

September 4, 2024

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

Tarrant County Hospital District d/b/a JPS Health Network ("JPS") is proud to serve the healthcare needs of the 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, the largest mental health provider in Tarrant County, the largest family medicine program in the nation, and is the largest teaching institution in Fort Worth. 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's priorities maintained continued focus on improving access to care through the master facility plan, commitment to excellence through improved operational efficiencies and quality of care, and workforce stability and safety.

Highlights of FY2024 include:

EXCELLENCE IN WORKFORCE AND BUILDING A WORKFORCE PIPELINE FOR THE FUTURE

JPS Health Network Named a 2024 Gallup Exceptional Workplace Award Winner

JPS Health Network remains committed to our workforce. As one of the top 10 largest employers in Tarrant County, JPS recognizes that our employees are essential to providing the highest quality of care to our patients. While industries are facing unprecedented challenges in retaining their workforce, this year, JPS continued to focus on engagement, recruitment, and retention efforts through our employee engagement and survey efforts.

As a result, JPS has received the 2024 Gallup Exceptional Workplace Award. The award recognizes the most engaged workplace cultures in the world. JPS serves as one of sixty global organizations to receive the 2024 designation.

JPS Health Network Receives Office of the Governor Workforce Grant

JPS Health Network is not only committed to our existing workforce, but we are dedicated to developing a workforce pipeline for the future. This year, the Office of the Governor announced the awarding of \$6.3 million in Workforce Grants for 20 innovative workforce skills training and job placement programs in

communities across the state. JPS has been named a recipient of nearly \$350,000 for a student program that will provide clinical and non-clinical job opportunities and certifications for high school students in the areas of patient care technician, EKG, phlebotomy, and Cardiopulmonary resuscitation or CPR.

IMPROVING ACCESS TO CARE THROUGH PARTNERSHIP

Tarrant County Maternal Health Initiative to Improve Health Outcomes

JPS Health Network is committed to improving maternal health outcomes in Tarrant County. TeamBirth is a partnership with United Way of Tarrant County and JPS Health Network to improve communication and teamwork during labor and delivery. Through our partnership with TeamBirth, JPS is implementing strategies that will lead to better maternal health outcomes and improve communication and teamwork during labor for the patient, family, and baby.

JPS Health Network Collaborates with Hear Fort Worth for Sound Care Program

JPS Health Network and Hear Fort Worth, an initiative of Visit Fort Worth, partnered to create Sound Care. Sound Care is a program which promotes health care options for those in the music industry. Sound Care offers musicians options for accessing preventive care and treatment. Sound Care connects musicians with the same services provided to all eligible Tarrant County residents under the JPS Connection Program.

JPS Health Network Expands Partnership to Address Food Insecurity

JPS Health Network not only provides medical care to Tarrant County residents but also partners with organizations to meet the needs of patients who have social barriers to care. In reviewing JPS Health Network data, food insecurity was identified as a significant barrier for JPS patients. JPS previously partnered with the Tarrant Area Food Bank (TAFB) to provide community resource assistance, nutrition education, and nutritious foods through the Tarrant Area Food Bank RED Bus Program. To expand upon this program, JPS and TAFB have partnered with CVS Health Foundation as part of a multi-year grant of \$750,000 to provide medically tailored meals to JPS patients. JPS patients enrolled in the program receive ready-to-eat meals, free culinary nutrition classes, fresh produce, and assistance applying for the Supplemental Nutrition Assistance Program (SNAP).

COMMITMENT TO PROVIDING HIGH-QUALITY PATIENT CARE

JPS Health Network Receives U.S. News Recognition

JPS Health Network was named one of the Best Regional Hospitals for Equitable Access by U.S. News & World Report. At JPS, we strive to ensure equitable access and the highest-quality care for all communities we serve. This recognition demonstrates JPS's commitment to our mission by providing exceptional care for the most vulnerable patient populations.

