



Inaugural annual Report



The Travis County Healthcare District* wishes to thank the founding members of the Board of Managers and the first President and CEO for their tireless commitment to the health needs of Travis County residents. Pictured from left to right, starting with the back row are: Carl S. Richie, Jr. (Vice-Chairperson), Tom Coopwood, M.D., Patricia Young Brown (President & CEO), Frank Rodriguez, Rosie Mendoza, and Thomas N. Young. Front Row: Donald Patrick, M.D., J.D., Victoria Hsu (Secretary), Clarke Heidrick (Chairperson), and Rose Lancaster.

* Travis County Hospital District was the name given to the entity at inception. In the second year of operation after issuance of the District's audited financial statements but before release of this annual report, the name was changed to the Travis County Healthcare District. Throughout this report we will refer to the District as the Travis County Healthcare District.

Credits: Photographs of Clarke Heidrick and Patricia A. Young Brown provided by Marc M. Swendner photography. Photograph of founding Board of Managers taken by Debbie Cobalis. Special thanks to Ellen Richards for capturing in text the early history and formation of the District.

Table of Contents

	5
Letter from Board Chairperson and President & CEO	
	7
District Overview	
	9
Vision, Mission, and Strategic Directions	
	11
Financial Overview	
	11
New Investments for Fiscal Year 2005	
	12
Summary	
	13
Audited Financial Statements for Fiscal Year 2005	

To all Travis County residents:

The Travis County Healthcare District (TCHD) or “District” was created to address a variety of critical healthcare challenges identified by community leaders, including overcrowded emergency rooms, inadequacies in access to care for the indigent and uninsured, and inequities in funding. This effort involved a steering committee appointed jointly by the Travis County Commissioners Court and the Austin City Council that included physicians, nurses, and other healthcare professionals, business leaders, and elected officials, as well as representatives of various community groups. The District was enabled by a statute passed in the 2003 session of the Texas legislature and then voted into existence by a majority of those voting in a countywide election held in May of 2004.

This, our inaugural annual report for the Fiscal Year ended September 2005, communicates our work during the initial year of administering this complex healthcare safety net system. As a new Healthcare District, we plan to carefully define our role based on facts and data about the needs of the system and of the residents of Travis County. We will require the assistance and goodwill of all healthcare partners in order to be effective. At present, there are numerous community expectations placed upon the District due to the overarching healthcare challenges that exist in this county. Through the process of an in-depth and comprehensive strategic planning process, we will identify priorities and actions that will tactically improve our ability to meet the healthcare needs of the medically indigent residents of our community, while also positively impacting the system of healthcare overall. We anticipate that the Travis County Healthcare District will have a unique structure as we embrace the opportunity to reinvent systems for maximum impact.

The District has assumed the shape that was originally envisioned by the steering committee and communicated to the voters. It has a lean staff and depends upon the partnerships it has forged with other organizations in the community to accomplish its mission. We are grateful to all of the people and organizations that have contributed to the “launching” of the District. These include the capital, administrative, accounting, and support services of our colleagues at Travis County as well as the capital, staff support and administrative services contributions of the City of Austin.

As we move forward from our founding, your support and understanding of our activities are important to us. We plan to keep you informed of our progress and look forward to making strategic investments that will positively impact the healthcare delivery system of our community. Our pledge is to be an excellent steward of your tax dollars. It is a privilege to represent your interests in working toward our vision of making central Texas a model healthy community.

To good health for all,



Patricia A. Young
Patricia A. Young Brown CPA
President & CEO



Clarke
Clarke Heidrick
Chairperson, Board of Managers

Overview of the District

The Travis County Healthcare District (TCHD) is a limited-purpose taxing district responsible for providing healthcare to medically indigent persons residing in Travis County, Texas. It is the mission of the Travis County Healthcare District to promote the health and wellness of the residents of the community, especially the uninsured and underinsured, by working together to ensure access to a full range of coordinated healthcare services.

