



CENTRAL HEALTH

# Central Health Budget

Five-Year Financial Forecast

Central Health Board of Managers

May 25, 2016

Patricia Young Brown, CEO

Jeff Knodel, CFO



# Item Agenda

- Highlights for fiscal year 2016
- Fiscal year 2016 year-end estimate
- Central Health five-year forecast
- Next steps



# By the Numbers: Measuring the Health of our Community

## #3

- Austin's rank for job growth during past year

## +12.8%

- Projected increase in Travis County families living below the poverty level by 2019



# By the Numbers: Central Health Fiscal Year 2015 Reporting

Patients served

# 109,428

- Unduplicated patients with encounters in FY2015

# 13.3 percent

- Increase in patients served from FY2014 to FY2015



# 2016: A Big Year for our Community

- January – Health and Wellness Center at Huston-Tillotson University
- February – Central Health Southeast Health & Wellness Center expansion celebration
- March – ATCIC Mental Health Crisis Center groundbreaking
- April – People’s Community Clinic grand opening
- June – Dell Medical School opens its doors

And much more!



# Five-Year Forecast is an Estimate

- Numbers developed based on broad assumptions and conservative estimates
- Not intended to be a prediction of our financial condition
- Serves as a tool to identify revenue and expense trends and frame related policy issues

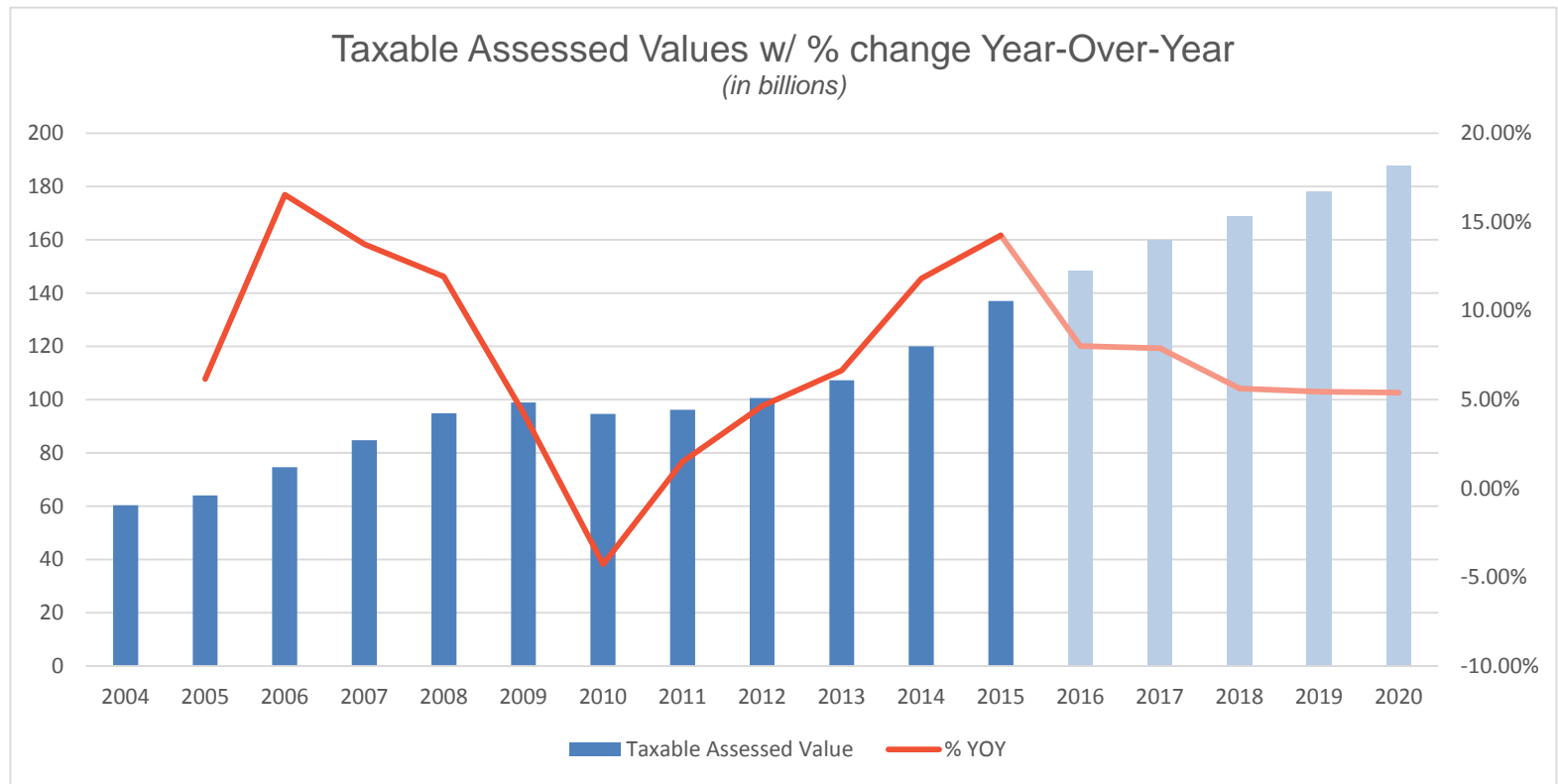


# Environmental Factors

- Taxable assessed values continue to increase
- Austin continues to grow at a rapid rate with low unemployment
- Central Health has the lowest tax rate in FY2016 of major Texas hospital districts
- Dell Seton Medical Center at The University of Texas to open in May 2017; Central Health lease revenue will decrease upon Seton moving hospital operations from Central Health Brackenridge campus
- 1115 Waiver Delivery System Reform Incentive Payment (DSRIP) projects to continue past Demonstration Year 5 (FY2016) for 15 additional months, ending Dec. 31, 2017