ANCC Nurse Resident Program Receives “Distinction” Recognition

For the first time, JPS Health Network received re-accreditation with Distinction for the ANCC Practice Transition Accreditation Program for our Nurse Residency Program. The recognition recognizes organizations that provide high-quality nurse residency programs. Accreditation with distinction criteria shows demonstration of exemplary and innovative practice in the domains of program leadership, quality outcomes, development and design, and practice-based learning.

The FY 2025 budget was presented to the JPS Board of Managers on August 22, 2024. The FY 2025 budget reflects and aligns with the three FY2025 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, JPS staff, and the Tarrant County community for your continued support of JPS Health Network.

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

Sincerely,

A handwritten signature in black ink that reads "Karen Duncan". The signature is written in a cursive style with a large, stylized initial "K".

Dr. Karen Duncan
President and CEO
JPS Health Network

FY 2025 Budget Summary

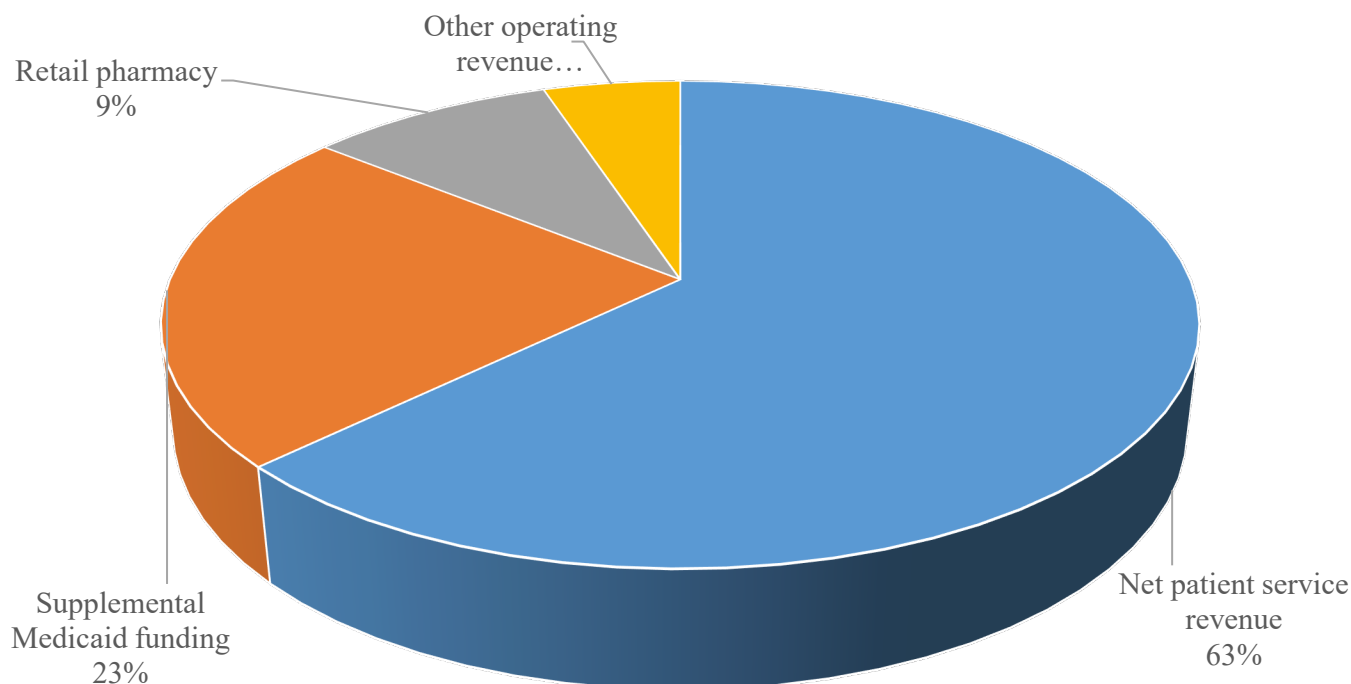
As we navigate the complexities of the healthcare industry, the proposed FY 2025 budget highlights our commitment to transformation, efficiency, and quality care. It reflects our dedication to clinical excellence and aligns with our strategic goals of workforce, access, and financial sustainability.

