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Commissioners Court Annual Budget Presentation

JPS Health Network Fiscal Year 2021 Budget

September 1, 2020

JPS Health Network FY 2021

Fiscal Year 2021 will be a year of recovery for JPS as historical operational levels begin to return within the current COVID-19 environment. In March 2020, outpatient volumes plummeted as stay at home orders took effect and inpatient volumes declined for a short period while providers and patients learned a new way of providing and accessing care.

Initiatives were evaluated around regulatory requirements, business operations, care efficiency, health outcomes, and culture. Improvements and assessments to our facilities and support systems will continue over a multi-year timeframe. Redesign of the Access Resource Center will allow patients to efficiently access care throughout JPS. The continued implementation of telehealth has pervasive financial and operational impacts across JPS and Acclaim while allowing patients to maintain medication and receive evaluation without leaving their homes. Additionally, resources have been allocated for cybersecurity.

Specialized outpatient surgeries will be moved to the surgery center in Arlington to create capacity downtown. There is also a focus around patient flow and bed capacity leading to an earlier discharge of patients to a lower level of care or a home environment. For inpatient recovery, a new patient mobilization in ICU will impact recovery times and an outpatient parenteral antimicrobial therapy will allow quicker discharge while decreasing readmissions. Also, initiatives surrounding care of our incarcerated population have been budgeted.

We have allowed for both annual merit awards and market adjustment dollars for our employees during FY 2021. Employee engagement will continue around satisfaction and work environment. Both Revenue Cycle and Supply Chain have committed to initiatives in the upcoming year which will result in savings.

As we begin to understand the long term effects of this pandemic on our county, the budget for 2021 anticipates a rise in the uninsured patients that may come to JPS to seek care. JPS and Acclaim are looking forward into FY 2021, bettering the care and access for our patients, improving processes, and maintaining our employee culture. When looking at the combined performance of JPS, which includes the Medical Center, Acclaim, and the Foundation, a 1% operating margin was targeted.

JPS Budget FY 2021 Highlights

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- Telehealth services which include hardware, design of an improved patient flow, and remote patient monitoring equipment
- Optimization of services for Endoscopy, Ophthalmology, Orthopedics/Spine, and Vascular services at the Outpatient Surgical Center in Arlington
- Focus on Mental Health with planning for a Community Crisis Center, increased volumes in the psychiatric emergency room and inpatient days, continued telehealth and new child & adolescent services
- Operational improvements associated with Correctional Health
- Allowance for increased uninsured driven by long term effects of the pandemic
- Evaluation of the physician group will be conducted to assure optimum operations are achieved within Acclaim

JPS Budget FY 2021 Highlights (continued)

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- ICU mobility program to improve patient outcomes and lowering length of stay
- Outpatient parenteral antimicrobial therapy for qualified patients to complete IV antibiotics in a home setting to reduce length of stay and readmissions
- Access Resource Center optimization to improve patient access to services
- Enhanced cybersecurity
- Enhanced Supply Chain processes focused on strategic sourcing, maximizing the benefits of contract spend, and streamlining operations
- Pilot program providing healthy food options to a controlled population of diabetic patients receiving primary care at JPS
- Evaluations of roofs, buildings, and facilities & continued elevator modernization

