

September 5, 2023

County Judge Tim O'Hare
County Commissioner Roy C. Brooks
County Commissioner Alisa Simmons
County Commissioner Gary Fickes
County Commissioner Manny Ramirez

Dear Members of the Commissioners Court:

Tarrant County Hospital District d/b/a JPS Health Network ("JPS") is proud to serve the healthcare needs of residents of Tarrant County, including those residents who face financial and social barriers to care. We are grateful to have the privilege of fulfilling the mission that the voters supported when the hospital district was first created in 1959.

JPS continues to be well positioned to fulfill our mission and vision to be the leader in transforming healthcare delivery in Tarrant County and to improve the lives within the communities we serve. JPS serves as Tarrant County's first Level 1 Trauma Center, houses the only Tarrant County psychiatric emergency center and offers the largest family medicine program in the nation. JPS is embedded throughout Tarrant County communities providing comprehensive services at more than 13 community locations.

During the past year JPS had over 1.2 million patient visits and experienced record high emergency department visits and inpatient admissions. Our past year priorities maintained continued focus on improving access to care including new facility builds as part of the bond master facility plan, commitment to excellence through improved operational efficiencies and quality of care, and workforce stability and safety.

Highlights of FY2023 include:

IMPROVING ACCESS TO CARE WITH NEW FACILITIES

Psychiatric Emergency Center and Medical Home Southwest

JPS celebrated two groundbreaking events. The Psychiatric Emergency Center (PEC) will replace the current PEC located on the 10th floor of the hospital towers and will expand access with more than three (3) times the care spaces for psychiatric care and treatment. The new PEC is on schedule to open May of 2025.

The new Medical Home Southwest (MHSW) is scheduled to open in the July of 2024. MHSW will provide comprehensive services including adult and pediatric primary care, women's health services, specialty care, behavioral health services, after hours care, imaging, lab and drive-thru pharmacy.

IMPROVING ACCESS TO CARE THROUGH PARTNERSHIP

Establishing a Public-Private Partnership with Cook Children's to build a New Health Care Center in Las Vegas Trail Neighborhood

JPS and Cook Children's Health Care System developed a partnership to bring much needed health care services to children and families in the Las Vegas Trail neighborhood. The center will provide pediatric and adult medical services, behavioral health services, and social services support to address social determinants of health. The center is scheduled to open in 2025.

COMMITMENT TO EXCELLENCE

JPS was recognized as one of the First Five Hospitals Verified in the new Emergency General Surgery Verification Program

JPS was recognized as one of the first five hospitals in the country to be verified under the American College of Surgeons' Emergency General Surgery Verification Program (EGS-VP). Emergency General Surgery is one of the most common hospital procedures and this program has a dedicated set of data-driven standards that offer a guiding structure for advancing quality of care for emergency general surgery procedures.

ANCC Pathway to Excellence Re-designation

The JPS nursing team was recognized by the American Nurses Credentialing Center (ANCC) for the prestigious Pathway to Excellence designation. Pathway to Excellence is a designation that recognizes a healthcare organization's commitment to creating a positive nursing practice environment that empowers and engages staff. The evidence-based Pathway Standards provide an essential foundation for creating a culture of sustained excellence—a critical goal for organizations to thrive in this value-based industry and plays a key role in the successful recruitment and retention of high-performing nursing staff.

COMMITMENT TO WORKFORCE NEEDS

Workplace Recruitment, Retention, and Safety

Engagement, recruitment and retention remain a top priority for the hospital. Workforce challenges continue to increase post-pandemic with a driving number of healthcare workers not returning to the industry. This past year, JPS continued to focus on engagement, recruitment, and retention efforts through its employee engagement and survey efforts. In FY23, the hospital decreased contract and agency need and looks to continue to improve next year.

JPS is committed to the safety of our employees, patients, and visitors. A hospital district-wide safety assessment was completed in 2023. Employee safety training and enhanced safety and security measures continue to go on across the network. JPS is the first healthcare system in the nation to go live with new weapon detection and situational awareness software called Zero Eyes.