The Travis County Hospital District was created by a vote of Travis County residents on May 15, 2004 pursuant to the provisions of Chapter 281 of the Texas Health and Safety Code. The District's name was changed to the Travis County Healthcare District during its second year of operation to more fully reflect its mission.

coordination and integration of services so that care can be provided in the most appropriate and cost-effective way possible. The District combines multiple healthcare efforts and jurisdictions into one integrated organization that is accountable to taxpayers for the expenditure of local tax dollars on healthcare. Formation of the District was intended to help improve access to care by utilizing a more effective centralized decision-making process, as well as board leadership focused solely on healthcare issues.

Upon creation of the TCHD, Travis County and the City of Austin transferred to the TCHD most of their respective tax bases dedicated to indigent healthcare. The District received the tax base to support the Community Health Centers and the

The cost of healthcare is rising, and many residents are not able to secure health insurance.

The formation of the TCHD was due to a collaborative campaign that focused on educating the voters about the healthcare issues facing the Travis County community. This campaign was led by a steering committee that included physicians, hospital representatives, members of the business community, elected officials, and other healthcare advocates and stakeholders.

Like many communities across the nation, Travis County is struggling to meet the healthcare needs of its residents. The cost of healthcare is rising, and many residents are not able to secure health insurance, either because it is not available to them or it is too expensive. To meet the healthcare needs of the population in the most cost-effective way, it is critical that residents have access to a range of healthcare services in appropriate settings. When this is not available, care is likely to be accessed in more expensive settings, such as the emergency room at the local hospital. By bringing public healthcare services under one organization, the community recognizes the opportunity to improve

Medical Assistance Programs (MAP) previously funded by Travis County and the City of Austin. No tax base was transferred related to Travis County's or the City of Austin's funding for mental health services and responsibility. Funding of and responsibility for inmate health services, public health services, and emergency medical services remain with Travis County and the City of Austin. Additionally, no tax base was transferred to the TCHD for support of the administrative structure of the District or for the centralized administrative structure of the Community Health Centers and MAP program, the responsibility for which the District will assume over time.

After the transfer of this tax base, the TCHD assumed responsibility for levying taxes to finance healthcare services for indigent Travis County residents. The creation of the District served to redistribute the cost of healthcare more equitably across City and County residents. Previously, City of Austin residents paid a higher percentage of their taxes for healthcare than those residing within the County,

but outside the City limits. With the creation of the District, the tax burden is distributed equally across all residents. State law currently provides that the tax levy of the District may not exceed 25 cents on each \$100 of the taxable value of property. The District's tax rate for 2005 was .0779 per \$100 valuation. When compared with other major healthcare Districts, TCHD has the lowest tax rate in the State of Texas.

other healthcare providers for the delivery of healthcare services.

In August 2004, the newly-appointed Board of Managers began to meet in order to develop a budget for the first District fiscal year, which began in October of 2004. The initial budget for the District was developed by the Managers taking a conservative approach. After the first budget was adopted

“My interest in taking on this new challenge stems from my belief in the District’s ability to create a positive impact in our healthcare environment, which faces enormous challenges, not only for the medically indigent, but for all residents of Travis County.”

Patricia A. Young Brown CPA
President & CEO

In addition to receipt of the tax base, the TCHD received ownership of and/or responsibility for Brackenridge/Children's Hospital, Austin Women's Hospital, and fourteen Community Health Centers. The City of Austin also contributed the building at 1111 East Cesar Chavez in which the District has established its administrative offices.

by the County Commissioners Court, the Board began a search for a District President and CEO.

In April of 2005, Patricia A. Young Brown became the first President and CEO of the Travis County Hospital District. Ms. Young is a certified public accountant with extensive experience in public and private sector healthcare systems.