Combined Income Statement Budget FY 2021

	JPS Health Network	Acclaim	Foundation	Tarrant County Hospital District
Revenues				
Net Patient Revenue	$ 441,671,836	$ 67,945,189	$ -	$ 509,617,025
Retail Pharmacy	60,054,405	-	-	60,054,405
Ad Valorem Tax Revenue	471,874,722	-	-	471,874,722
DSH/DSRIP/UC	114,500,561	-	-	114,500,561
Other Operating Revenue	49,798,009	52,467,124	3,554,462	105,819,595
Total Operating Revenue	**1,137,899,533**	**120,412,313**	**3,554,462**	**1,261,866,308**
Operating Expenses				
Total Compensation Costs	566,176,319	149,176,240	994,274	716,346,833
Professional Fees	154,553,929	10,061,249	33,220	164,648,398
Purchased Services	107,166,202	2,691,125	270,469	110,127,796
Medical Supplies and Drugs	137,339,730	1,495,925	-	138,835,655
Other Expenses	74,212,261	3,893,240	2,207,141	80,312,642
Depreciation and Amortization	38,866,512	111,806	-	38,978,318
Total Operating Expenses	**1,078,314,953**	**167,429,585**	**3,505,104**	**1,249,249,642**
Operating Margin Before Increase in UC Funds	**59,584,580**	**(47,017,272)**	**49,358**	**12,616,666**
Operating Margin %	*5.2%*	*-39.0%*	*1.4%*	*1.0%*
UC in Excess of Historical Funding	62,989,000	-	-	62,989,000
Operating Margin	**122,573,580**	**(47,017,272)**	**49,358**	**75,605,666**
Operating Margin %	*10.2%*	*-39.0%*	*1.4%*	*5.7%*
Non-Operating Income				
Other Non-Operating Revenue	2,121,834	-	-	2,121,834
Investment Income	3,372,555	-	184,835	3,557,390
Total Non-Operating Income	**5,494,389**	**-**	**184,835**	**5,679,224**
Excess of Revenue Over Expenses	**$ 128,067,969**	**$ (47,017,272)**	**234,193**	**$ 81,284,890**
Excess Margin %	*10.6%*	*-39.0%*	*6.3%*	*6.1%*