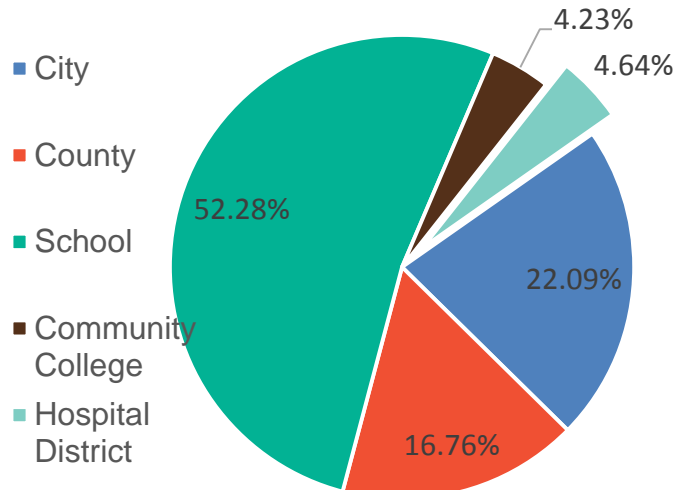
# Projected Taxable Values



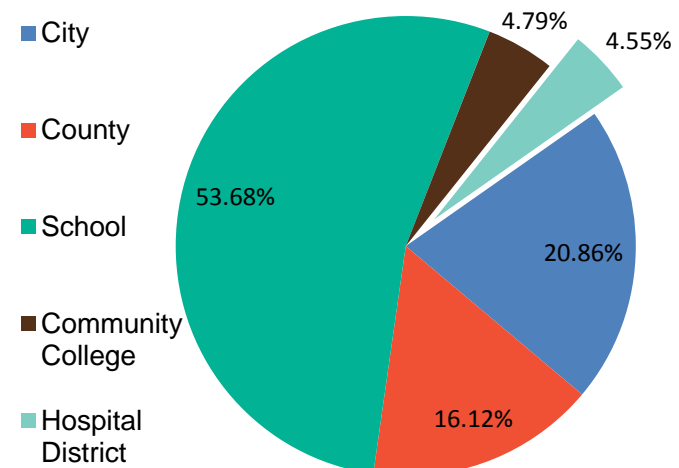


# Local Property Tax Rates

FY2015 Travis County Tax Entity %



FY2016 Travis County Tax Entity %

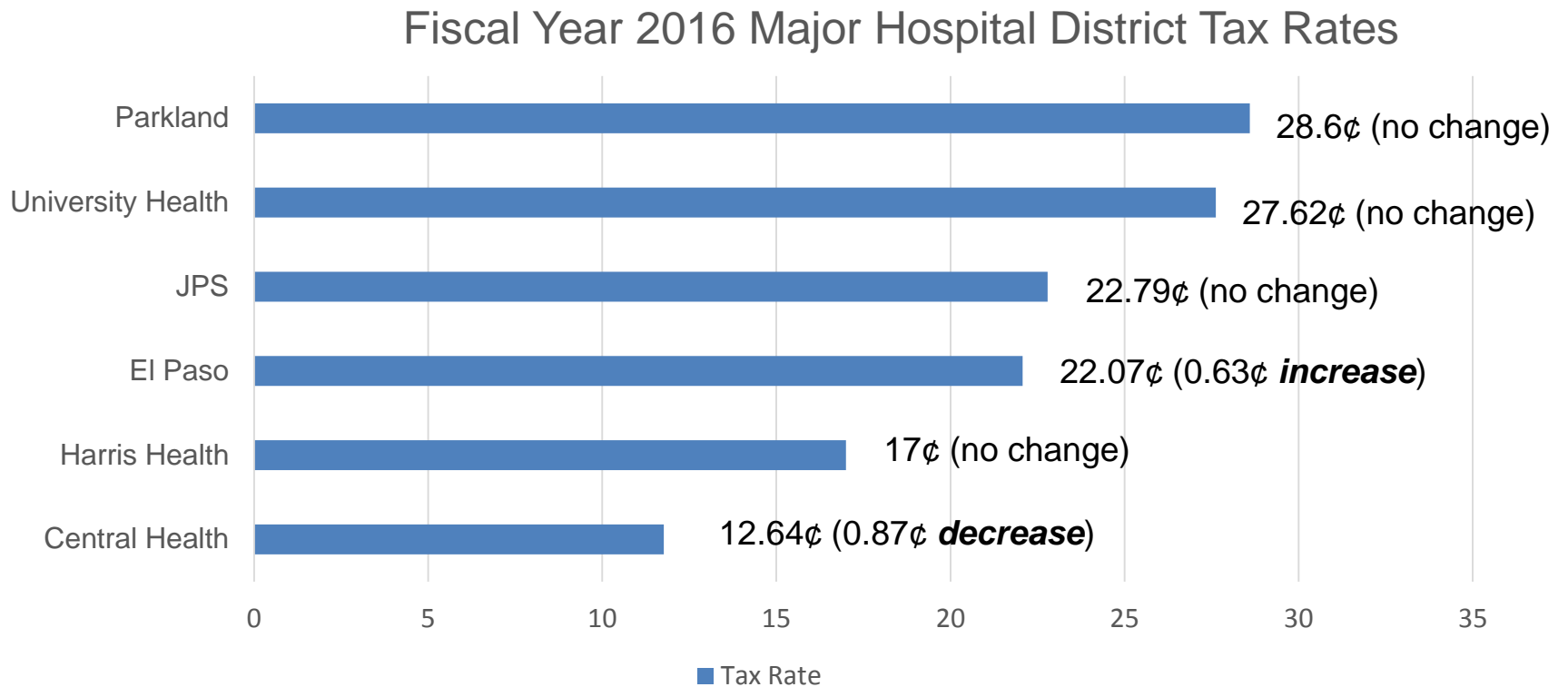


Fiscal Year 2016 Property Tax Bill for Homestead Assessed at \$328,150.						
Jurisdiction	Tax Rate	Value Before Exemptions	Reduction in Taxable Value from Homestead Exemption	Taxable Value After Homestead Exemption	FY 16 Property Tax Bill	Percentage of Total
Travis County	\$ 0.416900	\$ 328,150	\$ 65,630	\$ 262,520	\$ 1,094	16.12%
Central Health	\$ 0.117781	\$ 328,150	\$ 65,630	\$ 262,520	\$ 309	4.55%
City of Austin	\$ 0.458900	\$ 328,150	\$ 19,689	\$ 308,461	\$ 1,416	20.86%
Austin I.S.D.	\$ 1.202000	\$ 328,150	\$ 25,000	\$ 303,150	\$ 3,644	53.68%
Austin Community College	\$ 0.100500	\$ 328,150	\$ 5,000	\$ 323,150	\$ 325	4.79%
<b>Total</b>	<b>\$ 2.296081</b>				<b>\$ 6,788</b>	<b>100.0%</b>



# Tax Rate Comparison

\*With changes from FY2015 to FY2016



# FY2016 Estimate: Budget Highlights

- In partnership with Seton and with Dell Medical School expertise, continue to implement the Integrated Delivery System, via the Community Care Collaborative: \$26.2M
- Tax rate of 11.7781 cents/\$100
  - 4.5% over FY2016 effective rate
  - Decrease from FY2015 rate of 12.64 cents/\$100
- Intergovernmental transfers budgeted at \$134.7M for local match for federal funds
  - Timing issues should be resolved by the end of FY2016
- Investment in Sendero: \$5M
- Additional \$2.5M to Emergency Reserve Fund



# Intergovernmental Transfers

## Definitions

### Uncompensated Care (UC)

- Local share for match of federal funds to help offset unreimbursed care provided by hospitals. Central Health provides local funding share for Seton and St. David's hospitals.

### Disproportionate Share (DSH)

- Local share for match of federal funds to qualifying hospitals that serve a large number of Medicaid and uninsured individuals. University Medical Center Brackenridge and St. David's Central are qualifying hospitals.

### Delivery System Reform Incentive Payment (DSRIP)

- Local share for match of federal funds for performance-based programs that reform and redesign health care delivery to improve the health experience and outcome of patient care.