FY 2025 will be a year of milestones in the Master Facility Plan with the opening of Medical Home Southwest, Las Vegas Trail clinic, and the new Psychiatric Emergency Center. The new facilities are key components of the Master Facility Plan and will expand access to essential services for expected growth in Tarrant County.

To support the strategic initiatives and ensure the ongoing success of the network, we have planned significant investments in foundational technology infrastructure. These investments are not only crucial for maintaining and enhancing network operations but also for building on our existing achievements and driving future growth and efficiency.

Total Operating Revenues

Total operating revenues are \$1.2 billion for the FY 2025 budget, an increase of \$23 million from projected FY 2024. Sources of total operating revenues include net patient service revenue, supplemental Medicaid funding, retail pharmacy, and other operating revenue.



Volumes

The network is expecting stable volumes for FY 2025. There are several factors influencing volumes including length of stay, maximum bed occupancy rates, and mature throughput initiatives. Outpatient clinic volumes are projected to rise 5.3% over FY 2024 with increased utilization and fewer physician vacancies.

Total surgeries are expected to be stable in FY 2025 by maximizing the utilization at JPS Outpatient Surgery Center in Arlington (JSCA), as the main campus operating rooms undergo scheduled upgrades and maintenance in the last half of FY 2025.

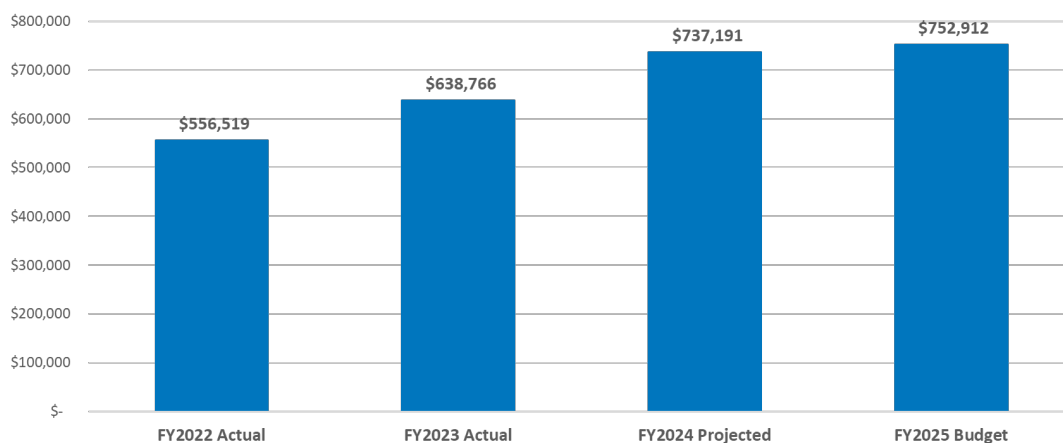
Emergency and urgent care visits are expected to remain consistent with FY 2024 projected volumes.

Net Patient Service Revenue

Net patient service revenue is budgeted at \$753 million, an increase of 2% from FY 2024 projected.

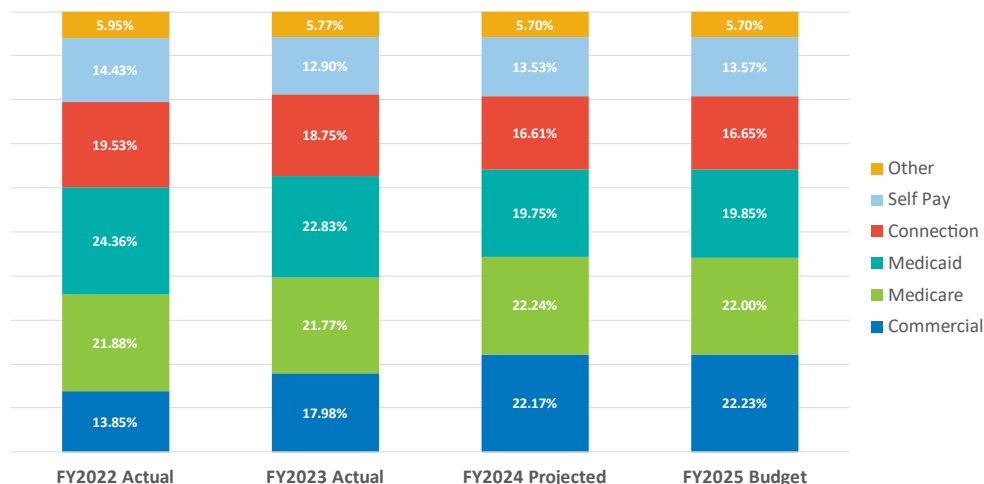
An increase of \$12 million is expected from the Uncompensated Care payment portion of Medicare due to growth in the uninsured patient population.