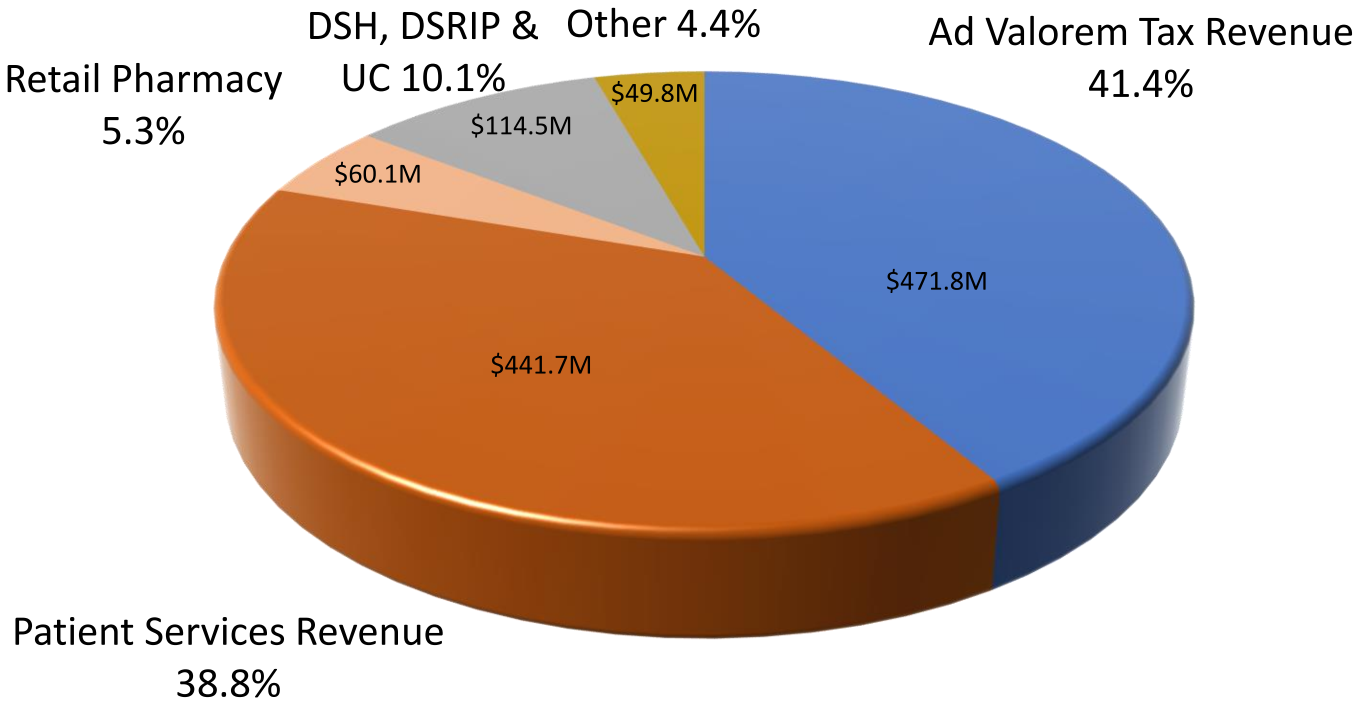
Key Volumes

	FY20 Projected	FY21 Budget	% Change
Medical:			
Patient Days (Med/Surg & ICU)	133,834	146,975	9.82%
Surgeries - Inpatient	5,649	6,006	6.33%
Surgeries - Outpatient	6,431	7,302	13.54%
Emergency Visits	111,211	122,952	10.56%
Urgent Care Visits	39,522	49,820	26.06%
Primary Care Visits	274,783	282,229	2.71%
Specialty Care Visits	191,341	194,180	1.48%
Behavioral Health:			
Patient Days	44,051	46,092	4.63%
Emergency Visits	14,177	15,560	9.76%
Clinic Visits	38,085	38,150	0.17%

Revenue Sources

Total Operating Revenue is comprised of:

- 41.4% Ad Valorem tax revenue
- 38.8% Medicare, Medicaid, commercial insurance plans, and patient collections
- 10.1% State and Federal payments including DSH, DSRIP, and UC
- 5.3% Retail pharmacies (historically shown in Patient Services Revenue)
- 4.4% Grants, Tobacco Fund Revenue, MHMR, 340B Retail Program, and other non-patient sources



Ad Valorem Tax Revenue

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	FY20 Projected	FY21 Budget	% Variance
No-New-Revenue Tax Rate		0.226990	
Voter-Approved Tax Rate		0.259672	
M&O Rate	0.223479	0.223490	0.00%
I&S Rate	0.000950	0.000939	-1.16%
Proposed Tax Rate	**0.224429**	**0.224429**	**0.00%**
Tax Base	$ 208,442,863,066	$ 213,866,956,704	2.60%
M&O Tax	465,826,026	477,971,261	2.61%
I&S Tax	1,980,207	2,008,211	1.41%
Total Tax Revenue	$ 467,806,233	$ 479,979,472	2.60%
Special Vehicle Inventory Tax	268,618	192,000	-28.52%
Payments in Lieu of Taxes	1,134,658	1,103,250	-2.77%
TIFs	(6,314,045)	(6,600,000)	4.53%
Net Tax Revenue	$ 462,895,464	$ 474,674,722	2.54%
Prior period adjustment (appeals)	(3,317,232)	(2,800,000)	0.00%
Revised Net Tax Revenue	**$ 459,578,232**	**$ 471,874,722**	**2.68%**

Federal Funding by Fiscal Year (in thousands)

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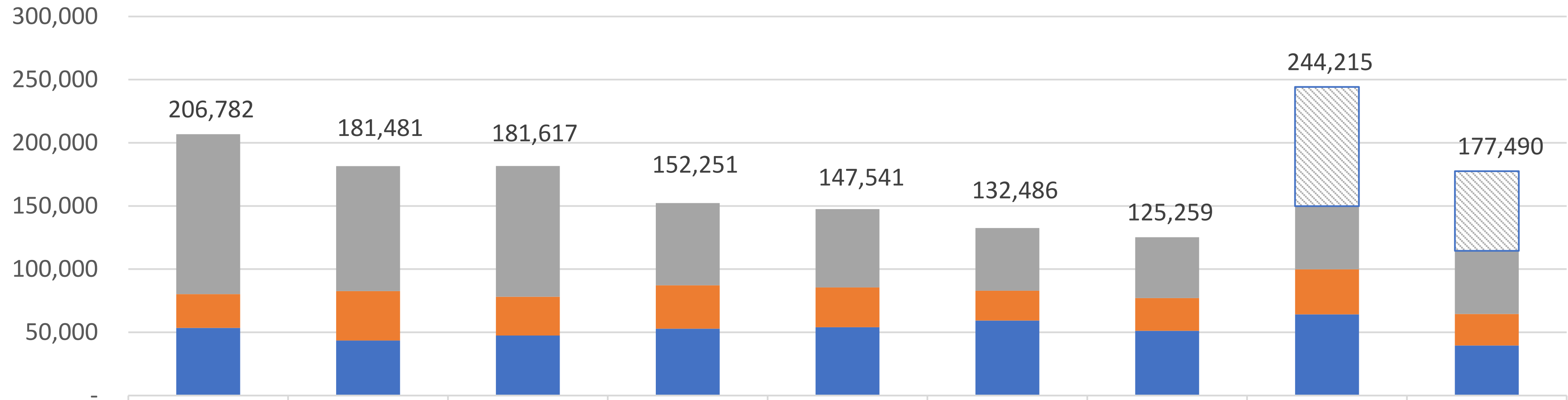