# FY2016 Estimate

## Intergovernmental Transfers

(in millions)

IGT Type	FY 16 Estimate		
	Approved	Total	Variance
Disproportionate Share	23.3	32.5	-9.2
Uncompensated Care	56.6	48.1	8.5
Total IGT (non DSRIP)	79.9	80.6	-0.7
<b>DSRIP</b>			
Community Care Collaborative	28.5	29.4	-0.9
Seton	25.7	23.3	2.4
St. David's	0.6	0.8	-0.2
Total DSRIP IGT	54.8	53.5	1.3
<b>Total</b>	<b>134.7</b>	<b>134.1</b>	<b>0.6</b>



# Central Health Funder Role

In DY4:

- Central Health provided support for 33 hospital and community based DSRIP projects
- \$48.7M investment
- 96% success rate
- \$113.7M incentives earned



# FY2016 Estimate (in millions)

Sources of Funds	FY2016		
	Approved	Estimate	Ending
Property Tax Revenue	160.7	160.7	0.0
Seton Lease Revenue	34.4	34.4	0.0
Other Revenue	2.0	3.0	1.0
Total Revenues	197.1	198.1	1.0
Contingency	98.7	95.3	-3.4
Total Sources	295.8	293.4	-2.4
<b>Uses of Funds</b>			
Intergovernmental Transfers	134.7	134.1	0.6
Indigent Care Payment to CCC	26.2	26.2	0.0
Charity Care	4.3	4.3	0.0
ACA Education and Enrollment	1.7	1.7	0.0
Health Promotion	0.4	0.4	0.0
Service Expansion Funds	3.3	1.0	2.3
Personnel & Operating	6.5	6.5	0.0
Transfer to capital Reserve	3.0	3.0	0.0
Sendero Risk-based capital	5.0	5.0	0.0
Transfer to Emergency Reserve	2.5	2.5	0.0
Contingency	97.1	61.5	35.6
Debt Service	1.4	1.4	0.0
Administration	8.3	8.3	0.0
Tax collection	1.4	1.4	0.0
Total Uses	295.8	257.2	38.5
Ending Balance - Contingency Reserve			36.1



# Central Health Reserve Funds

## Emergency Reserve

- Funding source for dire necessities that arise from unusual circumstances
- 15% of eligible expenditures

## Contingency Reserve

- Allocated – Reserve funding for intergovernmental transfer timing differences with Central Health's fiscal year
- Unallocated – Reserve funding for temporary decreases in revenue or one-time, nonrecurring expenses that cannot be funded through current revenue





# FY2016 Contingency Reserve Estimated Ending Balance (in millions)

	Contingency Reserve			
	FY 16			
	Approved	Actual	Estimate	Ending balance
<b>ALLOCATED:</b>				
Disproportionate Share	15.5	15.3		0.2
Total Uncompensated Care	52.9	46.2		6.7
Total IGT (non DSRIP)	68.4	61.5		6.9
<b>UNALLOCATED</b>	28.7		-0.5	29.2
<b>Total Contingency Reserve</b>	<b>97.1</b>	<b>61.5</b>	<b>-0.5</b>	<b>36.1</b>