The FY2024 budget approved by the JPS Board of Managers on August 10, 2023 reflects and aligns with the three FY 2024 strategic priorities: workforce, access to quality care, and maintaining financial sustainability. An executive summary of the budget is included for your review.

Thank you Tarrant County Commissioners Court, JPS Board of Managers, and JPS staff for the support you provide to JPS and to the communities served by JPS.

Please contact me should you have any questions or need additional information.

Sincerely,



Dr. Karen Duncan
President and CEO
JPS Health Network

FY 2024 Budget Executive Summary

Three key strategic priorities drove the development of the FY 2024 budget: workforce stability and safety, improving access to quality care, and financial sustainability.

The stability of our workforce has been challenging since 2020. Although there has been a recent reduction in the amount of contract labor and turnover, JPS has identified market rate gaps coupled with an ever increasing cost of living that must be addressed. The safety and security of our patients, employees, and data will also be a priority in the upcoming year.

Programs will be built around population care and our Connection population. The Medical Home Southwest and the Las Vegas Trail Clinic will open during 2024 and 2025, respectively. Both locations will offer primary care and mental health services in those communities. Enhancement of our quality efforts, preparation for The Joint Commission triennial survey, and upgrades to our patient portal and communication abilities will further enhance access.

To support initiatives around workforce, access, and security, we must have a solid infrastructure and thus many investments are planned for our technology platforms, both from an operational and capital perspective. The capital budget is recommended at \$41 million to replace aged patient care equipment, IT system investments, and building improvements. This budget will support workforce stability and patient access while preparing JPS to construct and onboard the Master Facility Plan projects over the next few years.

FY 2024 Strategic Priorities

COMMITMENT TO WORKFORCE NEEDS

Workforce Stability and Safety

JPS is one of Tarrant County's largest employers. Investing in our workforce not only supports our ability to care for the population we serve, it has a major economic impact to Tarrant County as a whole. According to the DFW Hospital Council Economic Report (October 2022), JPS has a huge impact on the health and welfare of the residents of Tarrant County along with positively impacting the county and state's economy.

Salaries and related expenses are at the forefront of the FY 2024 budget. The stability of our workforce has been challenging since 2020. Although there has been a recent reduction in the amount of contract labor and turnover, JPS has identified market rate gaps that must be addressed, coupled with an ever increasing cost of living. To help combat the identified workforce issues, the budget includes \$44 million for a cost of living adjustment, an overall market assessment, annual merit increases, and shift pay evaluation.

Workplace violence and safety will continue to be a focus for FY 2024. New regulatory and legislative requirements have been implemented including State Legislative requirements which mandate workplace violence committees and reporting as well as the implementation of Joint Commission standards for workplace violence prevention. In addition, the hospital will have increased police presence at the outlying clinics, enhanced system-wide security protocols, and staff education and training at a cost of \$1 million is included in the FY 2024 budget.

IMPROVING ACCESS TO CARE WITH NEW FACILITIES AND THROUGH TECHNOLOGY

Improving Access

Strategic investments totaling \$27 million are included in the FY 2024 budget to help ensure JPS continues to meet the needs of our patients. Ensuring we have the facilities, technology, and capacity to care for them is a top priority. JPS must ensure our facilities are up to date and meet regulatory requirements as set by the State and Federal Regulations.

To ensure we have the facilities, the Medical Home Southwest which is part of the Master Facility Plan expansion, will open during FY 2024, providing services such as family medicine, behavioral health, women's, optometry, and geriatrics. Pharmacy, lab and radiology services will also be located at the Medical Home Southwest. JPS will provide medical and behavioral health services at the Las Vegas Trail clinic, which is a partnership with Cook Children's Medical Center. The Las Vegas Trail clinic will open in 2025. As the site of the largest Psychiatric Emergency Center, JPS continues to meet the behavioral health needs in Tarrant County. The new Psychiatric Emergency Center, which is set to open in 2025 will help to meet these needs which are in high demand throughout the county.