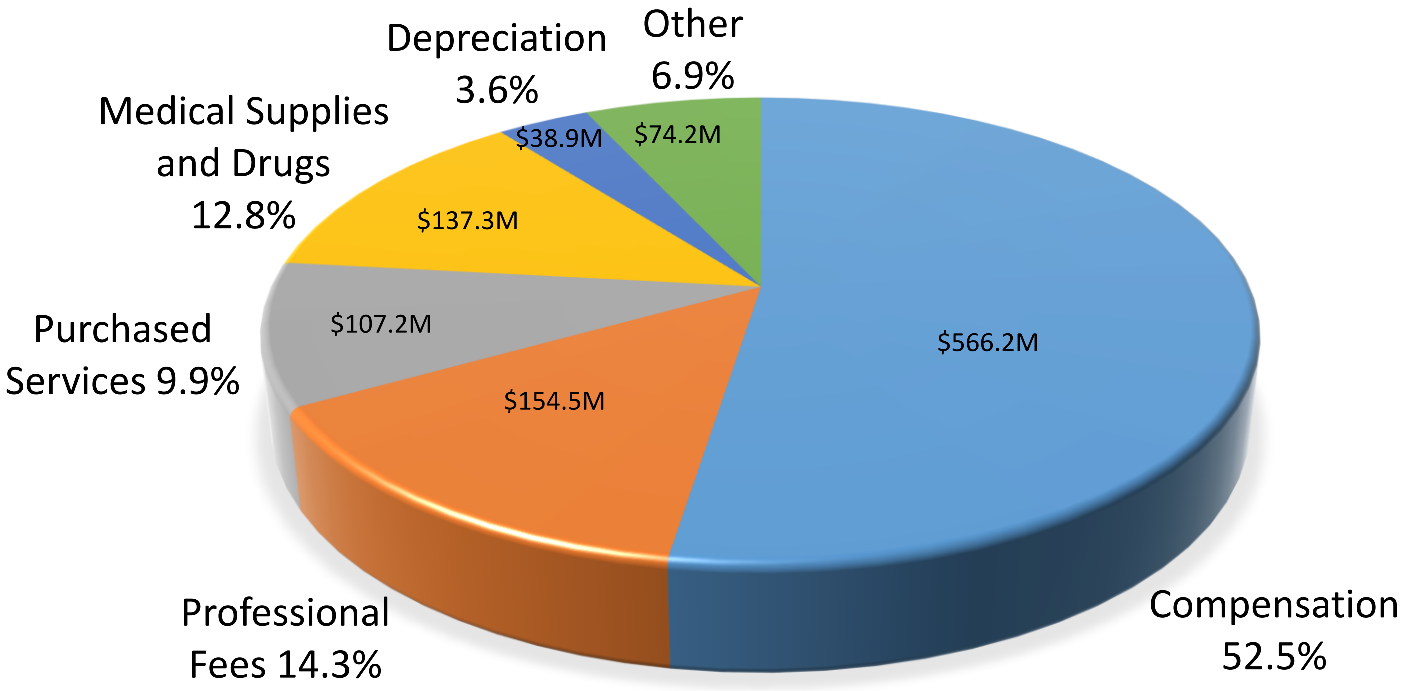
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Projected	FY 2021 Budget
Additional UC	-	-	-	-	-	-	-	94,358	62,989
UC	126,560	98,852	103,466	65,034	62,029	49,526	48,216	50,000	50,000
DSH	26,726	39,191	30,721	34,366	31,495	23,700	25,816	35,692	25,000
DSRIP	53,496	43,438	47,430	52,851	54,017	59,260	51,227	64,165	39,501
Total	206,782	181,481	181,617	152,251	147,541	132,486	125,259	244,215	177,490

- Between FY 2013 and FY 2019, JPS federal funding decreased $81.5 million.
- In FY 2020, UC increased significantly due to new HHSC methodology, required by CMS, which changed the distribution calculation to use only charity care for patients without funding sources. Historically, hospital UC calculations included below cost reimbursement for Traditional and Managed Medicaid. This significant increase in FY 2020 UC funds puts JPS closer in line with FY 2013 funding levels.

