not Charity Care *and* Medicaid shortfall)
 - \$17 million *increase* for UMC (offset of moving from Burden Alleviation program to Local Provider Participation Fund (LPPF))

Medicaid Supplemental Funding - DSRIP



UMC

Medicaid Supplemental Funding - DSH



- 2020 Medicaid Disproportionate Share (DSH) *decrease* to fund Affordable Care Act (ACA) program
 - \$3 million reduction to UMC beginning October 1, 2019
 - \$1 million reduction to El Paso Children's beginning October 1, 2019
 - Partially offset by Legislative-funded increase to Children's Hospitals Medicaid base-rate

UMC

Supplemental Funding – UC/UHRIP



- El Paso Collaborative Program
 - Local Provider Participation Fund (LPPF) replacing the Burden Alleviation program, contributes to a \$50 million Physician expense increase, offset by:
 - \$30 million Intergovernmental Transfer expense decrease
 - \$17 million Medicaid Uncompensated Care revenue increase
 - \$ 3 million Patient Service revenue increase
 - \$50 million
- Uniform Hospital Rate Increase Program (UHRIP)
 - Add-on payment % increase to negotiated base contracts with area MCO's
 - Required \$9 million advance IGT funding in May 2019 for the program period (September 1, 2019 through February 28, 2020)
 - Expected to be a vital part of future Medicaid funding programs

Key Budget Variable - GASB No. 68

- *Accounting and Financial Reporting for Pensions*
 - December 31 measurement date versus September 30 financial reporting date
 - Investment return is a vital component of the plan's retirement expense
 - December 31, 2018 funded ratio is 86.8%
 - Since 2015, the funded ratio has ranged between 85.7% to 87.4%



El Paso Children's Hospital Budget Challenges & Uncertainties



- Capacity Challenge: Key community physicians' referrals and volume increase
- Expected decrease in Medicaid Supplemental UC funding
 - Due to change in formula distribution
- Texas Tech note payable was paid off in February 2019
- Line of credit monthly payments of \$250,000 (\$3 million annually) to UMC will begin in October 2019
 - Long-term debt monthly payments to UMC will begin in Fiscal 2024

El Paso Health

Budget Challenges & Uncertainties



- STAR and CHIP programs
 - 2% membership *decrease* due to recent State-wide and County membership decrease
 - Continue to remain market leader
- Medicare D-SNP program
 - January 1, 2020 expected start date
 - Budgeted 2020 loss of \$1.7 million, of which \$461 thousand is pre-program startup costs
- STAR+PLUS program
 - September 2020 expected start date
 - Budgeted 2020 net loss of \$2.3 million, of which \$1.2 million is pre-program startup costs
- Need for additional space to accommodate expanded services

Proposed 2020 District Budget

Change in Net Position

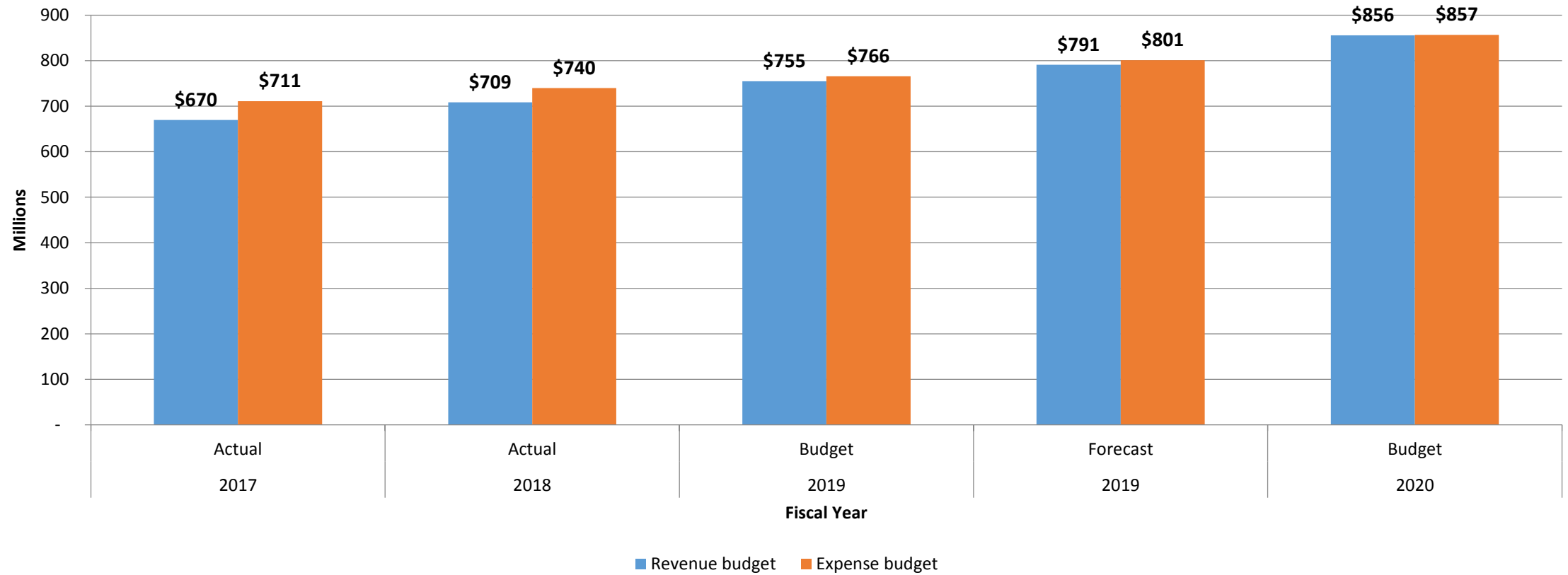


	2019	2020	
	<u>Forecast</u>	<u>Budget</u>	<u>Variance</u>
UMC	\$ (11,893,821)	\$ (4,590,373)	\$ 7,303,448
El Paso Health	1,451,241	(940,454)	(2,391,695)
El Paso Children's	(1,118,829)	1,144,300	2,263,130
UMC Foundation	293,487	1,590,298	1,296,811
Eliminations	1,525,476	1,525,476	-
	\$ (9,742,446)	\$ (1,270,753)	\$ 8,471,693