Additionally, there are several operational changes planned for FY 2025, which are expected to increase net patient revenue by \$4 million. These changes include the opening of new locations, revenue cycle initiatives, and volume increases.



Payor Mix

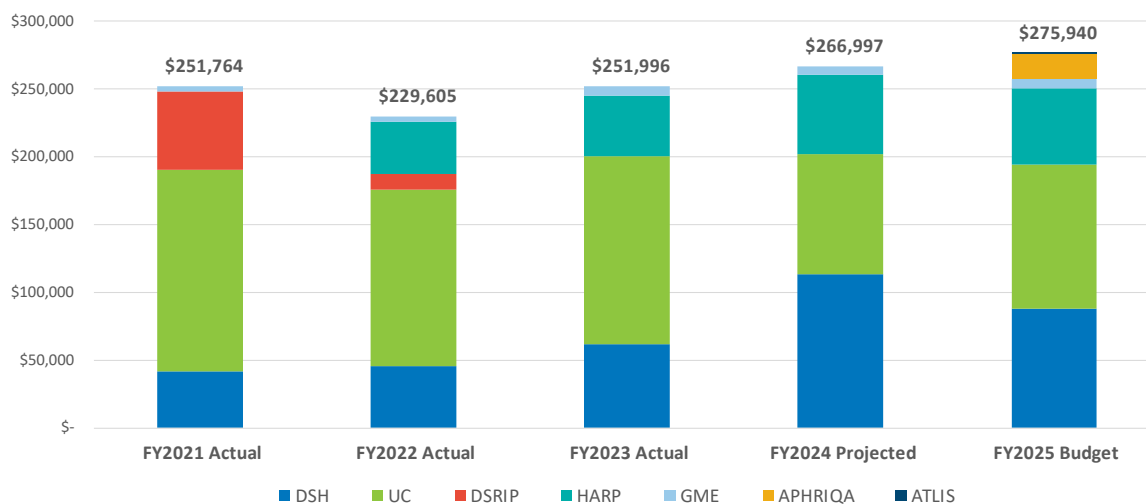
The network does not anticipate any significant shifts within the payor mix. The FY 2025 budget remains consistent with FY 2024 projected payor mix.



Supplemental Medicaid Funding

JPS receives approximately 23% of its total operating revenue from Supplemental Medicaid funding. FY 2025 funding is budgeted at \$276 million, a \$9 million increase from projected FY 2024. Existing programs include Uncompensated Care (UC), Disproportionate Share (DSH), Hospital Augmented Reimbursement Program (HARP), and Graduate Medical Education (GME). Two additional programs are planned to begin in FY 2025 - Alternative Participating Hospital Reimbursement for Improving Quality Award (APHRIQA) and Medicaid Managed Care Aligning Technology by Linking Interoperable Systems for Member Health Outcomes Program (ATLIS).

Supplemental Medicaid Funding is expected to increase primarily from the two additional programs beginning in FY 2025.



