

**MINUTES OF THE BOARD OF MANAGERS
OF
UMC HEALTH SYSTEM**

THURSDAY, AUGUST 4, 2022

Ms. Jolyn Wilkins, Chairman, called the Annual Budget Review Meeting of the Board of Managers of University Medical Center to order at 8:00 a.m. on Thursday, August 4, 2022. The meeting was held in the board room at University Medical Center, 602 Indiana Avenue, Lubbock, TX. The meeting was held utilizing the Microsoft platform, TEAMS, with appropriate notice and opportunity for the public to participate pursuant to the temporary suspension of certain Open Meeting Laws due to the State Governor's COVID-19 disaster declaration.

The Chair confirmed that no one from the public registered to comment.

Ms. Wilkins welcomed the Board Members and guests and thanked them for attending. The following members and guests were present:

MEMBERS PRESENT

Curtis Griffith (virtual)
Carlos Garcia

Gary Greenstreet
Mont McClendon

Laura Vinson
Gladys Whitten, D.M.D.
Jolyn Wilkins

MEMBERS ABSENT

Steven Berk, M.D.

OTHERS PRESENT

Tina Belcher
Jessica Cummings
Jeff Dane (virtual)
Aaron Davis (virtual)
Kristi Duske (virtual)
Mark Funderburk

John Lowe
Brian Payne, M.D.
Mike Ragain, M.D.
Greg Roberts (virtual)
Katie Roller

Nick Skeen
Chris Smith
Shane Terrell (virtual)
Phillip Waldmann
Tammy Williams

INVOCATION

Mr. Mark Funderburk voiced the invocation.

QUORUM

A quorum was established with seven voting members being present.

OPEN SESSION

The Board of Managers entered open session at 8:03a.m.

**REVIEW OF REVISIONS TO 2022-2023 CAPITAL EQUIPMENT, CAPITAL
EXPANSION AND OPERATINGS BUDGETS**

Mr. Mark Funderburk, President and Chief Executive Officer, gave a comprehensive overview of the budget documents, the budget approval process, the financial status of UMC Health System and reviewed how the budget supports the mission, growth, and the strategic plan of the hospital. At the conclusion of discussion, the floor was given to Katie Roller.

Ms. Katie Roller, Director of Decision Support, reviewed the revenues and expenses for 2022 and 2023. It was expected that UMC would have excess revenue over expenses of

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\$29.0M with the original 2022 Operating Budget. The revised 2022 Operating Budget now forecasts that the Health System will have excess revenue over expenses of \$35.4M, an increase of \$6.3M from the original budget. Inpatient census projections for 2022 are down 1.8% from 2021, due to higher COVID-19 inpatient volumes last year but remain in line with the original 2022 budget. Outpatient activity has yet to return to pre-COVID levels in select areas, but the overall mix of business results in hospital net revenue increasing \$2.7M or 0.5% from original budget estimates. The total operating revenues are expected to increase \$29.7M or 3.7% from the original 2022 budget due to increases in supplemental funding (\$27.8M), with higher DSH/UC and NAIP projections along with unexpected DSRIP revenue as that program sunsets this year.

The Health System has experienced operating expense increases in 2022 of \$63.2M or 8.6% over 2021 levels. Much of the increase (\$29.3M) is due to labor cost, to retain and attract staff while competing with exorbitant contract “traveler” agreements. In 2022, UMCHS is expected to spend \$4.0M on external contract staffing (primarily in Nursing and Respiratory Therapy) compared to \$2.4M in 2021. Additionally, \$9.3M is expected to be spent in 2022 on internal staffing contracts and other premiums like the COVID Care Differential, with another \$1M of costs for recruiting international candidates. Supply costs are expected to increase from 2021 by \$11.6M due to increased outpatient volumes and inflationary increases. These are \$924K or 0.6% lower than the original 2022 budget due to lower-than-expected volumes in some areas, including implant cases.

Purchased Services are expected to grow \$7.0M over 2021 due to Information Technology expenditures, contract labor in Respiratory Therapy, and other volume driven purchased services. Physician fees paid to TTUSOM, UMCP, and community physicians increased \$6.0M or 6.9% over 2021.

During 2023, UMCHS expects to have excess revenue over expenses of \$9.8M, which is a decrease from 2022 of \$25.6M. Total expense growth is expected to be 4.9% in 2023, due to volume, inflationary increases, and ramp up expenses associated with the new Health and Wellness Hospital, including recruiting, and onboarding an estimated 200 FTEs. Hospital net patient revenue is expected to increase 6.3% driven by growth in outpatient areas, but total operating revenue growth is only 2.1% due to lower supplemental funding. With the higher increase in expenses relative to operating revenue, operating margin decreases from 3.0% to 0.4% in 2023. Nonoperating revenue decreases in 2023 (-38.5%) due to the \$3.9M of FEMA disaster relief funding received in 2022.

Mr. Jeff Dane, Executive Vice President, Administrator and Chief Financial Officer, reviewed the capital equipment budget, the capital expansion budget, and the capital expenditures and net income.

The 2022 Revised Capital Equipment Budget is \$26.1M, which is \$3.9M less than the original 2022 budget of \$30.0M. The decrease is the result of multiple changes in the budget which include: the removal of items no longer necessary in the amount of \$1.6M, transfers of items to future years in the amount of \$4.6M, a net decrease on capital items already purchased from the original budget of \$1.3M, and the addition of new items to the budget in the amount of \$3.5M.