Currently, the District does not provide any direct healthcare services but rather contracts with a number of healthcare entities to operate and manage TCHD facilities to provide necessary services. In an effort to expand services to the largest number of people possible, the TCHD also contracts with

Together Ms. Young and the Board of Managers embarked on an initial strategic planning process that resulted in the development of the District's Vision, Mission, Goals, and Strategic Direction.

Vision, Mission, Goals, and Strategic Directions are the **touchstone** for guiding the District's work.

Vision Statement

Central Texas is a model healthy community.

Mission Statement

Promote the health and wellness of the residents of our community, especially the uninsured and underinsured, by working together to ensure access to a full range of coordinated healthcare services.

Goal A

Decrease inappropriate Emergency Room utilization; increase capacity in Brackenridge trauma center

STRATEGIC DIRECTIONS:

1. Establish urgent care capacity ★ (B)
2. Evaluate expansion of medical Intensive Care Unit ★ (B)

Goal B

Increase appropriate services for people with mental health needs

STRATEGIC DIRECTIONS:

1. Define roles of Travis County Hospital District (TCHD) in mental health ★
2. Work with Austin Travis County Mental Health Mental Retardation Center (ATCMHMR) to identify ways to sustain the E-Merge program ★
3. Participate in planning to establish psychiatric emergency services ★
4. Work with ATCMHMR to use the most cost effective methods for providing psychiatric medications ★ (B)
5. Make start-up money available for psychiatric emergency services
6. Participate in and support community-wide planning efforts to address mental health needs

Goal C

Expand availability of specialty and primary care

STRATEGIC DIRECTIONS:

1. Expand Federally Qualified Health Center (FQHC—also known as the Community Health Centers) capacity (primary and specialty care) ★ (B)
2. Contract with other providers to expand capacity (primary care) ★ (B)
3. Work with Seton, Project Access and UTMB to expand and more efficiently use specialty care ★ (B)

Goal D

Improve efficiency and integration of system

STRATEGIC DIRECTIONS:

1. Collaborate with the Indigent Care Collaboration (ICC) ★ (B)
2. Create managed care capability ★
3. Leverage current and future investments of TCHD funds through use of metrics and performance measures ★

Goal E

Address regional healthcare needs through development of regional collaboration

STRATEGIC DIRECTIONS:

1. Establish a multi-county planning process that includes the ICC and others to envision a regional system of care and identifies regional priorities ★ (B)
 - a. Low cost health insurance in partnership with employers
 - b. Electronic medical record
 - c. FQHC expansion/coordination
 - d. Expansion of funding for regional trauma center

★ Denotes strategic directions the Board identified as priorities.

(B) Denotes strategic directions that have implications for the Fiscal Year 2005 and/or Fiscal Year 2006 budget.

During the District's first fiscal year, the Board of Managers took a cautious approach toward expenditures.

For fiscal year 2005, revenues of \$77,340,661 exceeded expenses of \$58,513,709 by \$18,826,952 mainly due to the receipt of unexpected one-time funds. A reserve policy was established, and a reserve goal was met. The District stayed the course in terms of funding the services inherited upon the

creation of the District. Key enhancement funding decisions during the first year of operation were targeted at making improvements in the healthcare delivery system. Set out below is a brief overview of the new healthcare investments that the District made in fiscal year 2005.

New TCHD Investments for FY05

Shivers Cancer Center

\$271,788 to expand treatment capacity. This amount was matched by the Seton Health Care Network and the Shivers Foundation for a total investment of \$800,000.

Brackenridge Intensive Care Unit

\$1.6 million for expansion of ICU services to improve patient flow and ease overcrowding in the Emergency Room. Seton Healthcare Network contributed \$4.8 million for a total investment of \$6.4 million.

Project Access

\$225,000 to maximize the expansion of a network of donated physician services.

People's Community Clinic

Continuation of the existing contract for \$390,990 to maintain primary care services.

Summary

Notwithstanding the initial steps described on the previous page, the District's work has just begun, and access to healthcare in our community is not adequate. During Fiscal Year 2006, the District is focusing on further strategic planning efforts and thoughtfully increasing investments to improve access to needed healthcare services.

