

David S. Lopez, President/CEO
2525 Holly Hall, Suite 144
Houston, Texas 77054
Office: 713-566-6403
Fax: 713-566-6401

June 11, 2010

County Commissioners Court
c/o Dick Raycraft, Ph.D.
Director, Management Services/County Budget Officer
Harris County
1001 Preston, Suite 938
Houston, Texas 77002-1817

RE: STRATEGIC PLAN – 2011 TO 2015

Dear Dr. Raycraft:

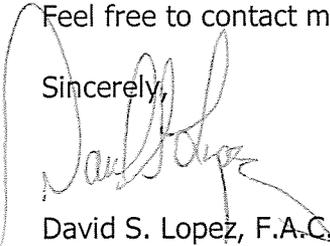
Attached for your information and review is the Strategic Plan recently approved by the Harris County Hospital District Board of Managers. It is the document which will dictate our operational and capital priorities between now and 2015. This Plan incorporates many of the strategies which we will need to implement in response to national healthcare reform. In summary, it addresses where we are today (Current State), where we will be by 2014 (Planned State), and the major initiatives which must be implemented by 2015 and beyond (Future State).

The underlying principle behind this plan was consistency and congruency with our mission, vision and values resulting in an improved health status of our community. Additionally, critical success factors were also identified thereby allowing for the development of strategies to assure that each of those factors were adequately addressed.

Thank you for your continued interest and support of our efforts to effectively and appropriately meet the healthcare needs of the residents of Harris County.

Feel free to contact me should you have any questions or need any additional information.

Sincerely,


David S. Lopez, F.A.C.H.E.
President and CEO

DSL:dn

Attachment

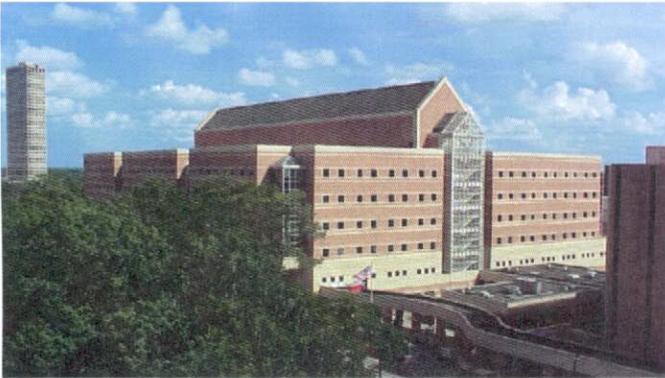
xc: HCHD Board of Managers

10 JUN 16 PM 4: 05
HARRIS COUNTY
MANAGEMENT SERVICES



Harris County Hospital District

Strategic Plan - 2011 to 2015 Positioned for the Future



Ben Taub General Hospital



Lyndon B. Johnson General Hospital



Holly Hall Imaging and Specialty Clinics



Lyndon B. Johnson Westlands Specialty Clinics



Martin Luther King Jr. Health Center



El Franco Lee Health Center



Harris County Hospital District

HCHD Board of Managers

Chairman

Stephen H. DonCarlos

Members

Atul Varadhachary, M.D., Ph.D. ()*

George D. Santos, M.D. (◆)

Carolyn Truesdell (◆)

Elvin Franklin, Jr.

Danny F. Jackson

Mary C. Spinks

Daisy Stiner

E. Dale Wortham

() – Chair, Strategic Planning Committee*

(◆) – Member, Strategic Planning Committee

HCHD President/Chief Executive Officer

David S. Lopez



Harris County Hospital District

Strategic Plan Overview

The Harris County Hospital District (HCHD) Strategic Plan positions our healthcare system for success through the year 2015. This is the critical juncture when the major changes in national healthcare reform begin to be implemented. Our plan is multi-phased. It addresses the current state of HCHD operations, the planned state that takes us through the year 2014, and the future state that addresses the major initiatives that must be taken under consideration to ensure the fulfillment of HCHD's mission and vision through 2015.

Currently, HCHD serves an unduplicated patient population of approximately 330,000. The major portals of access to care are through our extensive system of community health clinics and our hospitals' emergency centers. A major current focus is to align services to ensure timely and appropriate access to primary, specialty and hospital services. In so doing, we are implementing strategies that ensure HCHD services mirror the community standards of care. Simultaneously, we are engaged in a multi-million dollar capital construction program that once completed will further enhance and balance our clinical platform, thus helping to ensure timely access, referrals and quality outcomes for our patients.

