



Updated Operating and Capital Budget Fiscal Year 2023

No New Revenue Rate

September 27, 2022

Statement of Revenues and Expenses

FISCAL 2023 Updated Budget – No New Revenue (in Millions)

	Actual Audited Financials FY 2022	Projected Short Year March – September 2022 ⁽¹⁾	Updated Budget excl. Correctional Health FY 2023 ⁽²⁾
Revenue:			
1 Net Patient Service Revenue	\$ 822.0	\$ 394.9	\$ 723.7
2 Medicaid Supplemental Programs	561.1	351.8	612.2
3 Other Operating Revenue	81.7	66.7	32.0
4 Total Operating Revenue	1,510.8	813.4	1,367.9
5 Net Ad Valorem Tax Revenue	814.8	(0.8)	831.1
6 Net Tobacco Settlement Revenue	13.3	19.5	13.3
7 Interest Income & Other	1.6	7.7	5.0
8 Total Nonoperating Revenue	829.7	26.4	849.3
9 Total Net Revenue	\$ 2,340.4	\$ 839.9	\$ 2,217.3
Expense:			
10 Salaries and Wages	\$ 792.7	\$ 504.7	\$ 878.9
11 Employee Benefits	259.4	158.4	282.2
12 Total Labor Cost	1,052.1	663.1	1,161.1
13 Supplies	271.5	162.9	268.8
14 Physician Services	370.1	248.5	430.1
15 Purchased Services	280.6	154.2	285.4
16 Depreciation, Amortization & Interest	71.9	48.6	88.6
17 Total Operating Expense	\$ 2,046.2	\$ 1,277.4	\$ 2,234.1
18 Operating Income (Loss)	\$ 294.2	\$ (437.5)	\$ (16.8)
19 Subtotal Margin Before Strategic Expense	12.6%	-52.1%	-0.8%

Impact of Identified Strategic Initiatives:			
20 Pillar 1 - Quality & Patient Safety			0.4
21 Pillar 2 - People			in baseline
22 Pillar 3 - One Harris Health			5.4
23 Pillar 4 - Population Health Management			12.5
24 Pillar 5 - Infrastructure Optimization			9.7
25 Incremental Strategic Operating Expense			28.0
26 Combined Operating Income (Loss) Including Strategic Initiatives			\$ (44.8)
27 Combined Total Margin			-2.0%

Note:

- (1) Projected Short Year is based on actual results as of August 31, 2022. Values presented include Correctional Health revenue and expense.
- (2) Updated FY2023 Budget represents the No New Revenue (NNR) tax rate version. Values do not include the Correctional Health budget as it is pending final approval by the Commissioners Court.

Capital Budget Summary

FISCAL 2023 Updated Budget (in Millions)

FY 2023 Capital Budget

Capital Category

Facility Projects	\$	92,462,409
Information Technology		18,833,214
Medical Capital		41,245,518
Other		7,527,510
Emergency Capital		2,000,000
Routine Capital Budget	\$	162,068,651

Cost Mitigation Strategies

FISCAL 2023 Proposed Budget Reductions

In an effort to minimize or alleviate the resulting \$44.8 million loss to Harris Health System resulting from the No New Revenue tax rate for FY 2023, the following mitigation strategies are presented for discussion and consideration:

❖ **Labor Management - \$11.6 million reduction**

Cost mitigation strategies have been deployed across the organization to manage and minimize contract labor expense. Contract labor is being monitored and strategies put in place to ensure appropriate review and approval of any contract labor in an effort to achieve a 5 - 10 percent reduction in utilization. Additional efforts are underway to evaluate staffing and bring it in alignment with benchmark targets where possible.

❖ **Strategic Initiatives - \$24.7 million reduction**

Strategic Initiatives planned for FY 2023 are being evaluated for elimination, reduction or delay in order to alleviate incremental operating expense. This includes initiatives, such as, the following:

- Expansion of Same Day Clinic/Urgent Care hours and EC Telemedicine
- Expansion of specialty care services in the community
- Expansion of GI capacity
- Expansion of Population Health initiatives focused on Chronic Disease Management and enhanced community partnerships

❖ **Purchased Clinical Services/Supplies - \$8.5 million reduction**

The System is currently evaluating purchased clinical services for reduction or elimination in order to close any gap remaining after implementation of the strategies identified above.