Areas of Expense

Total Operating Expenses are comprised of:

- Compensation includes Salaries and Benefits for 6,244 budgeted FTEs
- Professional Fees are physician costs for Administration, Coverage, GME, and JPS Connection patient claims
- Purchased Services include Electronic Medical Records costs, service contracts to support patient care, and outsourced services
- Other Expenses include Public Health, Utilities, Repairs and Maintenance, Leases, and Insurance



Major Income Statement Variances

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- Net Patient Revenue increased as operational levels begin to return to pre-COVID-19 through phasing of clinic openings, improved Medicare reimbursement due to regulatory changes, an increase in a statewide program that increases Managed Medicaid payments, and an allowed price increase
- A significant decrease in federal funding from FY20 is due to temporary COVID-19 relief in the Intergovernmental Transfer funding ($14M related to DSRIP and $13M related to UC); reduction of $18M in UC due to possible future formula-funding changes; decrease of $11M in DSH and $4M in DSRIP due to pool reductions planned in FY 2021
- Total Compensation increased with phased in recovered volumes, expanded services, market adjustments, and annual merit
- Professional Fees increased with phased openings along with an in increase in claims expense due to an expected shift to uninsured from commercial payors
- Purchased Services increased in outside medical services related to phased openings and the expected shift in payor mix along with facility assessments for building conditions, roofs and façade, mechanical systems, major medical equipment, and interior finishes and furniture
- Medical Supplies and Drugs increased related to volume recovery of COVID-19 and inflation of 3% and 7.5%, respectively
- Other Expenses increased in food, linens, janitorial supplies, office supplies, furniture, minor medical equipment, and business meeting expense to support phased recovery from COVID-19 and computer hardware and software to support Telehealth services
- Non-Operating Revenue decreased with falling interest rates predicted for FY21

FY 2021 Capital (in thousands)

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	Total
Information Technology	$ 12,558
Facility Improvement Allocation	10,000
Equipment	6,531
Facilities and Renovations	5,911
Administrative Priorities	3,000
Capital Contingency	500
Total FY 2021 Capital Budget	**$ 38,500**

Acclaim FY 2021

Acclaim was heavily impacted by the decreased outpatient clinic visits and outpatient surgeries during the COVID-19 pandemic. In the FY 2021 budget, slow reopening and enhanced telehealth visits are the main factors impacting volumes. Acclaim will continue to focus on efficient growth of patient volumes, support of Medical Center initiatives, and funding opportunities. An increase in uninsured patients is anticipated from a lasting impact from the pandemic.

Telehealth visits will be optimized and enhanced, while clinic face-to-face volumes return, allowing many patients to receive care without leaving their home. However, telehealth reimbursement is lower than the traditional office visit. Electronic medical record improvements, as well as enhanced analytics, will aid in increasing the efficiency of the care provided. The mobile van program targeting those experiencing homelessness will resume and expand.

To support Medical Center initiatives surrounding the outpatient surgery center in Arlington and patient throughput, several specialties along with a neurosurgeon, breast surgeon, and ENT providers, will be recruited and expanded.

A grant supporting child and adolescent behavioral services as well as revenue cycle improvements are budgeted.

A study to evaluate the cost of the physician group will be conducted this year to assure optimum operations are achieved.

Major Income Statement Variances - Acclaim

- Net Patient Revenue increased as operational levels begin to return to pre-COVID-19 through phasing of clinic openings, revenue related to JPS Medical Center initiatives, and additional onboarding of providers
- Other Operating Revenue increased due to GME, administration, and coverage related to COVID-19 recovery along with external payor incentives and grant programs
- Total Compensation increased with a full year impact of provider onboarding, filling of administrative vacancies, and recovery of COVID-19 affected volumes
- Physician Remuneration decreased as surgeons continue transitioning to employed status
- Purchased Services increased due to the full year impact of healthcare analytics
- Medical Supplies and Drugs increased related to volume recovery of COVID-19
- Other Expenses increased for meetings, travel, dues, recruiting, and employee and provider engagement to support phased recovery from COVID-19