The planned state will take us through 2014, the year in which the significant initiatives of healthcare reform begin to become operational. During this time, HCHD will focus on completing phases I and II, and with approval by the Board of Managers, phase III of our capital construction program, developing strong community partnerships with other healthcare providers and expanding our outreach to a larger patient population. A major underpinning for this design will be implementation of the Medical Home concept, which will deliver integrated care through the continuum of services for patients within our system. Our expectation is that an increasing number of patients and their families will make HCHD their health system of choice.

In the future state, 2015 and beyond, HCHD will evolve into an Accountable Care Organization. This will leverage our integrated service offerings, delivered in collaboration with the Baylor College of Medicine, UT Health and an extensive network of community providers. Our focus will be on quality outcomes supported by our integrated Information Technology/Electronic Medical Records systems. Partnerships will have been developed to expand healthcare to medically underserved individuals and families in Harris County, irrespective of their insurance status. We also will collaborate on a multi-county solution to provide appropriate care to medically underserved families across our region.

The following pages provide additional details of the HCHD Strategic Plan, including critical timelines and performance metrics.

Stephen H. Dan Carlos
Chairman, Board of Managers

David S. Lopez
President/Chief Executive Officer



Harris County Hospital District

Our Mission

We improve our community's health by delivering high-quality healthcare to Harris County residents.

Our Vision

We will create a healthier community and be recognized as one of America's best community-owned healthcare systems.

Our Values

Our Patients, Staff and Partners

Compassionate Care

Trust

Integrity

Mutual Respect

Communication

Education, Research and Innovation

Our Promise to Our Patients

To provide high-quality healthcare by knowledgeable and highly trained staff;

To provide prompt, friendly, and courteous service;

To be sensitive and responsive to your needs and concerns as well as those of your family; and

To provide a clean, comfortable and safe environment, in all of our settings.



Critical Success Factors

Goal 1 – Become a provider of choice for our patients and for the medically underserved individuals and families in Harris County.

- Achieve quality measures as defined by Centers for Medicare and Medicaid Services (CMS) that exceed the average of all hospital providers in Harris County by February 2012.
- Achieve patient satisfaction measures as defined by CMS that exceed the average of all hospital providers in Harris County by February 2014.
- Complete all Board-approved capital construction; balance our integrated healthcare delivery platform to ensure timely and appropriate access to primary and specialty clinic care, as well as hospital care services for our patient population while meeting or exceeding community standards of care by February 2014.
- Modernize and upgrade HCHD facilities to meet/exceed patient needs, including conversion of hospital inpatient rooms to private/semi-private configuration by February 2014.
- Enhance our image by better informing Harris County residents about HCHD. (ongoing)
- Increase number of unduplicated patients served from 330,000 in 2011 to 375,000 by February 2015.

Goal 2 – Maintain financial strength to ensure our ability to serve our patients and achieve our mission.

- Become a model low-cost, high-quality provider by reducing operating costs and enhancing the efficiency and effectiveness of our service delivery system as measured against national benchmarks by February 2012.
- Strengthen our payor mix by becoming a provider of choice for medically underserved individuals and families in Harris County, irrespective of their insurance status. Use our strengthened payor mix to offset the adjustments in Medicare/Medicaid Disproportionate Share funding scheduled for 2014.
- Maximize net patient revenue collections from all payors by February 2011.
- Achieve and maintain net operating margins of more than 2% through February 2015.

