



Commissioners Court Annual Budget Presentation

JPS Health Network Fiscal Year 2023 Budget
September 6, 2022

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Executive Summary – JPS Health Network

JPS Health Network is subject to market forces created by federal, national, state and local pressures. The largest challenge faced over the past several years is escalating costs, with the most significant challenge being the workforce, which is a key asset. Fiscal Year 2023 will be focused on stabilizing the workforce, a new phase of the Master Facility Plan with groundbreaking and extended clinic operations, and continued improvement for patient access.

Escalation of salary costs and a shortage of qualified staff have continued over several years. JPS employed physicians will have a new compensation plan to create stability and incentivize maximum productivity. The significant premium pay incurred within all levels of staff is expected to continue, although many efforts around retention and recruitment are taking place. In order to provide a living wage, JPS will be increasing the minimum hourly rate for employees.

JPS Master Facility Plan will consist of new and expanded outpatient clinical space and locations for the Southwest Medical Home and Psychiatric Emergency Center. A bond issue is also slated during Fiscal Year 2023 to assist with funding of projects.

With focused efforts around reducing length of stay, capacity and throughput will be improved. An assessment and redesign of patient management will begin for JPS Connection patients. Patient intake, scheduling, and the referral process will also be redeveloped.

Fiscal Year 2023 will have a focus on returning to our core as we embark on the Master Facility Plan, strengthening the JPS employee base and redesigning access for JPS patients.

Combined Contribution Margin Budget FY 2023

	FY 2022 Projected	FY 2023 Budget	Variance	% Variance
Revenues				
Net Patient Revenue	\$ 505,269,325	\$ 531,868,802	\$ 26,599,477	5.3%
Ad Valorem Tax Revenue	508,004,175	572,063,388	64,059,213	12.6%
Supplemental Medicaid Funding	182,384,799	178,477,600	(3,907,199)	-2.1%
Retail Pharmacy	82,277,823	85,204,461	2,926,638	3.6%
Other Operating Revenue	45,426,231	44,476,934	(949,297)	-2.1%
Total Operating Revenue	1,323,362,353	1,412,091,185	88,728,832	6.7%
Operating Expenses				
Salaries and Related Expenses	668,456,764	702,205,615	33,748,851	5.0%
Professional Fees	148,188,118	155,798,482	7,610,364	5.1%
Purchased Services	116,690,451	138,192,078	21,501,627	18.4%
Medical Supplies and Drugs	161,493,757	172,659,150	11,165,393	6.9%
Other Expenses	76,240,582	87,468,588	11,228,006	14.7%
Depreciation	41,538,588	36,778,249	(4,760,339)	-11.5%
Interest	1,002,383	18,172,112	17,169,729	1712.9%
Total Operating Expenses	1,213,610,643	1,311,274,274	97,663,631	8.0%
Operating Margin Before Acclaim and Foundation	109,751,710	100,816,911	(8,934,799)	-8.1%
Investment in Acclaim	(37,514,943)	(49,684,556)	(12,169,613)	32.4%
Foundation Activity	241,799	697	(241,102)	-99.7%
Combined Operating Margin	72,478,566	51,133,052	(21,345,514)	-29.5%
<i>Combined Operating Margin %</i>	<i>5.0%</i>	<i>3.3%</i>		
Non-Operating Income				
Other Non-Operating Revenue	5,193,956	3,236,249	(1,957,707)	-37.7%
Investment Income	337,092	23,645,496	23,308,404	6914.5%
Total Non-Operating Income	5,531,048	26,881,745	21,350,697	386.0%
Excess of Revenue Over Expenses	\$ 78,009,614	\$ 78,014,797	\$ 5,183	0.0%
<i>Excess Margin %</i>	<i>5.4%</i>	<i>5.0%</i>		