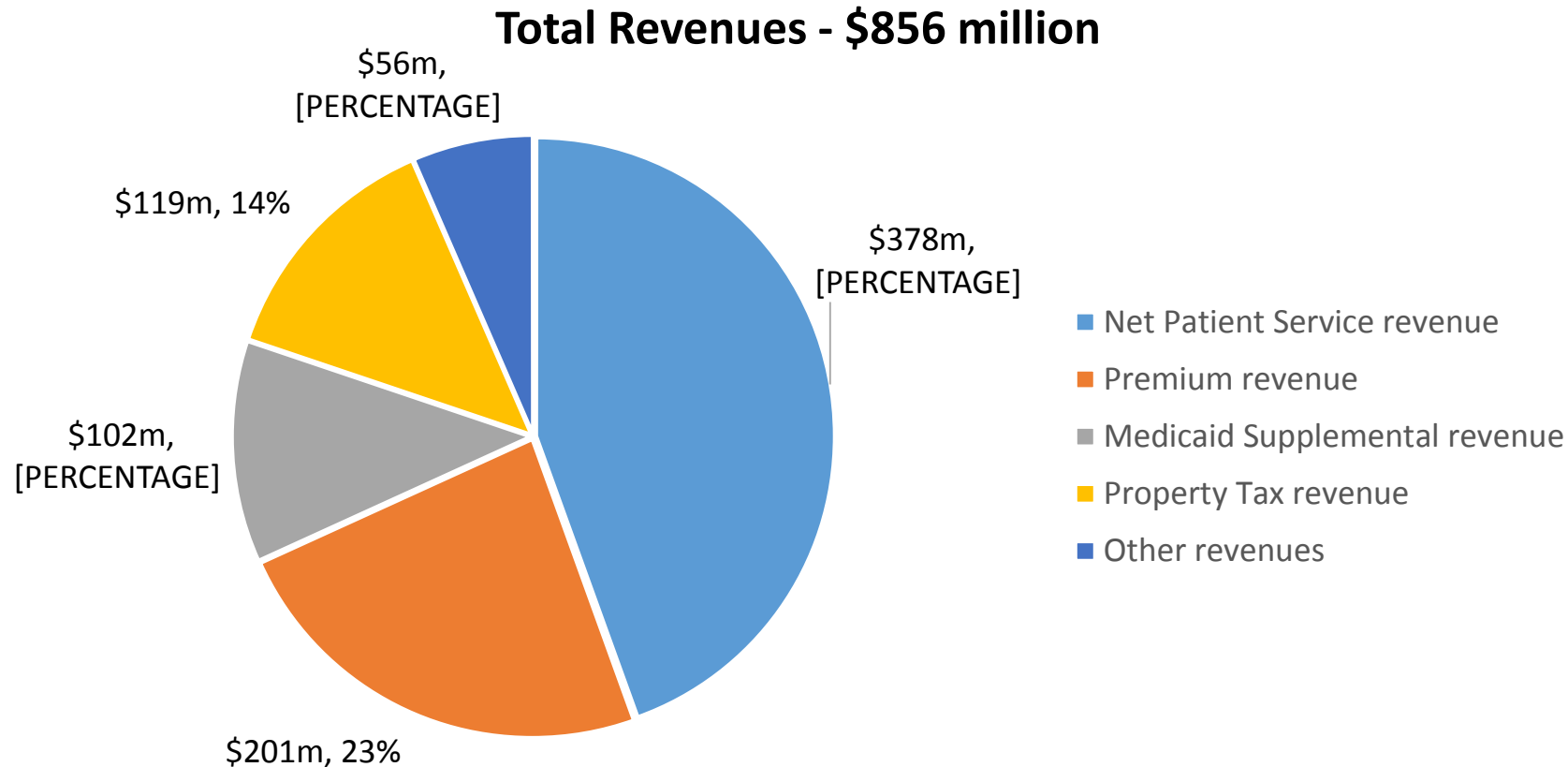
System Operating Budget Rollback Tax Rate Scenario



Operating Budget



District Revenue Budget Rollback Tax Rate Scenario



Patient Service revenue has increased from 39.8% in 2017 to 44.2% in 2020.

