



Fiscal Year 2016 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 \$5,093 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 May 2017. In preparation for Seton vacating the UMCB facility, Central Health is 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 2016 Operating Budget

Central Health's current tax rate (fiscal year 2015) is 12.64 cents per \$100 of assessed value, as required under State law pursuant to the tax ratification election discussed above. This 2016 budget has been prepared at a lower tax rate of 11.7781 cents per \$100 of assessed value. The total rate includes an operating tax rate of 11.6783 cents and a debt service rate of .0998 cents. The debt service tax rate will provide funds to satisfy 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 \$160.7 million being by far the largest. Although Central Health is lowering its tax rate, increases in assessed value have produced \$9.0 million in additional revenue. The second largest revenue source is Seton lease revenue for UMCB, budgeted this year at \$34.4 million. Central Health budgets its expenditures in two programs, the larger one being Healthcare Delivery (96.7% of total appropriations) and a smaller program of Administration (2.8% of total appropriations) The remaining .8% is tax collection expense. The Travis County Commissioners Court approves Central Health's budget appropriations at the 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 2016 fiscal year.



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Following is a more detailed discussion of Central Health's 2016 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 six 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. Overall we estimate that our IGT activity will increase by \$17.3 million in 2016.



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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. This payment has increased to cover movement of the Austin Travis County Integral Care contract to the CCC in 2016, approximately \$8 million, as well as to provide funding for further development of the integrated delivery system.

Other Healthcare Delivery Activities

Other activities in the 2016 Healthcare Delivery Program are as follows:

- Payments to Planned Parenthood, and the Integrated Care Collaboration;
- Seton charity care payment;
- Service expansion for additional needs that may arise during FY 2016;
- Transfer to the capital reserve, primarily for information technology and equipment enhancement;
- 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 2016 Healthcare Delivery Program is an appropriation of Central Health's estimated 2016 contingency reserve of \$97.1 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 2016 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 increased slightly from 2015 to 2016 due to the operations of the Southeast Health and Wellness Center that began in 2015. Legal fees have been increased by \$70,000 in 2016 due the continued complexity in our regulatory environment and ongoing initiatives including the 1115 Waiver and the UMCB campus redevelopment; and property



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appraisal fees paid to the Travis Central Appraisal District (TCAD) and the county tax collector have increased by about \$71,000.

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.

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



CENTRAL HEALTH

ATTACHMENT A

FY 2015 Budget and FY 2016 Proposed Budget Sources and Uses Summary

DESCRIPTION	FY 2015 APPROVED BUDGET	FY 2016 PROPOSED BUDGET
TAX RATE	0.1264	0.117781
SOURCES		
Property Taxes	151,728,532	160,705,076
Seton Lease Revenue	31,637,380	34,371,988
Interest	400,000	400,000
Tobacco Litigation Settlement	1,500,000	1,600,000
Contributions from HMO risk-based capital	4,883,000	-
Contingency Reserve	78,800,000	98,700,000
Total Sources	268,948,912	295,777,064
USES		
Healthcare Delivery	259,098,204	286,088,392
Administration	8,495,708	8,262,466
Tax Collection	1,355,000	1,426,205
Total Uses	268,948,912	295,777,064
RESERVES (ending balance)		
Capital	-	-
HMO Risk-based Capital Reserve	-	-
Contingency Reserve	-	-
Emergency Reserve	25,975,721	28,515,000
Total Reserves	25,975,721	28,515,000

ATTACHMENT B

FY 2015 Budget and FY 2016 Proposed Budget Sources and Uses Summary

DESCRIPTION	FY 2015 APPROVED BUDGET	FY 2016 PROPOSED BUDGET
HEALTH CARE DELIVERY		
Intergovernmental transfers:		
IGT - Private UC	27,900,000	27,900,000
IGT - Public UC	25,000,000	28,700,000
IGT - Disproportionate Share	20,000,000	23,300,000
IGT - CCC DSRIP	23,800,000	28,530,000
IGT - Seton DSRIP	20,200,000	25,670,000
IGT - St. David's DSRIP	500,000	600,000
Subtotal Intergovernmental transfers	117,400,000	134,700,000
Healthcare Services		
Member Payment to CCC	15,200,000	26,245,166
Charity care - Seton	4,251,733	4,251,733
Initiatives:		
ACA education and enrollment	1,717,000	1,745,000
Health Promotion	150,000	353,713
Subtotal Initiatives	1,867,000	2,098,713
Subtotal Healthcare Services & charity care	30,491,174	32,595,612
Service expansion	2,000,000	3,300,000
Subtotal Healthcare Services & Service expansion	32,491,174	35,895,612
Personnel Expenses:		
Salary & Fringe Benefits	2,446,402	2,976,926
Operating Expenses:		
Legal	20,000	25,000
Consulting	270,000	334,000
Mental Health - ATCIC	8,045,166	-
Primary Care - Planned Parenthood	510,000	585,000
Integrated Care Collaboration (ICC)	617,275	617,275
Other professional services	28,900	168,471
Marketing & Community Relations	10,000	11,500
Leases, security & maintenance	225,000	799,444
Phones, computer equipment & utilities	25,540	578,507
Printing, copying, postage & signage	111,075	164,344
Travel, training and professional development	18,000	35,539
Other operating expenses	17,906	196,151
Subtotal Operating Expense	9,898,862	3,515,231
Reserves, appropriated uses & transfers:		
Transfer to capital reserve	11,300,000	3,000,000
Transfer to emergency reserve	-	2,539,279
Sendero risk-based capital	16,883,000	5,000,000
Contingency reserve appropriation	76,480,000	97,092,539
Subtotal Reserves, appropriated uses & transfers	104,663,000	107,631,818
Debt service:		
Debt service - principal retirement	935,000	950,000
Debt service - interest & amortized costs	436,207	418,805
Debt service	1,371,207	1,368,805
Total Healthcare Delivery	259,098,204	286,088,392

ATTACHMENT B

FY 2015 Budget and FY 2016 Proposed Budget Sources and Uses Summary

DESCRIPTION	FY 2015 APPROVED BUDGET	FY 2016 PROPOSED BUDGET
ADMINISTRATION		
Personnel Expenses		
Salary & Fringe Benefits	4,008,281	4,058,822
Operating Expenses		
Legal	896,500	966,500
Consulting	1,283,620	1,038,000
Investment Services (Travis County)	108,351	98,351
Benefits & Payroll administrative services	190,800	282,800
Other professional services	230,300	435,300
Marketing & Community Relations	92,250	131,400
Leases, security & maintenance	326,842	163,842
Insurance & Risk Management	99,526	125,000
Phones, computer equipment & utilities	379,446	139,794
Printing, copying, postage & signage	83,370	84,570
Travel, training and professional development	158,612	213,737
Other operating expenses	637,810	524,350
Subtotal Operating Expense	4,487,427	4,203,644
Total Administration	8,495,708	8,262,466
Tax Collection		
Appraisal District Svcs	855,000	880,000
Tax Collection Expense	500,000	546,205
Subtotal Tax Collection Expense	1,355,000	1,426,205
TOTAL USES	268,948,912	295,777,064



Attachment C
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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

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.

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.