# FY16 Estimate – Conclusions

- We continue to utilize the financing mechanism of Intergovernmental Transfers (IGTs) to maximize our local dollars and transform care.
- IGT timing issues will be resolved by end of fiscal year.
- IGT amounts are still unpredictable.
- Contingency Reserve ending balance: \$36.1 million



# Five-Year Forecast

- Assumptions
- Projections
- Property tax rate scenarios
- Conclusions



# Five-Year Forecast Assumptions

- Covers FY2017-21
- Taxable assessed property values continue to rise
- Current lease of UMCB for hospital operations ends May 2017; Seton continues to lease parking, clinical, and administrative space
- Central Health assumes costs to operate UMCB campus beginning May 2017
- 1115 Waiver remains in place
  - DSRIP continues “as-is” until Dec. 31, 2017
  - Centers for Medicare & Medicaid Services (CMS) and Texas Health and Human Services Commission (HHSC) negotiate next generation of DSRIP
  - Uncompensated Care (UC) and Disproportionate Share (DSH) intergovernmental transfers continue



# Future Considerations

PRESENTED TO TRAVIS COUNTY COMMISSIONERS COURT ON JULY 8, 2014

## Replacing UMCB revenue loss

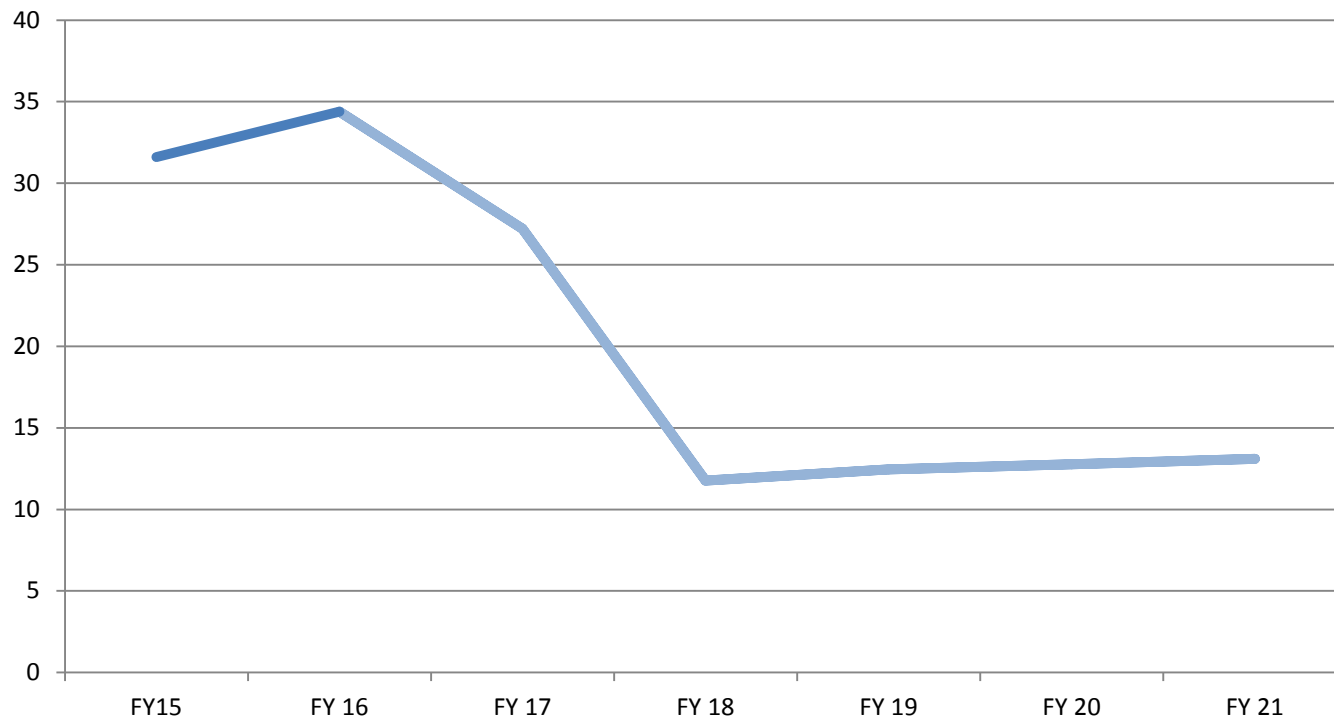
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expected rent	\$32M	\$32M	\$20M	\$9M
Reduction	-	-	(\$12M)	(\$11M)
Total reduction	-	-	-	(\$23M)

- Our FY2014 budget is structurally balanced and any revenue losses must be made up by equal cuts in spending or by additional revenue—very difficult to do in one or two years



# Projected UMCB Lease Revenue

Seton Lease Revenue *(in millions of dollars)*



# Five Year Forecast Expenditure Highlights (in millions)

Uses of Funds	FY 17	FY 18	FY 19	FY 20	FY 21
Intergovernmental transfers	141.6	143.7	146.0	148.3	150.5
Central Health member payment to CCC	26.2	28.2	29.2	31.2	33.2
Charity care	4.3	4.3	4.3	4.3	4.3
Service expansion funds	2.0	2.0	2.0	2.0	2.0

- Intergovernmental transfers
  - Federal match rate decrease assumed
  - More local share required to draw same amount of federal funding
- Central Health member payment to the Community Care Collaborative flat in FY2017; increases in subsequent years
- Service Expansion Funds at \$2M annually
- Capital Reserve Transfer at \$1.5M annually
- Emergency Reserve maintained at 15% of eligible expenditures
- Sendero risk-based capital