Many initiatives focused around technology are also planned for FY 2024 including a patient call center redesign, a new communication platform, optimization of the medical record software, enhanced cybersecurity, and transition to cloud based infrastructure. The technology improvements will enable JPS to stay in the forefront of needs so that patient care is optimized. Patient care and how patients access our facilities is also a focus for FY 2024. The proposed FY 2024 budget includes dollars to improve care management initiatives to increase access to care.

Master Facility Plan Snapshot

In 2018, the Tarrant County voters overwhelmingly approved the \$800 million bond to build new facilities for better and increased access to care. JPS is saving an additional \$700 million from operations to complete the \$1.5 billion plan. Although the full Master Facility Plan (MFP) for building those facilities extends beyond the FY24 budget period, the overall plan remains pertinent to our prioritization and annual budgeting process. New facilities will not only address significant challenges that we have experienced in trying to maintain older buildings, but it allows us to grow our capabilities, improve access and through-put, and expand our revenue generation.

An Executive Steering Committee was formed to set priorities for the work that needed to be done taking into account the recommendations that were made to the Citizen's Blue Ribbon Committee prior to approval of the bond, the community's current needs, and the dollars available for the projects. That committee consisted of members of the Tarrant County Commissioners Court, JPS Board, the bond Program Manager, and JPS executive staff. The priorities as set by the Executive Steering Committee for the MFP bond projects include:

- **Center for Cancer Care:** *Opened in 2019.* This project was included in the original recommendations from the Blue Ribbon Committee and was concluded prior to formation of the Executive Steering Committee. The 51,7000-square foot facility provides medical and radiation oncology, primary care including a survivorship clinic and acute care, palliative care, survey, breast surgery, plastic surgery, neuro and orthopedic oncology, and pain management. There are also patient support services available which include social work, nutrition, genetic counseling, enrollment and eligibility, patient assistance programs, psychologist, patient navigators, and financial advisors.
- **Medical Home Southwest (MHSW):** This facility will serve the community with Primary Care and Behavioral Health services. The facility will also include Pharmacy, Lab, Imaging, and space dedicated to education. In keeping with the initial recommendations that called for four new community health centers, JPS is already working on a second medical home through its partnership with Cook Children's (as further discussed below) and continues to refine the analysis to determine where the greatest need exists for Tarrant County and the most cost-efficient way to address that need.
- **Psychiatric Emergency Center (PEC):** The new PEC will provide care to patients in need of emergency psychiatric services and will include both emergency and observation services and will increase the current treatment spaces from 44 to 98. This new PEC will go a long way to address the concerns identified in the initial recommendation for a new behavioral health facility. Combining the PEC with the enhanced behavioral health offerings on an outpatient basis allows us to maximize the dollars that we have for these facilities through the bond program. We will continue to assess how to address any

additional need for inpatient behavioral health beds through expansion of our existing behavioral health unit, innovative partnerships, JPS operational revenue, and private funding.

- **Medical Office Building (MOB):** The MOB will house a combination of services including an Ambulatory Surgery Center, Outpatient Clinics, Urgent Care, Imaging, Lab, and Pharmacy.
- **Central Utility Plant (CUP):** The facility will house power generation equipment, boilers and chillers, switchgear, engineering, and the Data Center.
- **Parking:** This project includes the construction of a new Parking Garage on the north side of the campus. It is intended to serve the new Hospital as well as the new Medical Office Building.
- **Pavilion Expansion:** This project consists of updates to the existing Pavilion in order to connect to the future Hospital and includes an expansion of the Emergency Department and the Surgical Floor.
- **Main Hospital Towers:** The new Hospital will include 588 beds. The current cost of the new patient towers is \$875 million (the cost of the \$800 million voter-approved bond).

Medical Home projects outside the Master Facility Plan include:

- **Medical Home Northeast (MHNE):** *Opened in 2018.* The 35,000-square-foot health center provides primary care, women’s health, behavioral health, dental, optometry, laboratory, radiology care, and pharmacy with a drive-up window.
- **Medical Home Las Vegas Trail:** *Expected to open in 2025:* The center will provide pediatric and adult medical services, behavioral health services, and social services support such as food insecurity in the form of a food pantry, community education, and onsite job training for health care industry positions. The medical home is a result of JPS's valued partnership with Cook Children’s Health Care System to bring critical healthcare services to children and families in the Las Vegas Trail neighborhood.