Volumes

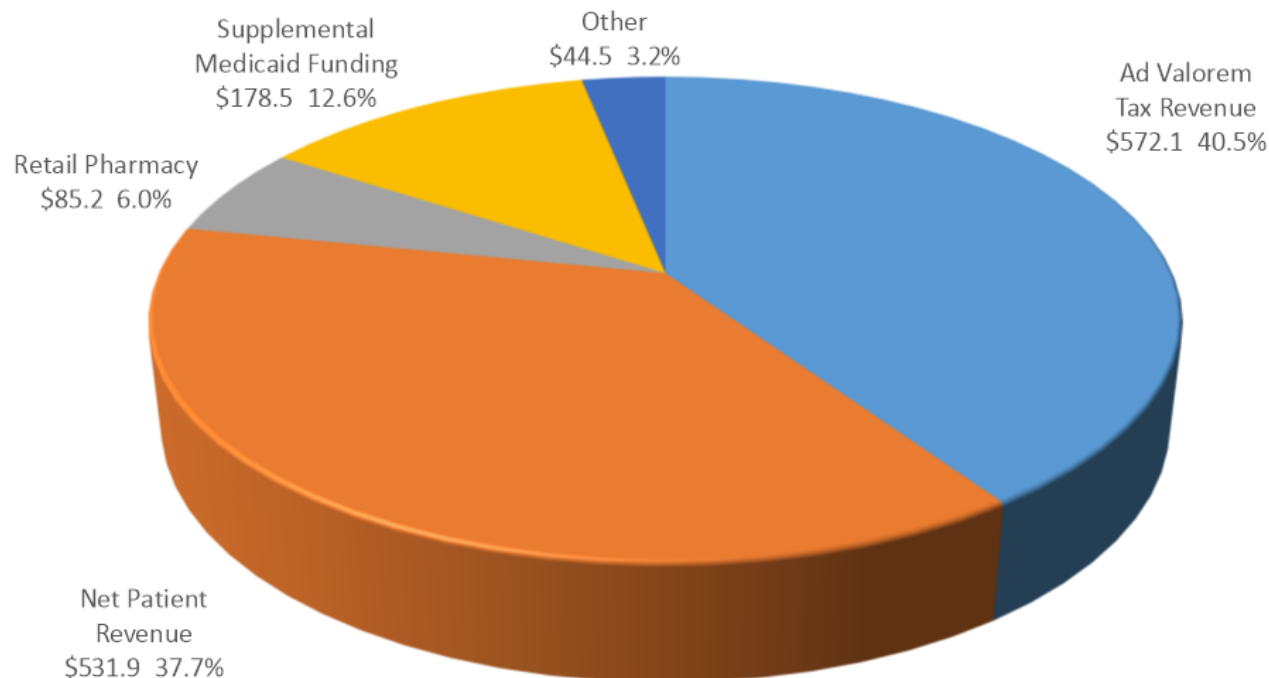
	FY 2022 Projected	FY 2023 Budget
<u>Medical:</u>		
Med/Surg Admissions	22,506	23,456
Observation Cases	15,794	15,294
Surgeries - Inpatient	5,403	5,463
Surgeries - Outpatient	8,853	9,326
Emergency Visits	105,984	108,000
Urgent Care Visits	38,922	40,000
Primary Care Visits	291,487	305,227
Specialty Care Visits	243,245	265,949
<u>Behavioral Health:</u>		
Admissions	3,929	3,870
Emergency Visits	18,400	18,768
Clinic Visits	43,572	43,998
<u>Acclaim:</u>		
Provider Volumes	1,146,698	1,258,409

JPS Revenue Sources (in millions)

Total Operating Revenue = \$1.4 billion, an increase of \$88.7 million or 6.7%

Total Operating Revenue is comprised of:

- Ad Valorem tax revenue – no change in the proposed tax rate of 0.224429
- Medicare, Medicaid, commercial insurance plans and patient collections
- State and Federal payments including Uncompensated Care (UC), Disproportionate Share (DSH), and Medicaid Graduate Medical Education (GME)
- Retail pharmacies
- Grants, tobacco fund revenue, state funded mental health services, and 340B program and other