# Five-Year Forecast Expenditure Highlights (continued)

## Cost Drivers

Salaries/Wages	3%
Health benefits	10%
Contractual services	3%
Provider	5%

## Additional Resource Needs

- UMCB redevelopment
  - Redevelopment leadership and project management
  - Campus operations
  - Legal/professional services
- Compliance
- Policy
- Board of Managers  
personnel support

	FY 17	FY 18	FY 19	FY 20	FY 21
Total Expenditures (in millions)	207.3	212.4	212.0	217.4	225.7





# Property Tax Rates

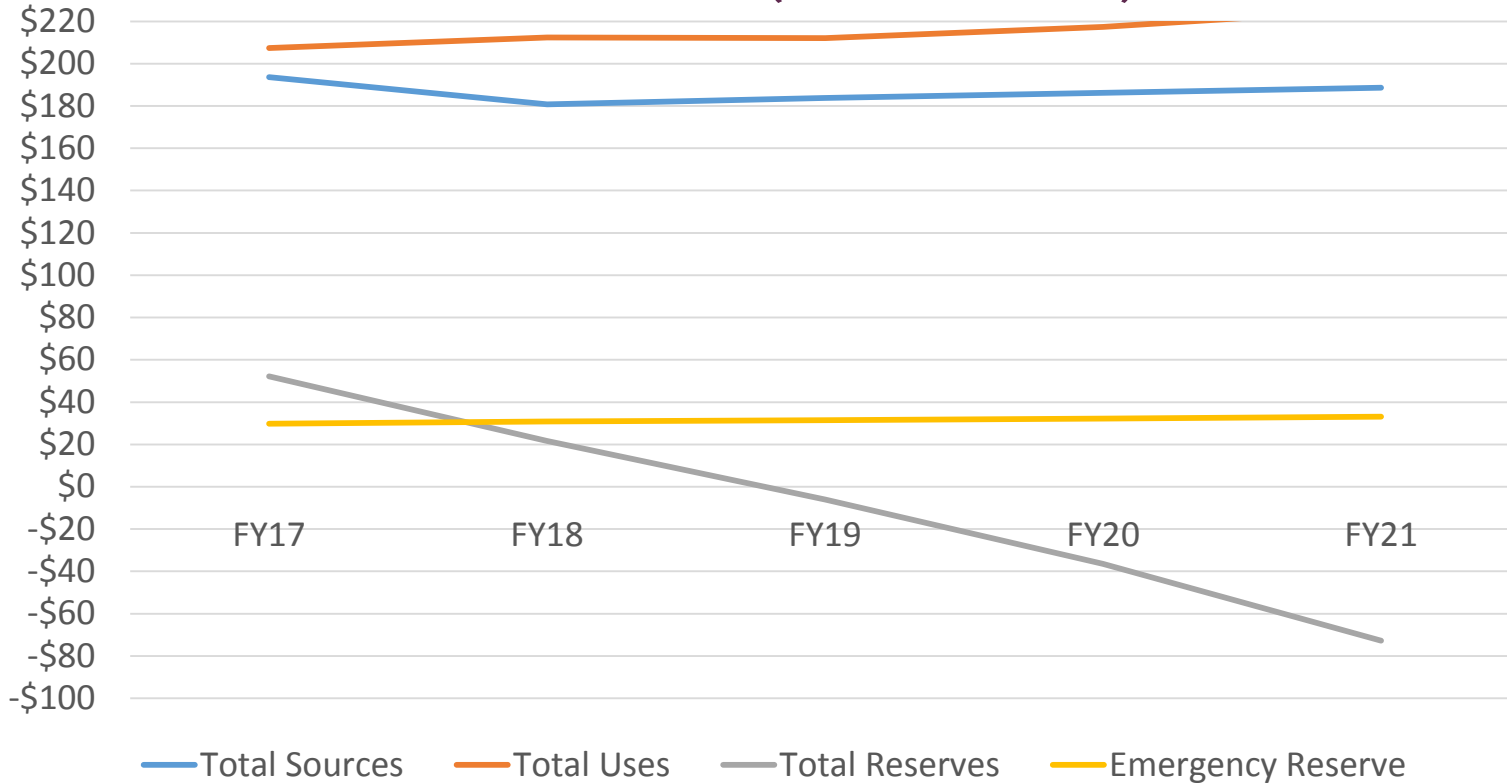
Five property tax rates considered in preparation of Five-Year Forecast:

- Effective property rate
- 2% over effective property tax rate
- 4% over effective property tax rate
- 4.5% over effective property tax rate
- 6% over effective property tax rate in FY2017, 4% thereafter