UMC

Significant Revenue Assumptions



- Net Patient Service revenue
 - Inpatient admissions increase of 1.4%
 - Inpatient surgery growth of 2% and Outpatient surgery growth of 7%
 - New Northeast and East Emergency Rooms with expected visits of 8,700 at the Northeast ER and 7,900 at the East ER
 - Outpatient visits increase of 0.3%
 - Payor mix - 64% funded and 36% unfunded
- Medicaid Supplemental revenue
 - UC program increase of \$17 million due to distribution formula change to charity care
 - DSRIP program decrease of \$4 million due to decreased state-wide funding level
 - DSH program decrease of \$3 million due to federal cuts to pay for ACA program
- Correctional Health contract revenue of \$8 million

El Paso Children's Hospital

Significant Revenue Assumptions



- Net Patient Service revenue
 - Inpatient admissions increase of 7.7%
 - Total surgery increase of 6.5%
 - Add-on to Medicaid base rate as a result of Legislative funding
- Medicaid Supplemental Revenue
 - Decreased funding due to formula distribution change to charity care

El Paso Health

Significant Revenue Assumptions

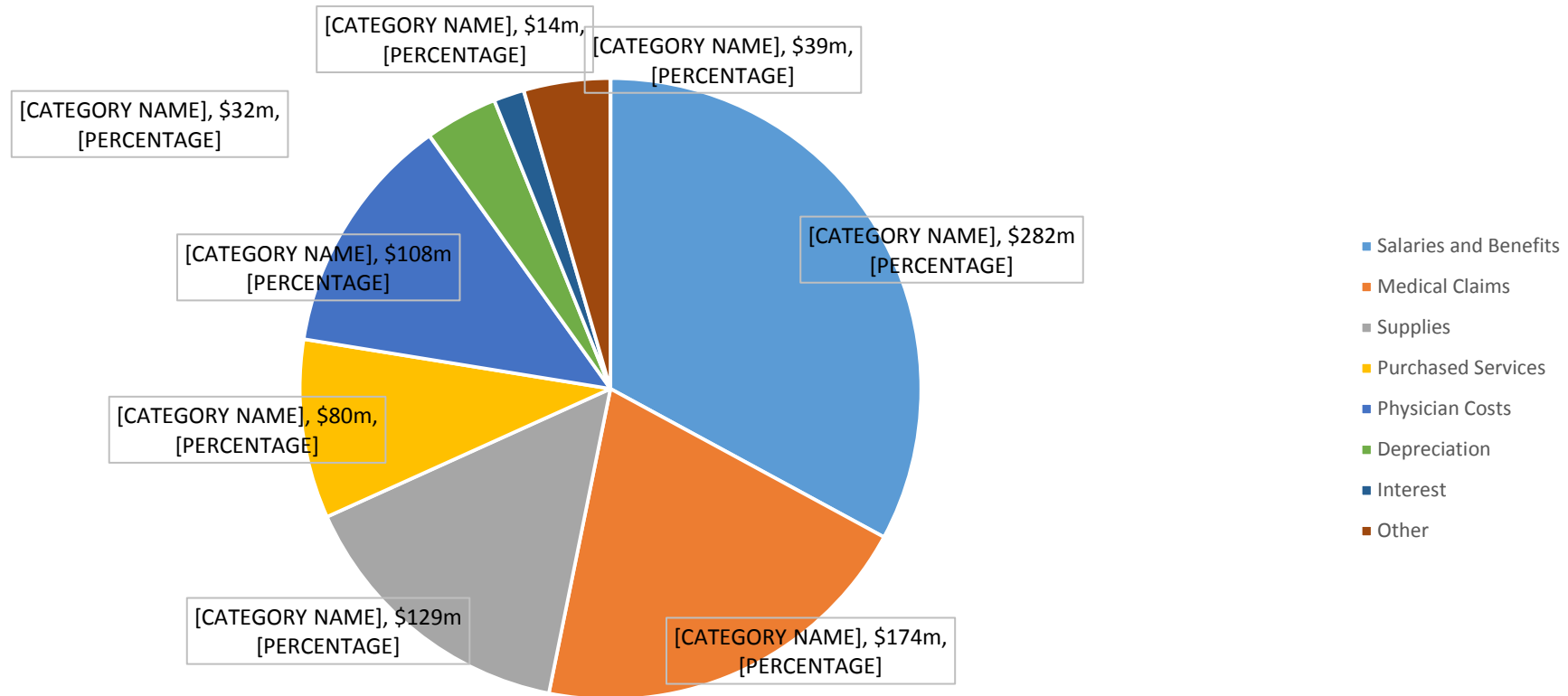


- Premium revenue
 - 2% STAR and CHIP membership decrease
 - Increased capitation premium rates of 3%
 - Medicare D-SNP member months of 4,500 for nine-month period beginning January 1, 2020
 - STAR+PLUS member months of 16,000 for one-month period beginning September 1, 2020

District Expense Budget Rollback Tax Rate Scenario



Total Expenses, \$857 million



UMC and El Paso Health Significant Expense Assumptions Rollback Tax Rate Scenario



- Salaries and Wages
 - \$11 minimum wage, implemented in 4th quarter 2020 with a cost of \$1.2 million
 - 1% merit increase approximating \$2 million
 - Full year of 2019 market adjustments and planned 2020 4th quarter market adjustment increase with a combined cost of \$3.2 million
 - FTE increase approximating \$10.4 million (UMC Emergency Rooms, UMC Neighborhood Health Clinics, El Paso Health Medicare D-SNP and STAR+PLUS programs)
- Employee Benefits
 - TCDRS employer contribution increase from 7.3% to 7.84%
 - GASB No. 68 non-cash expense reduction of \$6 million from 2019.