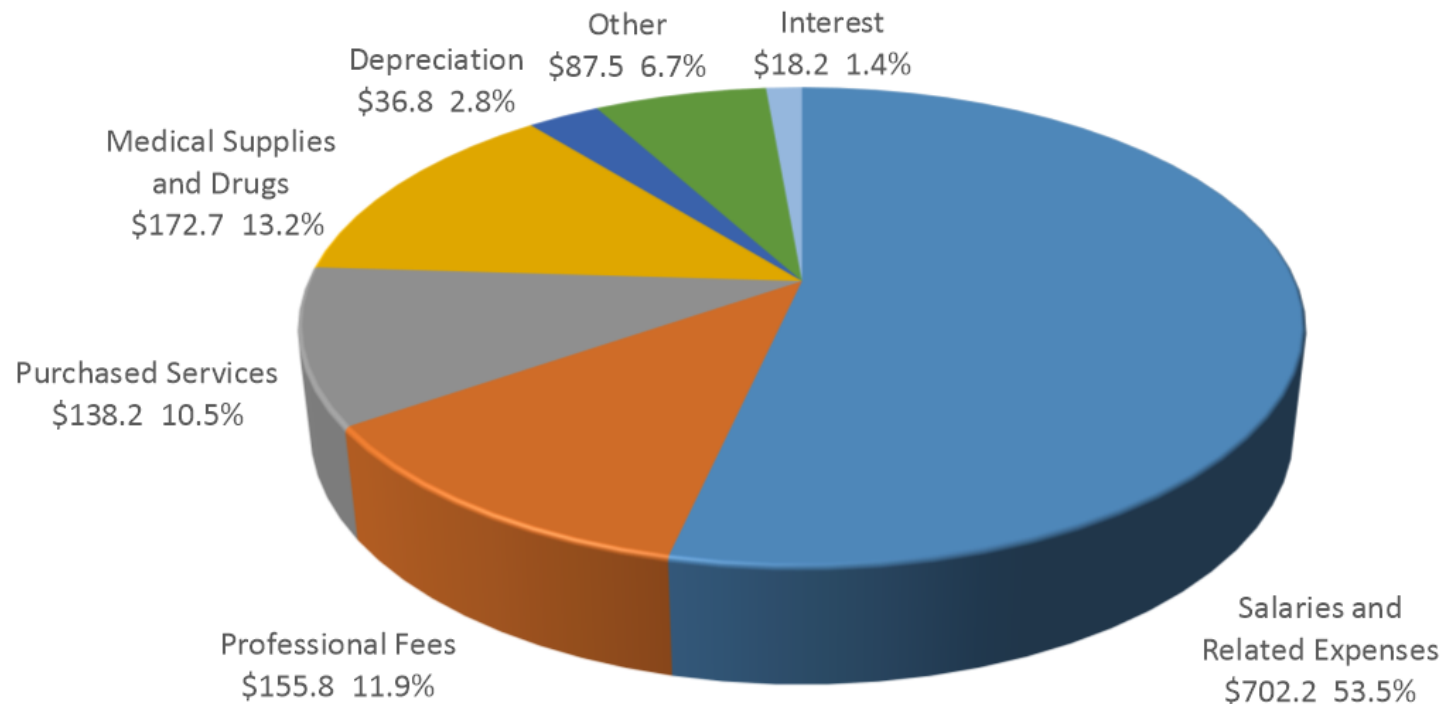


JPS Total Operating Expenses (in millions)

Total Operating Expenses = \$1.3 billion, an increase of \$97.7 million or 8.0%

Total Operating Expenses are comprised of:

- Compensation includes Salaries and Benefits
- Professional Fees are physician costs for Administration, Coverage, GME, and JPS Connection patient claims
- Purchased Services include Electronic Medical Records costs, service contracts to support patient care, and outsourced services
- Other Expenses include Public Health, Utilities, Repairs and Maintenance, Leases, and Insurance



JPS Current Bond Projects



JPS anticipates to issue the first tranche of tax-exempt debt in the first calendar quarter 2023, which includes the following projects:

Medical Home Southwest

Psychiatric Emergency Center (PEC)