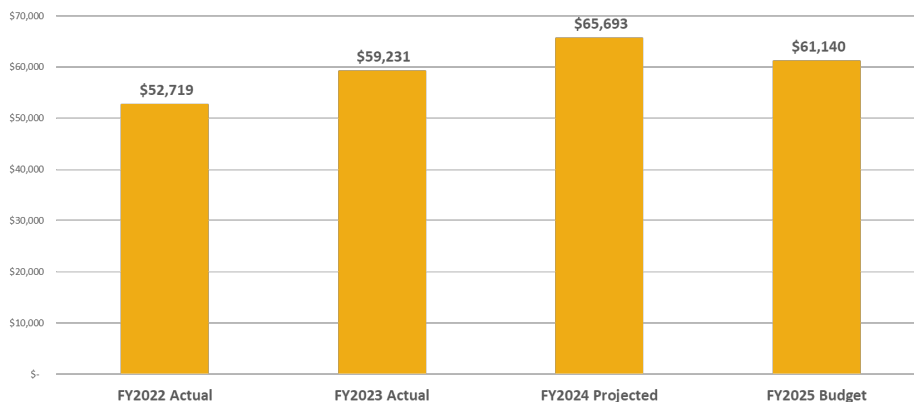
Retail Pharmacy

Retail pharmacy revenue is budgeted at \$109 million, a \$3 million increase compared to projected FY 2024, and comprises 9% of total operating revenues. During FY 2025, an additional pharmacy will open at the new Medical Home Southwest.



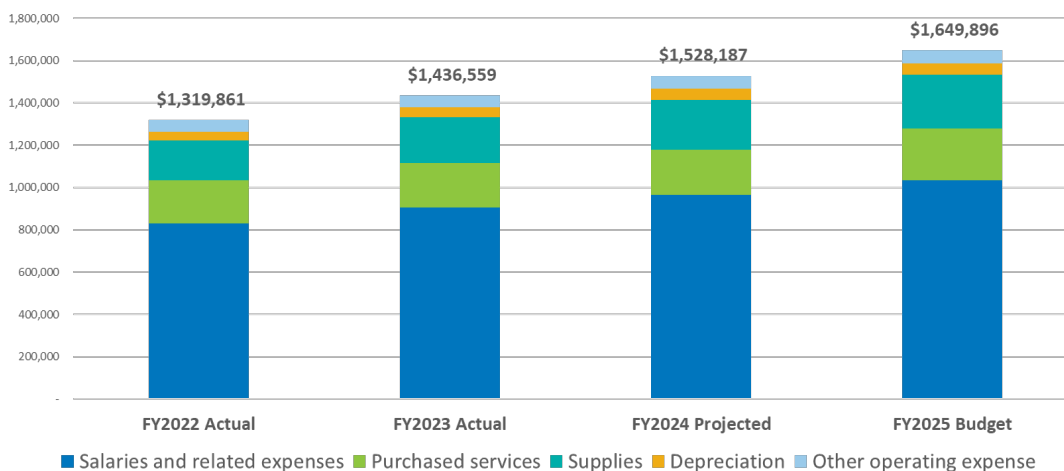
Other Operating Revenue

Other operating revenue is budgeted at \$61 million, a decrease of \$5 million, and comprises 5% 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, opioid funding, and various other sources.



Total Operating Expenses

Total operating expenses are \$1.65 billion for FY 2025 budget. Uses of total operating expenses include salaries and related expenses, purchased services, supplies, depreciation, and other operating expenses.



Salaries and Related Expenses

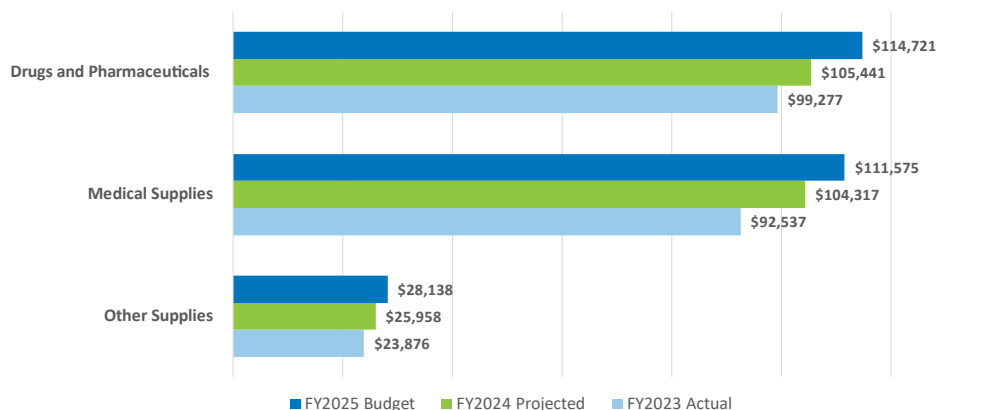
Salaries, benefits, and related expenses are budgeted at \$1 billion. Staff and provider compensation includes annual merit and market assessments to retain top talent and remain competitive in the market.