JPS is constantly assessing community needs and adjusting its priorities as necessary to address the healthcare demands of the growing Tarrant County community.

COMMITMENT TO FINANCIAL SUSTAINABILITY THROUGH REVENUE DIVERSIFICATION, PARTNERSHIPS, AND THE FOUNDATION

Financial Sustainability

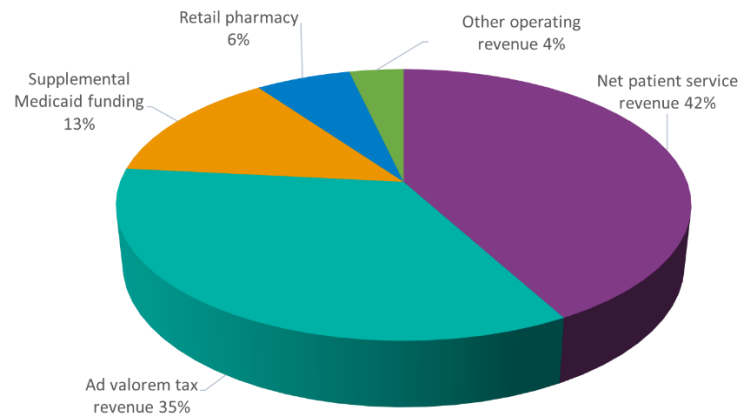
The Master Facility Plan allows JPS to increase access to care. The Master Facility Plan includes an additional Medical Home, expansion of existing parking, additional parking garage, a new medical office building with an ambulatory surgery center, a new psychiatric emergency center, a new central utility plant, and new patient towers at a construction cost of \$1.5 billion.

Total estimated cost of \$1.5 billion can be funded by the \$800 million voter-approved bonds while the remaining balance of \$700 million must be funded by JPS. During FY 2023, \$450 million of limited tax bonds were issued for the first phase of the Master Facility Plan with an annual debt service requirement of \$27 million.

In order to meet current and future needs, it is necessary for JPS to develop revenue diversification strategies, establish strategic partnerships, and secure private funding through the JPS Foundation.

Total Operating Revenues

Total operating revenues are \$1.57 billion for FY 2024 budget, a decrease of \$41 million from projected FY 2023. Sources of total operating revenues include net patient service revenue, ad valorem tax revenue, supplemental Medicaid funding, retail pharmacy, and other operating revenue.



Volumes

For the past few years, volumes have been trending upwards since 2020 from the declines experienced during the pandemic. Overall, volumes remain stable or slightly increasing in FY 2024 for most services.

JPS is expecting a decrease of 3.2% or 1,389 admissions in FY 2024 as compared to FY 2023 projection. For the past few years, the Public Health Emergency (PHE) allowed for a temporary expansion of 28 medical/surgical patient beds. With the end of the PHE declaration, the waiver allowing hospitals to staff beds in excess of licensure will end, and the decline in admissions and observation cases is reflected in the proposed FY 2024 budget. Medical/surgical and observation admissions total 37,883 for FY 2024 compared to FY 2023 projected of 39,278 for a decrease of 1,395. Conversely, behavioral health admissions are expected to increase by 6% in FY 2024 to 4,465 total admissions.

Total surgeries are budgeted at 16,446 in FY 2024, which is an increase of 1% from FY 2023 projected. The majority of surgeries are outpatient and total 10,419, while inpatient surgeries total 6,027. Both are expecting slight increases in FY 2024.

Total emergency and urgent care visits are budgeted at 182,419 in FY 2024, which is less than a one percent increase. Included in the total are 116,652 medical emergency visits, 47,002 urgent care visits, and 18,765 behavioral health visits. All are expected to have slight increases in FY 2024.

Outpatient clinic visits are budgeted at 614,611 in FY 2024 which is an increase of 2.3% over FY 2023 projected. Since FY 2020, volumes have steadily trended up to pre-pandemic levels. FY 2024 clinic visits are expected to exceed FY 2019 in primary care, specialty care, and behavioral health.