Medical Office Building, Outpatient Surgery Center, and Garage

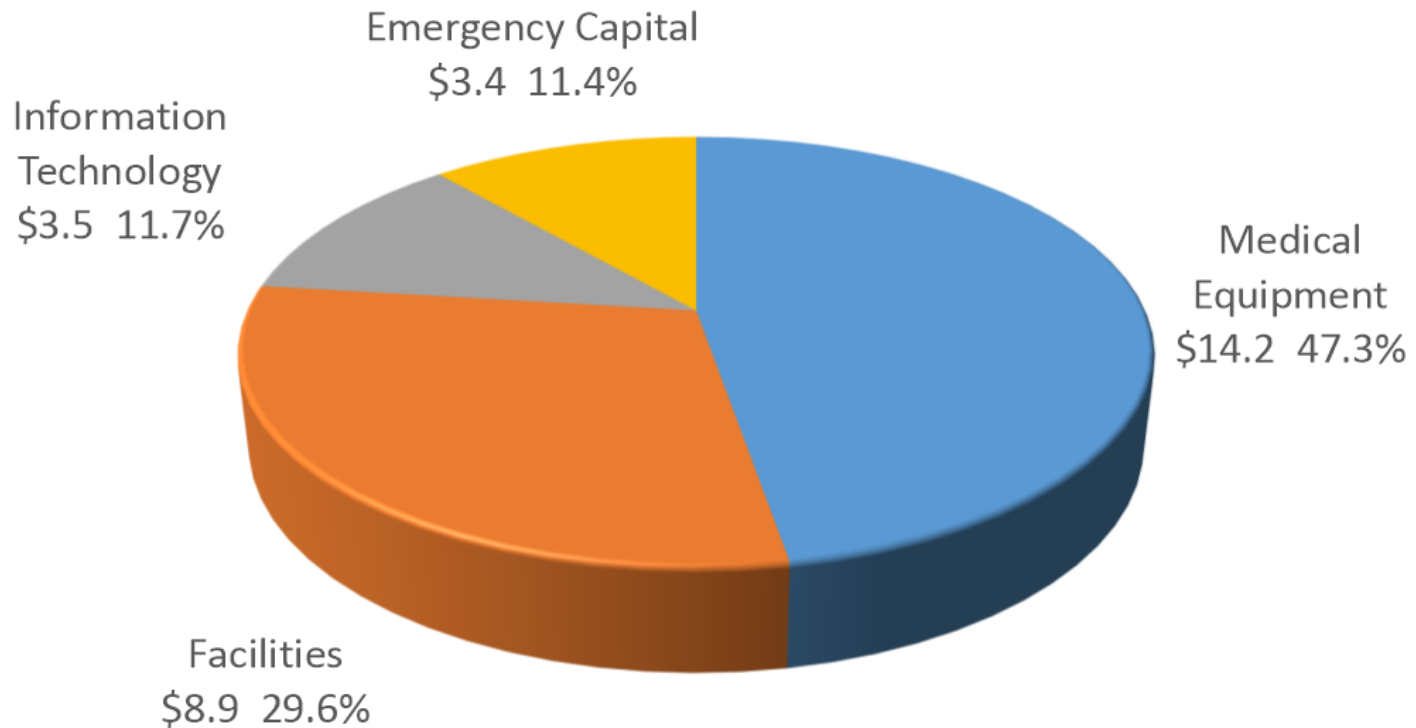
Pavilion North Expansion

Central Utility Plant

Various Supporting Projects (Parking and Preparatory Work)

JPS Capital Budget (in millions)

Total Capital = \$30 million



An additional \$10M will be set aside in Fiscal Year 2023 for the JPS Future Fund

Combined Income Statements Budget FY 2023

	FY 2023 Budget JPS Health Network	FY 2023 Budget Acclaim	FY 2023 Budget Foundation	FY 2023 Budget Total
Revenues				
Net Patient Revenue	\$ 531,868,802	\$ 80,689,512	\$ -	\$ 612,558,314
Ad Valorem Tax Revenue	572,063,388	-	-	572,063,388
Supplemental Medicaid Funding	178,477,600	-	-	178,477,600
Retail Pharmacy	85,204,461	-	-	85,204,461
Other Operating Revenue	44,476,934	54,288,335	4,488,627	103,253,896
Total Operating Revenue	1,412,091,185	134,977,847	4,488,627	1,551,557,660
Operating Expenses				
Total Compensation Costs	702,205,615	168,413,917	1,144,226	871,763,758
Professional Fees	155,798,482	4,762,714	309,720	160,870,916
Purchased Services	138,192,078	7,551,109	340,003	146,083,190
Medical Supplies and Drugs	172,659,150	622,165	28,300	173,309,615
Other Expenses	87,468,588	3,182,508	2,665,681	93,316,777
Depreciation	36,778,249	129,990	-	36,908,239
Interest	18,172,112	-	-	18,172,112
Total Operating Expenses	1,311,274,274	184,662,403	4,487,930	1,500,424,607
Operating Margin	100,816,911	(49,684,556)	697	51,133,052
<i>Operating Margin %</i>	<i>7.1%</i>	<i>-36.8%</i>	<i>0.0%</i>	<i>3.3%</i>
Non-Operating Income				
Other Non-Operating Revenue	3,236,249	-	-	3,236,249
Investment Income	23,492,096	2,930	150,470	23,645,496
Total Non-Operating Income	26,728,345	2,930	150,470	26,881,745
Excess of Revenue Over Expenses	\$ 127,545,256	\$ (49,681,626)	\$ 151,167	\$ 78,014,797
<i>Excess Margin %</i>	<i>8.9%</i>	<i>-36.8%</i>	<i>3.3%</i>	<i>5.0%</i>