The 2022 Revised Capital Expansion Budget is \$82.5M and the 2023 Capital Expansion Budget is projected to be \$112M. Noteworthy, strategic items include:

- Primary Care Clinic at 98th and Frankford Avenue
- Investments in campus security
- Infrastructure continuation

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- Hero Garden
- Tranquility Room
- Cafeteria expansion
- Main Lobby expansion
- Backfill of Endoscopy (main campus) into the new East Tower OR
- Pediatrics relocation to the East Tower for the updated UMC Children's Hospital
- Lakeridge Clinic remodel
- Health and Wellness Hospital (including a Medical Office Plaza, Urgent Care, and EMS location)

Mr. Dane announced the strategic investments beyond 2023 include the new UMC Cancer Center.

Mr. Dane reviewed the Capital Expenditures and Net Income. Capital expenditures increased for 2020 with the completion of the parking garage, the GI and Outpatient Services Center, and 911 Dispatch/EMS projects but decreased in 2021. Capital expenditures are expected to increase significantly through 2024 as strategic investments including the new Health and Wellness Hospital campus, Main Lobby expansion, Pediatric relocation, UMC Cancer Center, and other projects commence. Planned capital expenditures exceed net income and depreciation in both 2022 and 2023.

Mr. Dane outlined the cash forecast. Previous net income has increased cash reserves allowing for these capital investments while maintaining zero debt. Cash operating reserves remain above 90 days in 2022 and 2023 even as the Health and Wellness campus nears completion.

Mr. Dane reviewed the property tax information. The tax rate per \$100 valuation was 0.1031640 in 2021 and the budget as presented assumes maintaining the current tax rate of 0.1031640 in 2022. Taxes received in 2022 are expected to be \$29.1M and for 2023 are expected to be \$30.5M.

Mr. Mark Funderburk, President and Chief Executive Officer, summarized services that the UMC Health System provided to the Community in 2021 through our Missions of Charity, Education and Financial Strength. In 2021, UMC Health System had over 732,000 patient encounters – serving nearly 30,000 inpatient admissions, 3,200 births, and 67,000 emergency visits. UMC Health System continued to be on the forefront of COVID response admitting nearly 1,500 COVID inpatients. UMCHS provided \$154M in community benefit including charity care and educational support. Home to the community's only Level I Trauma center at the UMC main campus, UMCHS has family centered care clinics across Lubbock. In addition to the responsibility for providing medical and hospital care for the district's needy and indigent residents, UMCHS provides medical services for the Lubbock County Detention Center and the Lubbock County Juvenile Justice Center, as well support for the Lubbock County Medical Examiner. UMC serves through *Passion in Action* to the community. UMC EMS not only provides emergency ambulance and first responder services (32,000 transports in 2021), but provides safety education courses to schools, civic organizations, and businesses throughout Lubbock County, offering a variety of courses and serving over 19,000 citizens in 2021. Through care coordination and outreach, UMC impacted over 50,000 vulnerable citizens in 2021 by providing community paramedic visits to residents' homes, care interventions, and screenings. And, in partnership with the LBK Community Network, UMC worked with community partners to tackle social determinants of care that hinder the ability of vulnerable populations to secure healthcare (food insecurity, etc.). UMCHS partners with the Texas Tech School of Medicine (TTUSOM) to provide

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care to underserved and vulnerable populations. Additionally, UMCHS provides a tremendous economic benefit to Lubbock County via financial support (salary and benefits) of 227 resident physician FTEs for the 2022-2023 academic year.

At the conclusion of Mr. Funderburk's presentation, Chairman Wilkins asked if there were any questions regarding the revisions or proposed Operating budgets. Hearing no further questions or comments, Ms. Wilkins asked for a motion to approve the 2022 Operating budget revisions and the proposed 2023 Operating budget.

ACTION: Mr. Garcia moved to approve the revisions to the 2022 Operating Budget and the proposed 2023 Operating Budget as presented. The motion was seconded by Dr. Whitten and approved unanimously.

Chairman Wilkins asked if there were any questions regarding the revisions or proposed Capital Equipment and Capital Expansion budgets. Hearing no further questions or comments, Ms. Wilkins asked for a motion to adopt the revisions and proposed 2022 and 2023 Capital Equipment and Capital Expansion budgets.

ACTION: Mr. Greenstreet moved to adopt the revisions and the proposed 2022 and 2023 Capital Equipment and Capital Expansion budgets. The motion was seconded by Mr. McClendon and approved unanimously.

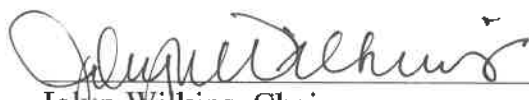
Chairman Wilkins asked if there were any questions regarding the property tax rate information. Hearing no further questions or comments, Ms. Wilkins asked for a motion to adopt the proposed rate of \$0.1031640 for 2022-2023.

ACTION: Mr. Greenstreet moved to recommend the proposed tax rate per \$100 valuation of \$0.1031640 to the County Commissioners. The motion was seconded by Mr. McClendon and approved unanimously.

ADJOURNMENT

The meeting adjourned at 10:08 a.m.

APPROVED:


Jolyn Wilkins, Chair

Gladys Whitten, DMD., Secretary

APPROVED AS TO FORM:


Tina Belcher, Executive Assistant