UMC and El Paso Health Significant Expense Assumptions



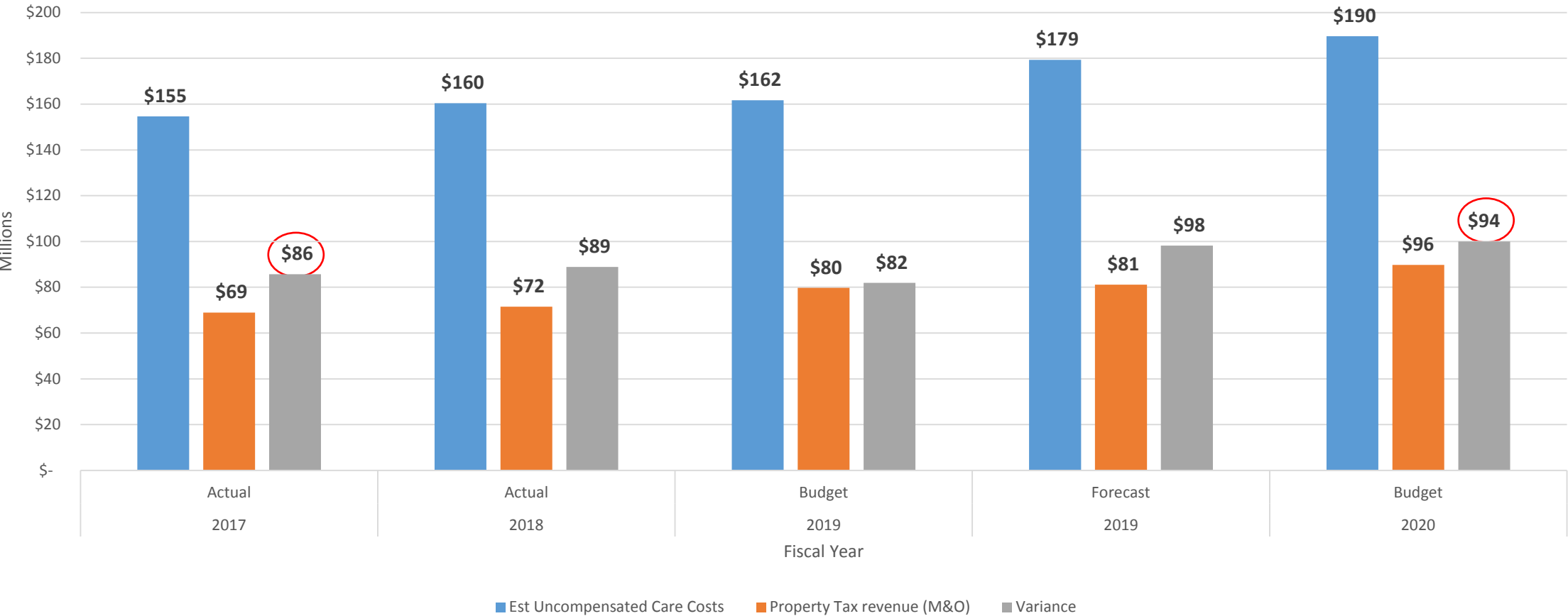
- Computer Fees
 - \$8.5 million increase
 - \$5 million for El Paso Health's Medicare D-SNP and STAR+PLUS programs
 - \$3 million for UMC's new Cerner Ambulatory EMR system

El Paso Children's Significant Expense Assumptions



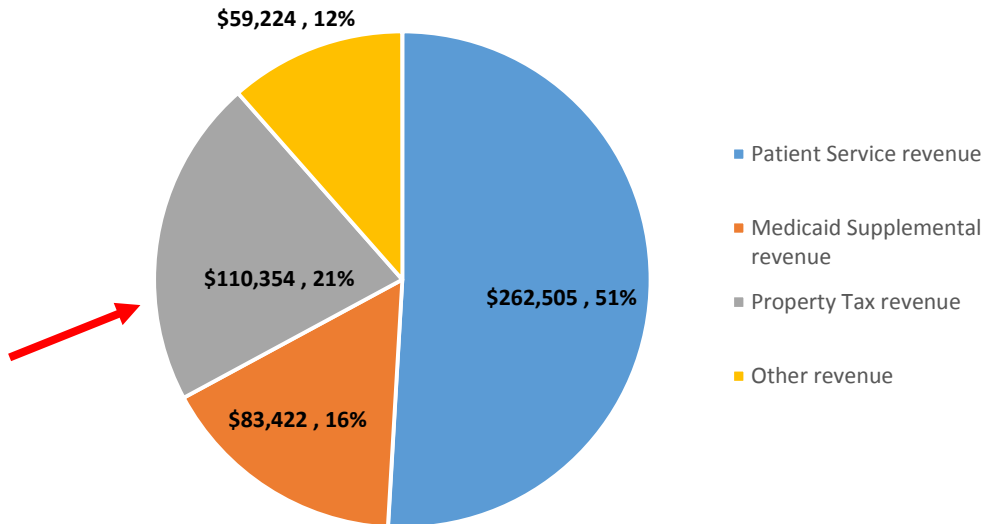
- Salaries and Wages
 - 2% merit increase approximating \$400 thousand
- Employee Benefits
 - No increase in health insurance premiums

Est Uncompensated Care Costs / M&O Property Tax Revenue Rollback Tax Rate Scenario