Net Patient Service Revenue

Net patient service revenue is budgeted to grow from a projected \$635 million for FY 2023, to \$660 million in FY 2024, an increase of 4%. Net patient service revenue comprises 42% of total operating revenue for FY 2024.

An increase of \$14 million is expected from the uncompensated care payment portion of Medicare due to growth in the uninsured patient population, coupled with an increase in the base rate paid by Medicare for patient claims.

Additionally, there are several revenue cycle initiatives planned for FY 2024 which are expected to increase net patient service revenue by \$13 million. The initiatives include an annual chargemaster price increase, denial reduction, clinical documentation improvement, and revenue capture.

Also, changes to Medicaid programs will increase net patient service revenue by \$12 million in FY 2024. The Comprehensive Hospital Increase Reimbursement Program (CHIRP) and Texas Incentives for Physicians and Professional Services (TIPPS) are Medicaid programs and both have higher reimbursement rates in FY 2024 which results in higher net patient service revenue.

Offsetting the increases explained above is a decrease of \$14 million from (1) reduced bed capacity resulting from the end of the PHE, (2) more patients treated in the outpatient setting instead of inpatient, (3) the loss of Medicaid coverage for some of our patients, (4) and loss of commercial dollars as payors expand in-network facilities.

Payor Mix

JPS expects the uninsured population to increase in FY 2024. During the PHE, Medicaid beneficiaries were continuously covered. Since the PHE has ended, Medicaid beneficiaries must re-enroll for Medicaid benefits. As a result, JPS expects many patients to lose their Medicaid coverage. Additionally, as commercial payors are expanding in-network facilities, JPS may see a decline in patients with commercial coverage. The self-pay and uninsured patients comprise 37% of the payor mix in FY 2024 compared to a projected 32% in FY 2023.

Ad Valorem Tax Revenue

Ad valorem tax revenue is budgeted at \$543 million, a \$26 million decrease from projected FY 2023, and comprises 35% of total operating revenue. The decrease reflects a tax rate reduction from \$0.224429 to \$0.1945 cents per \$100 of assessed values and a 10% homestead exemption enacted for Tarrant County property owners. Certified Tarrant County property values equal \$283.5 billion for the FY 2024 budget.

Supplemental Medicaid Funding

JPS received 13% of its total operating revenue from Supplemental Medicaid funding. FY 2024 funding is budgeted at \$212 million, a \$44 million decrease from projected FY 2023. Programs include Uncompensated Care (UC), Disproportionate Share (DSH), Hospital Augmented Reimbursement Program (HARP), and Graduate Medical Education (GME).

A reduction of \$22 million is due to pool size reductions for both DSH and UC. A federal reduction of \$8 billion in the DSH pool is scheduled to take effect in FY 2024; originally it was to take effect during FY 2020 but was delayed by Congress until FY 2024. Additionally, the UC rules were updated during FY 2023 and a separate, additional funding pool was established for hospitals serving larger uninsured populations. JPS qualifies for this additional funding and received a distribution during FY 2023. Texas Health and Human Services (HHSC) announced that future pool sizes will be lower than the FY 2023 amount.

A reduction of \$20 million is due to the phase-out of the enhanced Federal Medical Assistance Percentage (eFMAP). In order to provide financial concessions during the PHE, the State's portion of Supplemental

Medicaid funding, also known as Intergovernmental Transfers (IGT), was temporarily reduced as the eFMAP was increased. As a result of the lower IGT, JPS received more funds from the Supplemental Medicaid programs. The eFMAP is currently being phased out and will expire on January 1, 2024 resulting in larger IGTs for FY 2024.

A reduction of \$2 million is expected due to a definition change for allowable Medicaid days which will negatively impact Medicaid GME.