Constant expenditures for each scenario



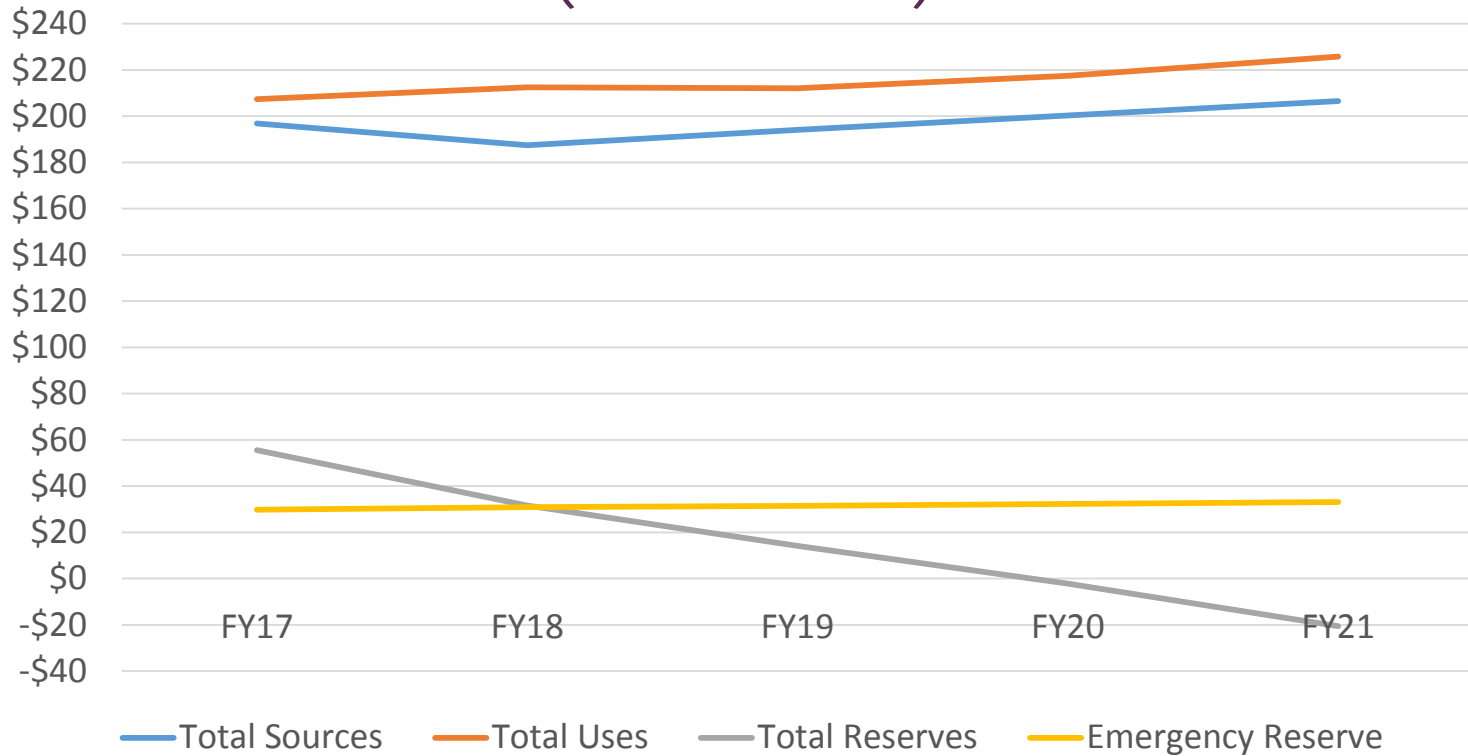
# Effective Property Tax Rate Year-Over-Year (in millions)



	FY17	FY18	FY19	FY20	FY21
Total Sources	193.6	180.7	183.8	186.2	188.6
Total Uses	207.3	212.4	212.0	217.4	225.7
Total Reserves	52.2	21.6	-6.0	-36.4	-72.8



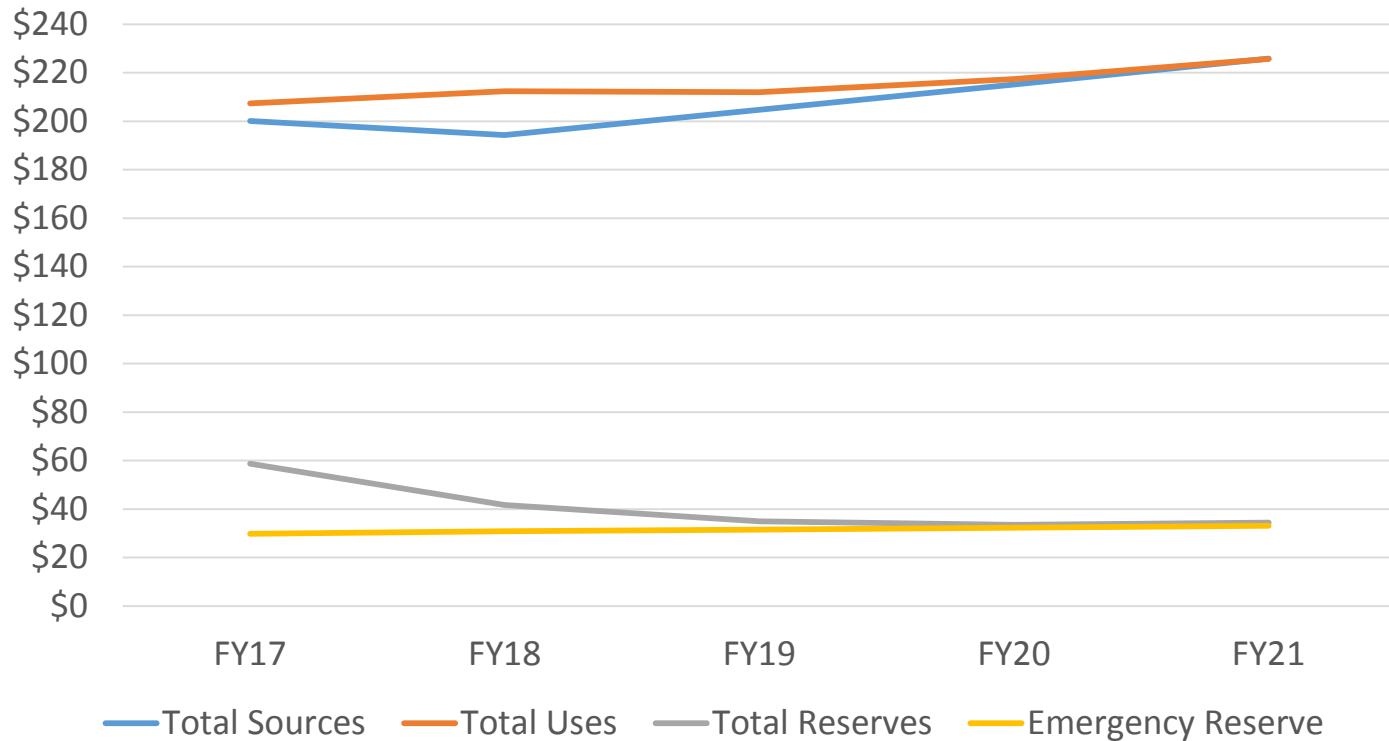
# 2% Over Effective Property Tax Rate Year-Over-Year (in millions)