The community is fortunate to have both a committed citizenry and a vibrant and committed public-private partnership of healthcare providers, all of whom have demonstrated the ability to impact and improve healthcare for our community as a whole and, specifically, for its medically underserved citizens. The District can utilize its funding

and organizing capabilities to capitalize on these existing partnerships to further improve and coordinate current systems of care, as well as plan for future needs. The District can also serve a strong leadership role in addressing the regional aspects of our healthcare system that require collaboration and mutually beneficial efforts for surrounding communities to respond to the growing demands that the rising population of this region places on our healthcare system. The steps that the District has taken in this first year require the support of the entire community in order to have the desired outcome of a model healthy community in Central Texas.

**The Travis County Hospital District has taken the shape
originally envisioned by the steering committee
and communicated to the voters.**

Clarke Heidrick
Chairperson, Travis County Hospital District

Audited Financial Statements

**TRAVIS COUNTY HOSPITAL DISTRICT,
A COMPONENT UNIT OF TRAVIS COUNTY, TEXAS**

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005**

ASSETS

Current assets:

Cash and cash equivalents	\$ 38,332
Short-term investments	42,447,382
Ad valorem taxes receivable, net of allowance for uncollectible taxes of \$50,435	163,408
Due from other governments	2,876,671
Other receivables	174,288
Prepaid expenses and other current assets	1,485
Total current assets	<u>45,701,566</u>

Property, plant, and equipment:

Land and improvements	8,497,335
Buildings and improvements	90,002,665
Equipment and furniture	402,497
Less accumulated depreciation	<u>(1,892,495)</u>
Total property, plant, and equipment, net	<u>97,010,002</u>

Total assets

142,711,568

LIABILITIES

Current liabilities:

Accounts payable	11,667,695
Salaries and benefits payable	23,532
Due to other governments	29,188
Total current liabilities	<u>11,720,415</u>

NET ASSETS

Invested in capital assets	97,010,002
Unrestricted	33,981,151
Total net assets	<u>\$ 130,991,153</u>

The notes to the financial statements are an integral part of this statement.

TRAVIS COUNTY HOSPITAL DISTRICT
A COMPONENT UNIT OF TRAVIS COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2005

Operating revenues:	
DSH/UPL program	\$ 28,029,577
Operating lease revenue	1,155,396
Total operating revenues	<u>29,184,973</u>
Operating expenses:	
Health care delivery	56,036,996
Salaries and benefits	160,410
Other purchased goods and services	423,808
Depreciation	1,892,495
Total operating expenses	<u>58,513,709</u>
Operating loss	<u>(29,328,736)</u>
Nonoperating revenues (expenses):	
Ad valorem tax revenue	46,816,179
Tax assessment and collection expense	(517,014)
Tobacco settlement revenue	1,471,021
Tobacco settlement expense	(305,250)
Investment income	690,752
Total nonoperating revenues	<u>48,155,688</u>
Income before other changes in net assets	<u>18,826,952</u>
Contributions:	
Contributions from the City of Austin, Texas	109,602,497
Contributions from Travis County, Texas	2,560,807
Other contributions	897
Total contributions	<u>112,164,201</u>
Change in net assets	130,991,153
Total net assets - beginning of year	<u>-</u>
Total net assets - end of year	<u>\$ 130,991,153</u>

The notes to the financial statements are an integral part of this statement.