Retail Pharmacy

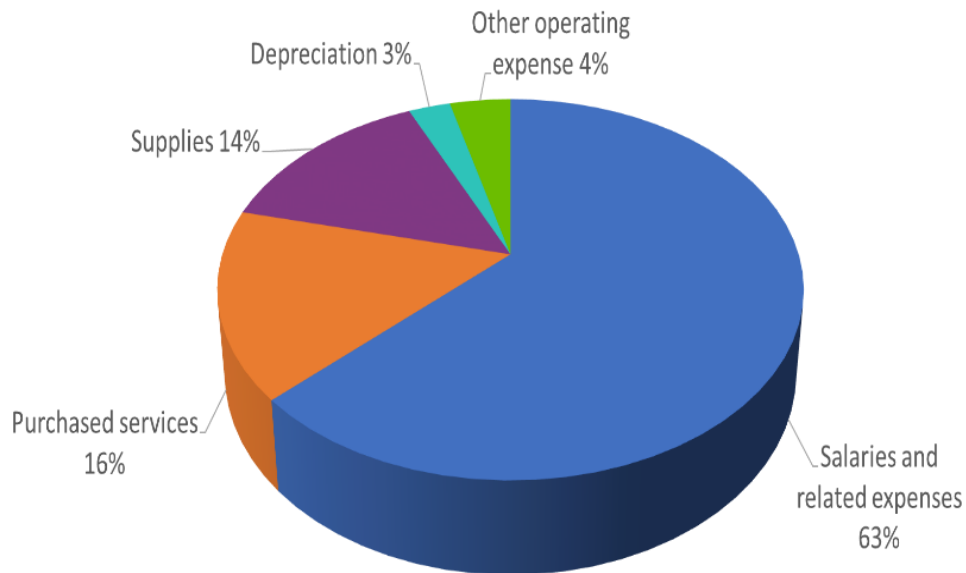
Retail pharmacy revenue is budgeted at \$99 million, a \$3 million increase compared to projected FY 2023, and comprises 6% of total operating revenues. JPS currently has six pharmacies located at various clinics and medical homes and one located at the hospital. During FY 2024, an additional pharmacy will open at the new Medical Home Southwest.

Other Operating Revenue

Other operating revenue is budgeted at \$56 million, an increase of \$267 thousand, and comprises 4% of total operating revenue. Sources of other operating revenue include funds received for grants, tobacco settlement revenue, cafeteria sales, parking fees, 340B retail pharmacy revenue, donations, outside provider coverage, provider incentives, MHMR inpatient services, and various other sources. There are no significant changes expected to occur during FY 2024 with these other operating revenue funding sources.

Total Operating Expenses

Total operating expenses are \$1.54 billion for FY 2024 budget. Uses of total operating expenses include salaries and related expenses, purchased services, supplies, depreciation, and other operating expenses.



Salaries and Related Expenses

Salaries, benefits and related expenses are budgeted at \$968 million. Staff and provider compensation include annual merit, cost of living adjustment, and market assessments to retain our top talent and remain competitive in the market.

Purchased Services

Total purchased services in the proposed FY 2024 budget is \$246 million. Purchased services is comprised of contracted physician services, biomedical service management, pharmacy management, housekeeping and laundry, and legal services.

Supplies

Supplies are comprised of medical supplies, specialty drugs, pharmaceuticals, surgical supplies and implants, patient care equipment, IT equipment and software, and food. Supplies are budgeted at \$222 million.

Depreciation

Depreciation expense is budgeted at \$42 million, an increase of \$5 million as compared to projected FY 2023. The increase is attributed to FY 2024 planned capital additions totaling \$41 million, and two of the master facility plan projects.

Other Operating Expense

Other operating expense includes utilities, insurance, lease, rental, recruiting, continuing education expenses, and Tarrant County expenses detailed below. Total budgeted other operating expense is \$62 million.

Tarrant County Expenses

Jail Mental Health

In FY 2024, \$7.3 million of pass-through funding for MHMR which provides behavioral health counseling services to inmates.

Public Health

The Tarrant County Public Health Department (TCPH) has various sources of revenue to support their operation, the primary non-grant support is funded through the Tarrant County Hospital District. For FY24, JPS covers \$13.1 million dollars of the TCPH budget.