Purchased Services

In the proposed FY 2025 budget, total purchased services are \$243 million. Purchased services are comprised of contracted physician services, clinical engineering service management, pharmacy management, housekeeping and laundry services, and legal services.

Supplies

Supplies are comprised of medical supplies, specialty drugs, pharmaceuticals, surgical supplies and implants, IT equipment and software, and food. Supplies are budgeted at \$254 million.



Depreciation

Depreciation expense is budgeted at \$56 million, an increase of \$2 million as compared to projected FY 2024. The increase is attributed to FY 2025 planned capital expenditures totaling \$55 million and two of the master facility plan projects becoming operational.

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 2025, \$8.2 million of pass-through funding for MHMR is included which provides behavioral health counseling services to inmates.

Jail Healthcare

With the transfer of inmates to Tarrant County the district expects to have additional healthcare expenditures of \$7.7 million in FY 2025. The timing of when the inmates are transferred to Tarrant County will impact the total operational dollars expensed in FY 2025.

Public Health

The Tarrant County Public Health Department (TCPH) has various sources of revenue to support their operations. The primary non-grant support is funded through the Tarrant County Hospital District. For FY 2025, 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 \$603 million for FY 2025. Nonoperating revenues and expenses include ad valorem tax revenue, interest and financing expenses, other nonoperating revenue, and investment income.

Ad Valorem Tax Revenue

Ad valorem tax revenue is budgeted at \$523 million. The tax levy is budgeted to decrease from \$551.1 million in 2024 to \$533 million in 2025. A decrease of \$18 million when accounting for the second homestead reduction and lower than historical appraisal values. 2024 was an abnormally high year for successful appeals and protests and ad valorem revenue is projected to be \$536 million at fiscal 2024 year-end. On the income statement you will see ad valorem decreases \$13 million (\$536 million - \$523 million). In the 2025 budget, the tax rate falls from \$0.1945 to \$0.1875 cents per \$100 of assessed values and an additional 10% homestead exemption was enacted for Tarrant County property owners bringing the total homestead exemption to 20%. Certified Tarrant County property values equal \$284.1 billion for the FY 2025 budget.

Interest and Financing Expense

Interest and financing expense is \$20 million for FY 2025 and includes the interest expense impact from the \$450 million bond issuance that occurred during FY 2023.