	FY17	FY18	FY19	FY20	FY21
Total Sources	196.9	187.4	194.0	200.3	206.5
Total Uses	207.3	212.4	212.0	217.4	225.7
Total Reserves	55.5	31.6	14.2	-2.2	-20.6

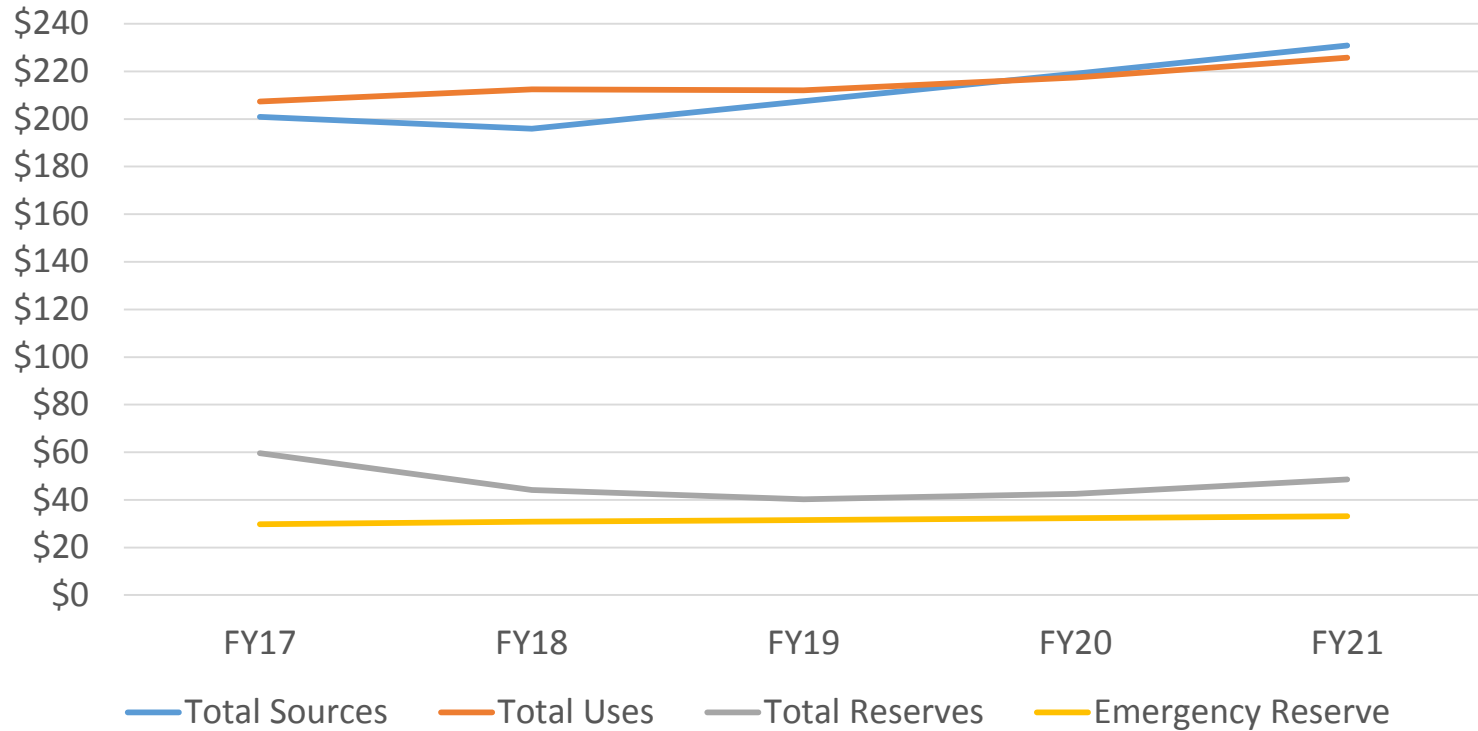


# 4% Over Effective Property Tax Rate Year-Over-Year (in millions)



	FY17	FY18	FY19	FY20	FY21
Total Sources	200.1	194.2	204.7	215.1	225.8
Total Uses	207.3	212.4	212.0	217.4	225.7
Total Reserves	58.7	41.6	35.0	33.5	34.4