MHMR of Tarrant County

JPS covers the expenses for My Health My Resources of Tarrant County (MHMR) at an annual cost of \$1.6 million.

Nonoperating Revenues and Expenses

Nonoperating Revenues and Expenses are budgeted to be \$79 million for FY 2024. Nonoperating revenues and expenses include interest and financing expense, other nonoperating revenue, and investment income.

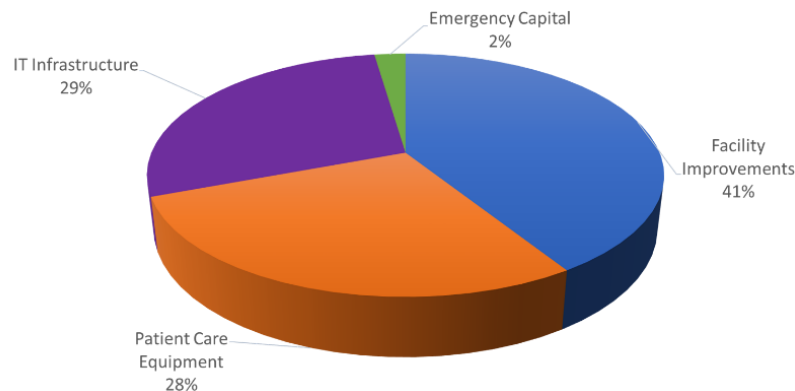
Interest and financing expense is budgeted \$19 million for FY 2024 and includes the full year interest expense impact from the \$450 million bond issuance that occurred during FY 2023.

Other nonoperating revenue includes items such as penalty and interest tax revenue, rental income, parking lot lease income, and gain/losses from the sale of assets. Other nonoperating revenue is \$3 million for budget FY 2024, a decrease of \$5 million from projected FY 2023. The decrease is due to the sale of properties during FY 2023 which resulted in a one-time gain not expected to reoccur in FY 2024.

Investment income is budgeted to be \$95 million in FY 2024, an increase of \$28 million from projected FY 2023. JPS Health Network is subject to the Public Funds Investment Act which requires investments in low risk, limited securities or funds.

Capital Budget

The proposed FY 2024 capital budget is recommended at \$41 million to replace patient care equipment and invest in IT systems and facility improvements. Patient care equipment needs were prioritized based on assessments and clinical input. IT investments include a communication system and upgrades to business and clinical applications. Facility improvements include projects such as replacing air handling units, renovations for the Las Vegas Trail Clinic, and elevator modernization.



FY 2024 Operating and Capital Budget

Consolidated Income Statement FY 2024 Budget

	FY 2024 Budget	FY 2023 Projected	Variance
Operating Revenues			
Net patient service revenue	\$659,714,728	\$634,630,352	\$25,084,376
Ad valorem tax revenue*	543,359,654	569,283,739	(25,924,085)
Supplemental Medicaid funding	211,501,716	255,154,495	(43,652,779)
Retail pharmacy	99,001,947	96,238,634	2,763,313
Other operating revenue	56,453,313	56,186,252	267,061
Total operating revenues	1,570,031,358	1,611,493,472	(41,462,114)
Operating Expenses			
Salaries and related expenses	968,317,662	903,075,881	65,241,781
Purchased services	246,317,238	229,236,150	17,081,088
Supplies	221,931,118	215,572,447	6,358,671
Depreciation	42,340,312	36,953,304	5,387,008
Other operating expense	61,675,513	59,772,544	1,902,969
Total operating expenses	1,540,581,843	1,444,610,326	95,971,517
Operating Income	29,449,515	166,883,146	(137,433,631)
Operating Margin	1.9%	10.4%	
Interest and financing expense	(19,287,413)	(14,032,252)	(5,255,161)
Other nonoperating revenue	3,419,005	8,231,346	(4,812,341)
Investment income	95,362,345	67,045,240	28,317,105
Nonoperating Revenues and Expenses	79,493,937	61,244,334	18,249,603
Net Income	\$108,943,452	\$228,127,480	(\$119,184,028)

*Ad valorem tax rate is .1945 per \$100 of assessed value