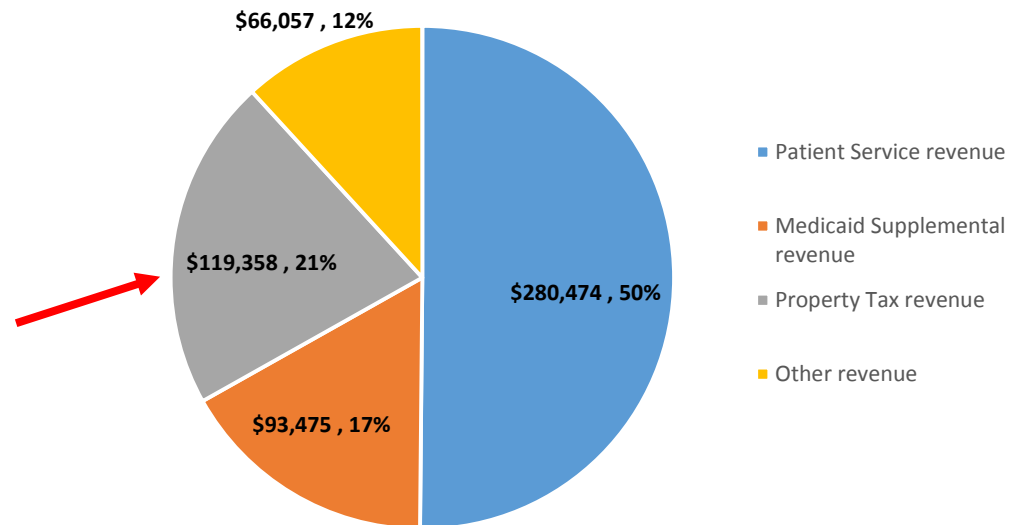


UMC Hospital, 2019 Forecast and 2020 Proposed Budget

UMC El Paso
2019 Forecast, \$516m

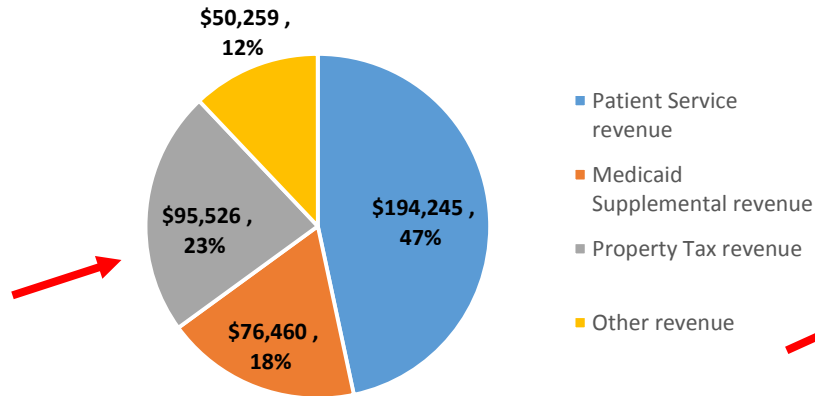


UMC El Paso
2020 Proposed Budget, \$559m

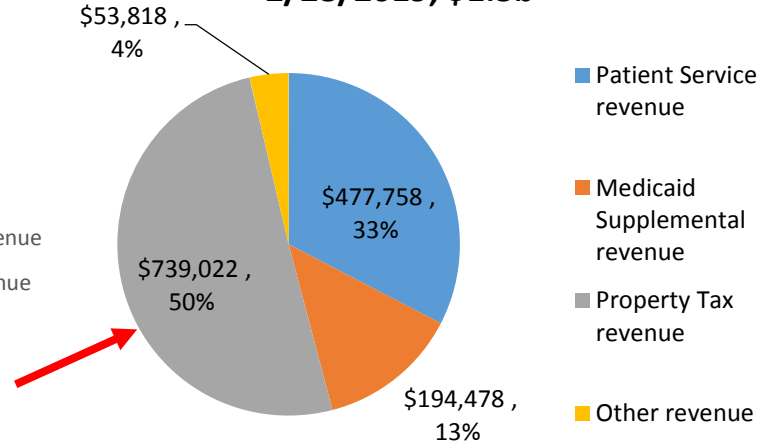


Large Texas Public Hospital Comparison, 2018

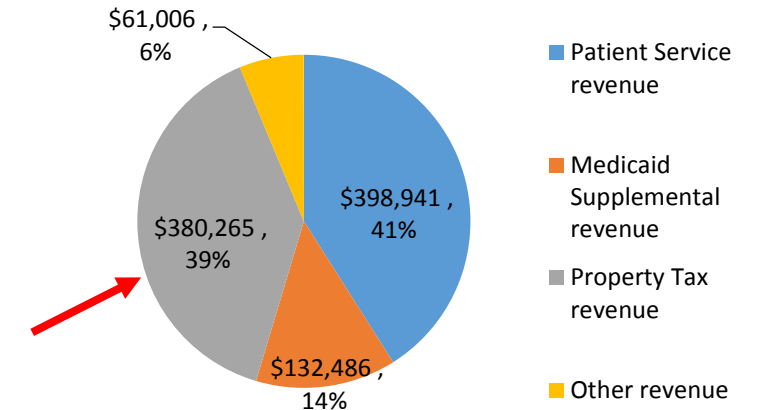
UMC El Paso
9/30/2018, \$456m



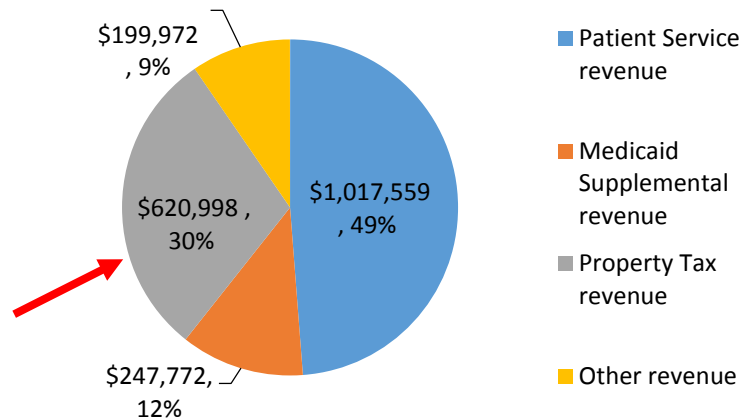
Harris Health, Houston
2/28/2019, \$1.5b