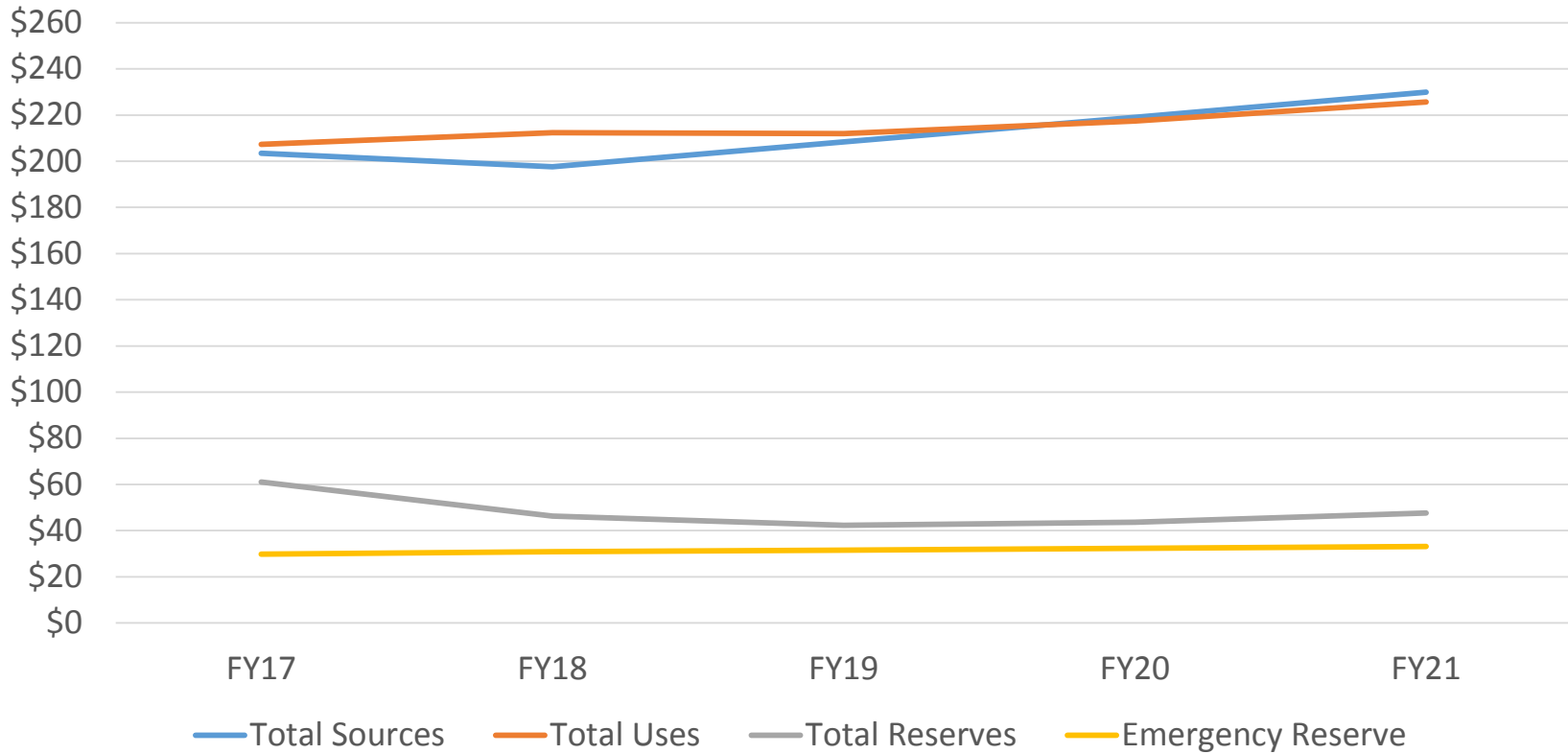
# 4.5% Over Effective Property Tax Rate Year-Over-Year (in millions)



	FY17	FY18	FY19	FY20	FY21
Total Sources	200.9	196.0	207.5	219.0	230.9
Total Uses	207.3	212.4	212.0	217.4	225.7
Total Reserves	59.6	44.2	40.2	42.6	48.6



# 6% Over Effective 2017; 4% Thereafter (in millions)



	FY17	FY18	FY19	FY20	FY21
Total Sources	203.4	197.7	208.4	219.0	229.9
Total Uses	207.3	212.4	212.0	217.4	225.7
Total Reserves	61.0	46.3	42.3	43.6	47.6

# Central Health Property Tax Impact Statement—Homestead Property FY2015-2016

FY2015			
Home Value	Homestead Value	Tax Rate	Tax Bill
200,000	160,000	0.1264	\$202
300,000	240,000	0.1264	\$303
400,000	320,000	0.1264	\$404

FY 2016					
Home Value - 10% Appreciation (MAX)	Homestead Value	4.5% Over Effective Tax Rate	Tax Bill	Inc./((Dec.) )	% Inc./((Dec.)
220,000	176,000	0.117781	\$207	\$5	2.5%
330,000	264,000	0.117781	\$311	\$8	2.5%
440,000	352,000	0.117781	\$415	\$11	2.5%

Home Value - 6% Appreciation	Homestead Value	4.5% Over Effective Tax Rate	Tax Bill	Inc./((Dec.) )	% Inc./((Dec.)
212,000	169,600	0.117781	\$200	(\$2)	-1.2%
318,000	254,400	0.117781	\$300	(\$3)	-1.2%
424,000	339,200	0.117781	\$400	(\$4)	-1.2%



# Conclusion

Central Health management recommends preparation of the FY2017 budget at a property tax rate of 4.5% to continue to further develop the integrated delivery system and manage the transition of the University Medical Center Brackenridge redevelopment over the forecast period.





# Next Steps

- June 15—Central Health Budget and Finance Committee (*CCC forecast*)
- June 22—Central Health Board of Managers
- July 20—Central Health Budget and Finance Committee (*proposed budget*)
- July 27—Central Health Board of Managers
- Aug. 10—Central Health Budget and Finance Committee (*FY2017 Central Health proposed budget and property tax rate*)
- Aug. 17—Central Health Board of Managers (*FY2017 Central Health proposed budget and property tax rate*)
- Aug. 23—Travis County Commissioners Court (*FY2017 Central Health proposed budget and property tax rate*)
- Aug. 31—First public hearing
- Sept. 7—Second public hearing
- Sept. 7—Central Health Budget and Finance Committee (*consider budget and tax rate*)
- Sept. 14—Central Health Board of Managers (*FY2017 budget adopted*)
- Sept. 20—Travis County Commissioners Court (*FY2017 Central Health proposed budget and property tax rate*)