Other Nonoperating Revenue

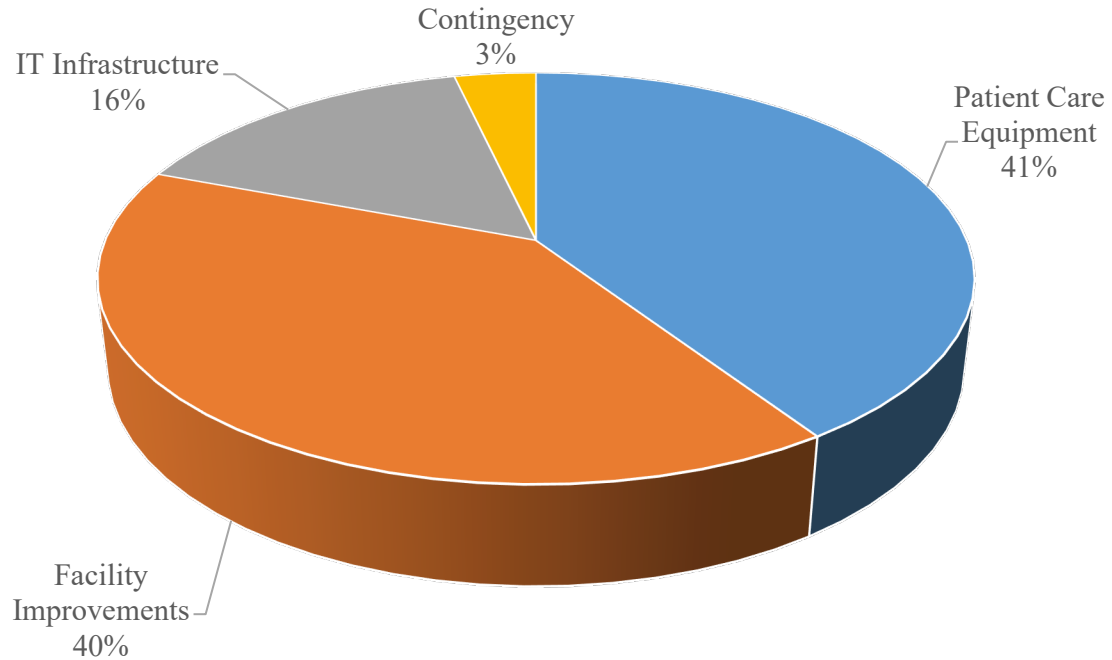
Other nonoperating revenue includes items such as penalty and interest tax revenue, rental income, parking lot lease income, and gain or loss from the sale of assets. Other nonoperating revenue is \$1 million for budget FY 2025, a decrease of \$2 million from projected FY 2024. The decrease is related to the cost associated with the demolition of the Morphy Street garage.

Investment Income

Investment income is budgeted to be \$99 million in FY 2025, a decrease of \$12 million from projected FY 2024. JPS Health Network is subject to the Public Funds Investment Act which requires investments in low-risk, limited securities or funds. Investments in highly rated securities are projected to be in 1-to-2-year maturities with a projected yield of 4.15% for FY 2025. The overall average yield for FY 2024 is 4.87%.

Capital Budget

The proposed FY 2025 capital budget is recommended at \$55 million. JPS Health Network is continuously assessing facilities, equipment, and technology to determine priorities for replacement, repairs, and acquisitions.



Consolidated Income Statement FY 2025 Budget

	FY 2025 Budget	FY 2024 Projected	Variance	% Variance
Operating Revenues				
Net patient service revenue	\$ 752,912,267	\$ 737,191,005	\$ 15,721,261	2.1%
Supplemental Medicaid funding	275,939,640	266,997,101	8,942,539	3.3%
Retail pharmacy	109,177,748	106,674,281	2,503,467	2.3%
Other operating revenue	61,140,093	65,692,661	(4,552,568)	-6.9%
Total operating revenues	1,199,169,748	1,176,555,049	22,614,699	1.9%
Operating Expenses				
Salaries and related expenses	1,034,707,427	963,660,563	(71,046,864)	-7.4%
Purchased services	243,211,817	215,727,335	(27,484,482)	-12.7%
Supplies	254,434,275	235,715,580	(18,718,694)	-7.9%
Depreciation	55,688,729	53,415,516	(2,273,213)	-4.3%
Other operating expense	61,853,868	59,667,952	(2,185,916)	-3.7%
Total operating expenses	1,649,896,116	1,528,186,945	(121,709,170)	-8.0%
Operating Income (Loss)	(450,726,368)	(351,631,897)	(99,094,471)	-28.2%
Ad valorem tax revenue	522,912,913	535,746,137	(12,833,224)	-2.4%
Interest and financing expense	(19,767,443)	(20,393,714)	626,271	3.1%
Other nonoperating revenue	1,487,952	3,548,404	(2,060,452)	-58.1%
Investment income	98,793,255	110,924,447	(12,131,192)	-10.9%
Nonoperating Revenues and Expenses	603,426,677	629,825,274	(26,398,597)	-4.2%
Net Income	\$ 152,700,309	\$ 278,193,377	\$ (125,493,068)	-45.1%
Operating Margin	2.9%	9.2%		