TRAVIS COUNTY HOSPITAL DISTRICT
A COMPONENT UNIT OF TRAVIS COUNTY, TEXAS

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2005

Cash flows from operating activities:	
Cash received from DSH/UPL program	\$ 85,482,921
Cash payments for DSH/UPL program	(48,350,829)
Cash received from operating leases	1,150,501
Cash payments for goods and services	(56,913,985)
Cash payments to employees	(136,878)
Net cash used in operating activities	(18,768,270)
Cash flows from noncapital financing activities:	
Ad valorem taxes received	46,652,771
Payments for tax assessment and collection	(517,014)
Tobacco settlement received	1,471,021
Tobacco settlement paid	(305,250)
Net cash provided by noncapital financing activities	47,301,528
Cash flows from capital and related financing activities -	
Contributions	13,261,704
Net cash provided by capital and related financing activities	13,261,704
Cash flows from investing activities:	
Receipts of interest income	631,568
Purchase of investment securities	(47,380,500)
Proceeds from sale and maturities of investment securities	4,992,302
Net cash used in investing activities	(41,756,630)
Net increase in cash and cash equivalents	38,332
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 38,332
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (29,328,736)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	1,892,495
Changes in operating assets and liabilities:	
Increase in due from other governments	(2,876,671)
Increase in other receivables	(174,288)
Increase in prepaid expenses and other assets	(1,485)
Increase in accounts payable	11,667,695
Increase in salaries and benefits payable	23,532
Increase in due to other governments	29,188
Net cash used in operating activities	\$ (18,768,270)
Schedule of noncash capital and related financing activities -	
Donated assets	\$ 98,902,497

The notes to the financial statements are an integral part of this statement.

**TRAVIS COUNTY HOSPITAL DISTRICT,
A COMPONENT UNIT OF TRAVIS COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2005**

1. ORGANIZATION AND MISSION

Travis County Hospital District (the "District"), a component unit of Travis County, Texas ("Travis County"), was created by authorization of the legislature of the State of Texas and subsequent approval by the voters of Travis County, Texas, in May 2004. In August 2004, Travis County and the City of Austin, Texas (the "City of Austin") appointed members to serve on the Board of Managers (the "Board") of the District, which is comprised of nine members. The Board consists of four appointees from Travis County, four from the City of Austin, and one selected jointly.

The District is presented as a discrete component unit of Travis County (legally separate from Travis County), as the Travis County Commissioners' Court approves the District's tax rate and annual budget. Additionally, the Travis County Commissioners' Court appoints four and one jointly appointed members of the District's governing board. Travis County does not provide any funding to the District, hold title to any of the District's assets, or have any rights to any surpluses of the District.

The District's primary responsibility is to provide quality preventive, medical, hospital, and emergency care to the indigent and needy of Travis County and to others with the ability to pay. All activities conducted by the District are directly associated with the furtherance of this mission and are, therefore, considered to be operating activities.

On October 1, 2004, the District began operations with the transfer of \$10,700,000 from the City of Austin. Thereafter, \$2,560,807 was transferred from Travis County. Effective October 1, 2004, certain assets, obligations and rights of the City of Austin transferred to the District, including title to the land and buildings of Brackenridge/Children's Hospital and Austin Women's Hospital. In addition, the responsibility, obligations and rights of the City of Austin and Travis County to provide health care to their respective indigent population transferred to the District. Certain assets associated with the Federally Qualified Health Centers ("health clinics") of the City of Austin and Travis County also transferred to the District.

The District provides patient care to the indigent population of Travis County and receives property taxes levied by Travis County for the provision of this care. The District has contracted with third-parties to operate the District's two acute care hospitals with a total of 399 licensed beds. Through an interlocal agreement with the City of Austin, the District also operates thirteen health clinics (which includes one specialty clinic providing HIV/AIDS treatment services and two clinics that provide services to the homeless populations), three dental clinics, and one mobile dental clinic. The District is exempt from federal income taxes.

The Travis County Hospital District Board of Managers is comprised of **skilled** and **dedicated** community members who have collectively volunteered **hundreds** of hours in order to establish the District while following their vision for healthcare **improvement**.

They deserve our public gratitude for their dedication and **generosity** in devoting their time and talent toward creating an entity which we all **believe** will **benefit** those that are most **vulnerable** in our County while improving the healthcare system for **all** residents.



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For further information, visit the District website at www.traviscountyhd.org