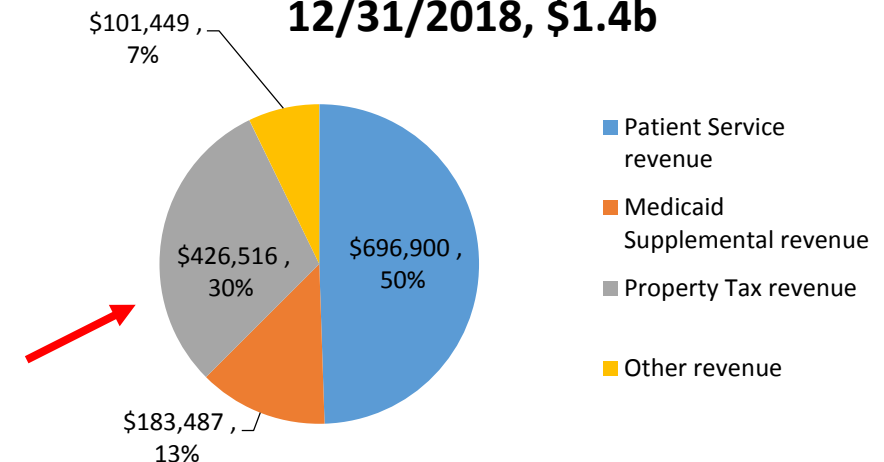
JPS Health, Fort Worth
9/30/2018 \$973m



Parkland Health, Dallas
9/30/2018, \$2.1b

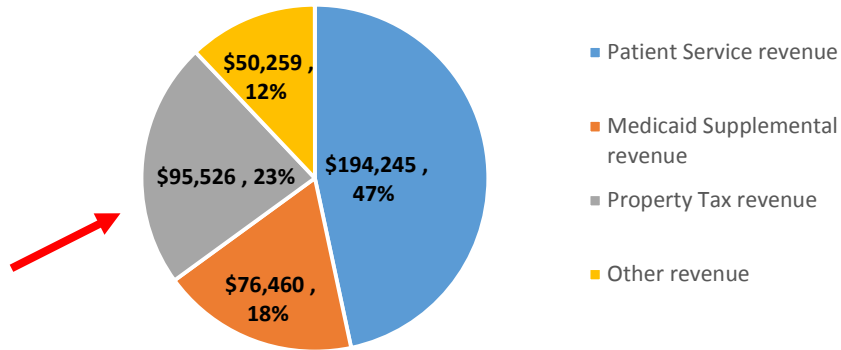


University Health, San Antonio
12/31/2018, \$1.4b

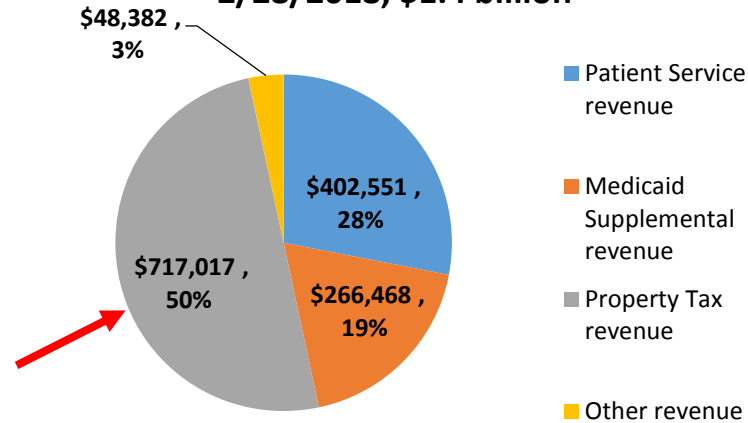


Large Texas Public Hospital Comparison, 2017

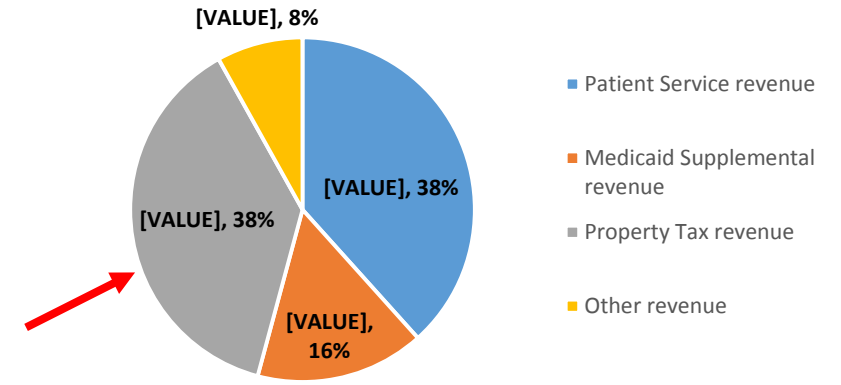
UMC El Paso
9/30/2017, \$416m



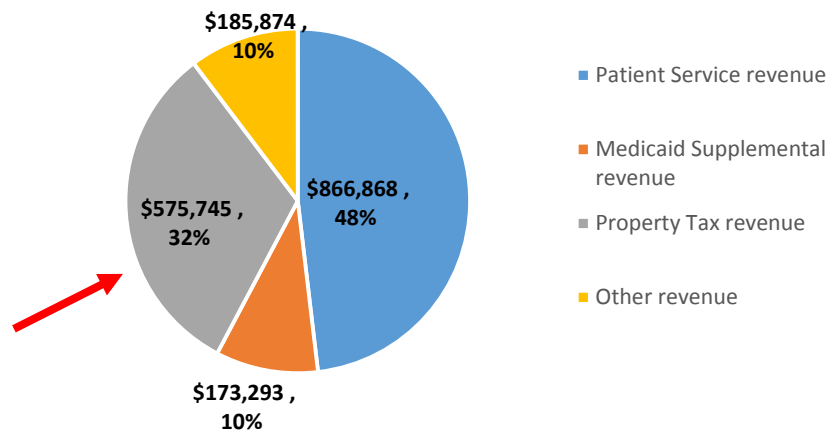
Harris Health, Houston
2/28/2018, \$1.4 billion



