



Fiscal Year 2015 Approved 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 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 \$80.8 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



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(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 C more fully describes each of the four reserve policies.

**Approved Fiscal Year 2015 Budget & Amended Fiscal Year 2014 Budget**

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



Approved 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



Approved 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



Approved 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 C Fiscal Year 2015 Approved 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.