Acclaim Income Statement

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	FY20 Projected	FY21 Budget	Variance	% Variance
Revenues				
Net Patient Revenue	$ 64,267,061	$ 67,945,189	$ 3,678,128	5.7%
Other Operating Revenue	48,794,637	52,467,124	3,672,487	7.5%
Total Operating Revenue	**113,061,698**	**120,412,313**	**7,350,615**	**6.5%**
Operating Expenses				
Total Compensation Costs	138,643,218	149,176,240	10,533,022	7.6%
Physician Remuneration	10,870,724	10,061,249	(809,475)	-7.4%
Purchased Services	2,532,927	2,691,125	158,198	6.2%
Medical Supplies and Drugs	948,992	1,495,925	546,933	57.6%
Other Expenses	3,128,246	3,893,240	764,994	24.5%
Depreciation and Amortization	89,089	111,806	22,717	25.5%
Total Operating Expenses	**156,213,196**	**167,429,585**	**11,216,389**	**7.2%**
Operating Margin	**(43,151,498)**	**(47,017,272)**	**(3,865,774)**	**9.0%**
Operating Margin %	*-38.2%*	*-39.0%*		
Non-Operating Income				
Other Non-Operating Revenue	530,309	-	(530,309)	-100.0%
Total Non-Operating Income	**530,309**	**-**	**(530,309)**	-100.0%
Excess of Revenue Over Expenses	**$ (42,621,189)**	**$ (47,017,272)**	**$ (4,396,083)**	10.3%
Excess Margin %	*-37.5%*	*-39.0%*		
Provider FTE	437	484		
Loss per Provider	$ (98,745)	$ (97,143)		

MGMA Median Loss per Provider $(142,025)

Combined Income Statement Budget FY 2021

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	FY 2021 Budget				FY 2020 Projected
	JPS Health Network	Acclaim	Foundation	Tarrant County Hospital District	Tarrant County Hospital District
Revenues					
Net Patient Revenue	$ 441,671,836	$ 67,945,189	$ -	$ 509,617,025	$ 450,814,484
Retail Pharmacy	60,054,405	-	-	60,054,405	55,225,001
Ad Valorem Tax Revenue	471,874,722	-	-	471,874,722	459,578,232
DSH/DSRIP/UC	177,489,561	-	-	177,489,561	244,215,124
Other Operating Revenue	49,798,009	52,467,124	3,554,462	105,819,595	104,898,571
Total Operating Revenue	**1,200,888,533**	**120,412,313**	**3,554,462**	**1,324,855,308**	**1,314,731,412**
Operating Expenses					
Total Compensation Costs	566,176,319	149,176,240	994,274	716,346,833	670,748,403
Professional Fees	154,553,929	10,061,249	33,220	164,648,398	144,060,418
Purchased Services	107,166,202	2,691,125	270,469	110,127,796	96,866,726
Medical Supplies and Drugs	137,339,730	1,495,925	-	138,835,655	127,311,697
Other Expenses	74,212,261	3,893,240	2,207,141	80,312,642	72,688,931
Depreciation and Amortization	38,866,512	111,806	-	38,978,318	38,582,008
Total Operating Expenses	**1,078,314,953**	**167,429,585**	**3,505,104**	**1,249,249,642**	**1,150,258,183**
Operating Margin	**122,573,580**	**(47,017,272)**	**49,358**	**75,605,666**	**164,473,229**
Operating Margin %	*10.2%*	*-39.0%*	*1.4%*	*5.7%*	*12.5%*
Non-Operating Income					
Other Non-Operating Revenue	2,121,834	-	-	2,121,834	2,724,953
Investment Income	3,372,555	-	184,835	3,557,390	12,788,578
Total Non-Operating Income	**5,494,389**	**-**	**184,835**	**5,679,224**	**15,513,531**
Excess of Revenue Over Expenses	**$ 128,067,969**	**$ (47,017,272)**	**$ 234,193**	**$ 81,284,890**	**$ 179,986,760**
Excess Margin %	*10.6%*	*-39.0%*	*6.3%*	*6.1%*	*13.5%*