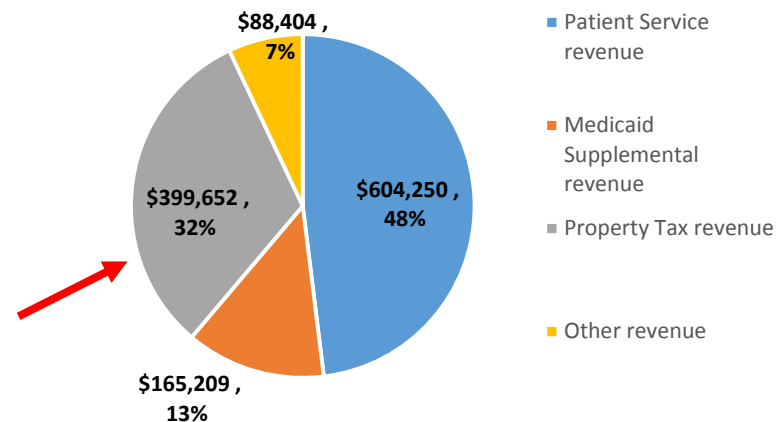
JPS Health, Forth Worth
9/30/2017, \$931m



Parkland Health, Dallas
9/30/2017, \$1.8b



University Health, San Antonio
12/31/2017, \$1.3b



FY 2020 Property Tax Scenarios

	Fiscal Year 2019		Fiscal year 2020	
	Current Tax Rate		Effective Tax Rate	Rollback Tax Rate
Maintenance & Operations Tax Rate	\$	0.197760	\$	0.214921
Interest & Debt Service Tax Tax	\$	0.054183	\$	0.052826
Total Tax Rate	\$	0.251943	\$	0.267747
				5.61%
Taxable value of existing properties	\$	42,818,771,437	\$	43,933,290,393
Taxable value of new properties/improvements	\$	781,991,390	\$	786,054,435
Taxable value	\$	43,600,762,827	\$	44,719,344,828
				2.57%
Expected property tax revenue	\$	109,849,070	\$	119,734,704
Total variance from prior year-			\$	3,523,149
Variance from new properties/improvements			\$	1,992,801
Variance from prior year existing properties			\$	1,530,348
Variance from Effective Tax Rate			\$	6,362,485
Average home value	\$	129,638	\$	133,590
Annual property taxes due	\$	326.61	\$	338.68
Annual tax \$ change from prior year			\$	12.06
Annual tax \$ change from effective rate			\$	31.07
Monthly tax \$ change from prior year			\$	1.01
Monthly tax \$ change from effective rate			\$	2.59
				1.58

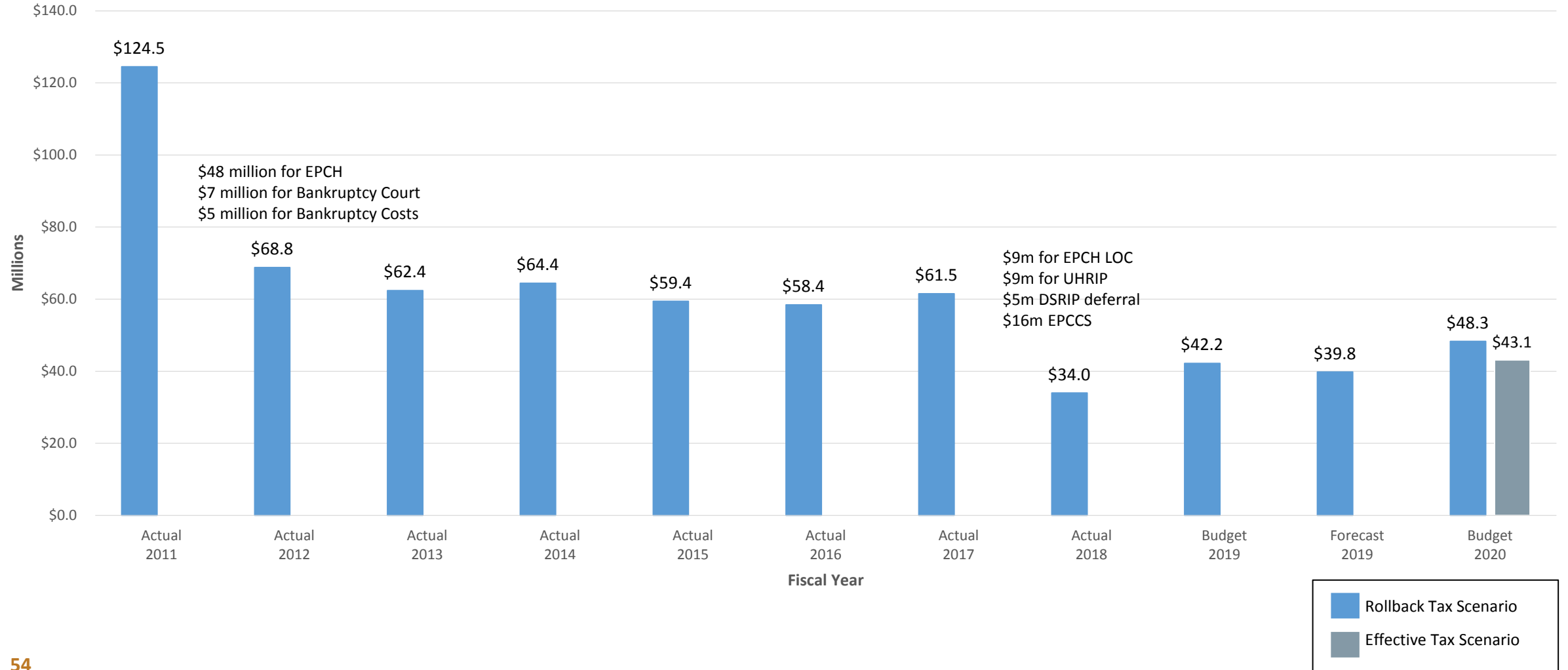


District Net Position Change





District Unrestricted Cash and Investments



District 2020 Budget to Cash Reconciliation

Rollback Tax Rate Scenario



	<u>UMC</u>	<u>El Paso</u> <u>Health</u>	<u>El Paso</u> <u>Children's</u>	<u>UMC</u> <u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in Net Position	\$ (4,590,373)	\$ (940,454)	\$ 1,144,300	\$1,590,298	\$ 1,525,476	\$ (1,270,753)
Plus: Depreciation expense	29,086,421	2,272,594	1,296,319	5,004		32,660,338
Intercompany eliminations					(1,525,476)	(1,525,476)
Change in operating assets and liabilities						
Interest expense	13,872,903		1,799,815			15,672,718
Other	1,716,318	265,661	-	(1,595,302)		386,677
Cash Flow from operations	40,085,269	1,597,801	4,240,434	-	-	45,923,504
Principal payments on long-term debt	(7,635,000)					(7,635,000)
Interest payments on long-term debt	(15,988,719)					(15,988,719)
Intercompany borrowings (payments)	3,000,000		(3,000,000)			-
Cash flows for financing activities	(20,623,719)	-	(3,000,000)	-	-	(23,623,719)
Capital purchases	(10,000,000)	(3,287,043)	(948,668)			(14,235,711)
Investment income	-	494,750	-			494,750
Cash flows for investing activities	(10,000,000)	(2,792,293)	(948,668)	-	-	(13,740,961)
Net change in unrestricted cash	9,461,550	(1,194,492)	291,766	-	-	8,558,824
Unrestricted cash, September 30, 2019	5,282,871	31,044,403	3,431,918	-	-	39,759,192
Unrestricted cash, September 30, 2020	\$ 14,744,421	\$ 29,849,911	\$ 3,723,684	\$ -	\$ -	\$ 48,318,016

District 2020 Budget to Cash Reconciliation

Effective Tax Rate Scenario



	<u>UMC</u>	<u>El Paso Health</u>	<u>El Paso Children's</u>	<u>UMC Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Change in Net Position	\$ (9,800,429)	\$ (940,454)	\$ 1,144,300	\$1,590,298	\$ 1,525,476	\$ (6,480,809)
Plus: Depreciation expense	29,086,421	2,272,594	1,296,319	5,004		32,660,338
Intercompany eliminations					(1,525,476)	(1,525,476)
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Interest expense	13,872,903		1,799,815			15,672,718
Other	1,716,318	265,661	-	(1,595,302)		386,677
Cash Flow from operations	34,875,213	1,597,801	4,240,434	-	-	40,713,448
Principal payments on long-term debt	(7,635,000)					(7,635,000)
Interest payments on long-term debt	(15,988,719)					(15,988,719)
Intercompany borrowings (payments)	3,000,000		(3,000,000)			-
Cash flows for financing activities	(20,623,719)	-	(3,000,000)	-	-	(23,623,719)
Capital purchases	(10,000,000)	(3,287,043)	(948,668)			(14,235,711)
Investment income	-	494,750	-			494,750
Cash flows for investing activities	(10,000,000)	(2,792,293)	(948,668)	-	-	(13,740,961)
Net change in unrestricted cash	4,251,494	(1,194,492)	291,766	-	-	3,348,768
Unrestricted cash, September 30, 2019	5,282,871	31,044,403	3,431,918	-	-	39,759,192
Unrestricted cash, September 30, 2020	\$ 9,534,365	\$ 29,849,911	\$ 3,723,684	\$ -	\$ -	\$ 43,107,960

A large, faint, circular seal of the El Paso County Hospital District is visible in the background. The seal features a five-pointed star in the center, surrounded by a ring of dots. The outer ring of the seal contains the text "EL PASO COUNTY HOSPITAL DISTRICT" in a serif font.

Proposed 2020 Capital Budget

University Medical Center of El Paso

El Paso Health

El Paso Children's

UMC of El Paso Foundation



2020 Routine Capital Budget

■ UMC	\$ 10,000,000
■ El Paso Health	2,150,000
■ El Paso Children's	<u>950,000</u>
■ Total	<u>\$ 13,100,000</u>

- UMC planned construction costs of \$10 million, funded by the 2013 bond issue, for the Northeast and East Emergency Rooms (\$6.7 million), Cath Lab renovation (\$3.1 million) and Interventional / EP Lab (\$200,000).

Thank you!