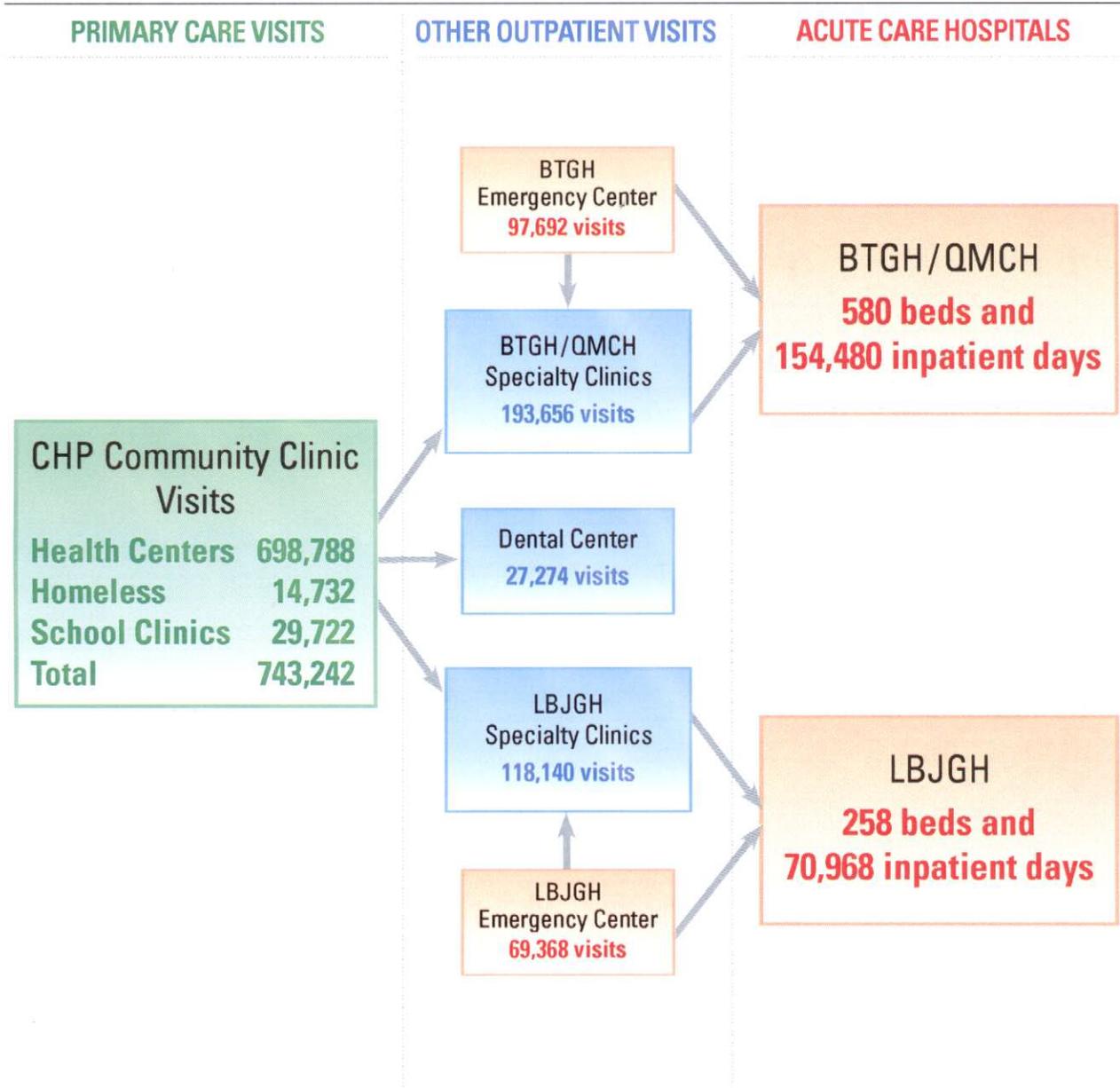
Goal 3 - Position HCHD to take advantage of national health reform initiatives.

- Implement a Medical Home model as the foundation of our integrated delivery system, with emphasis on patient wellness and disease prevention by February 2011.
- Become an Accountable Care Organization by February 2015.
- Develop collaborative service delivery models with other community provider organizations to expand our outreach to the underserved of Harris County. (ongoing)
- Increase patient and employee enrollment in preventive/wellness programs by 10% by February 2012.
- Actively explore new sources of revenues including federal and state funding for innovative healthcare solutions as well as funds from philanthropy and healthcare support groups. (ongoing)
- Gain recognition as a strong national model for a healthcare provider of the future by February 2015.



Current State FY 2011

Unduplicated Patients = 328,726



Current state includes primary care referrals for specialty care that exceed timeliness standards due to specialty care capacity/throughput constraints.



Current State – FY 2011

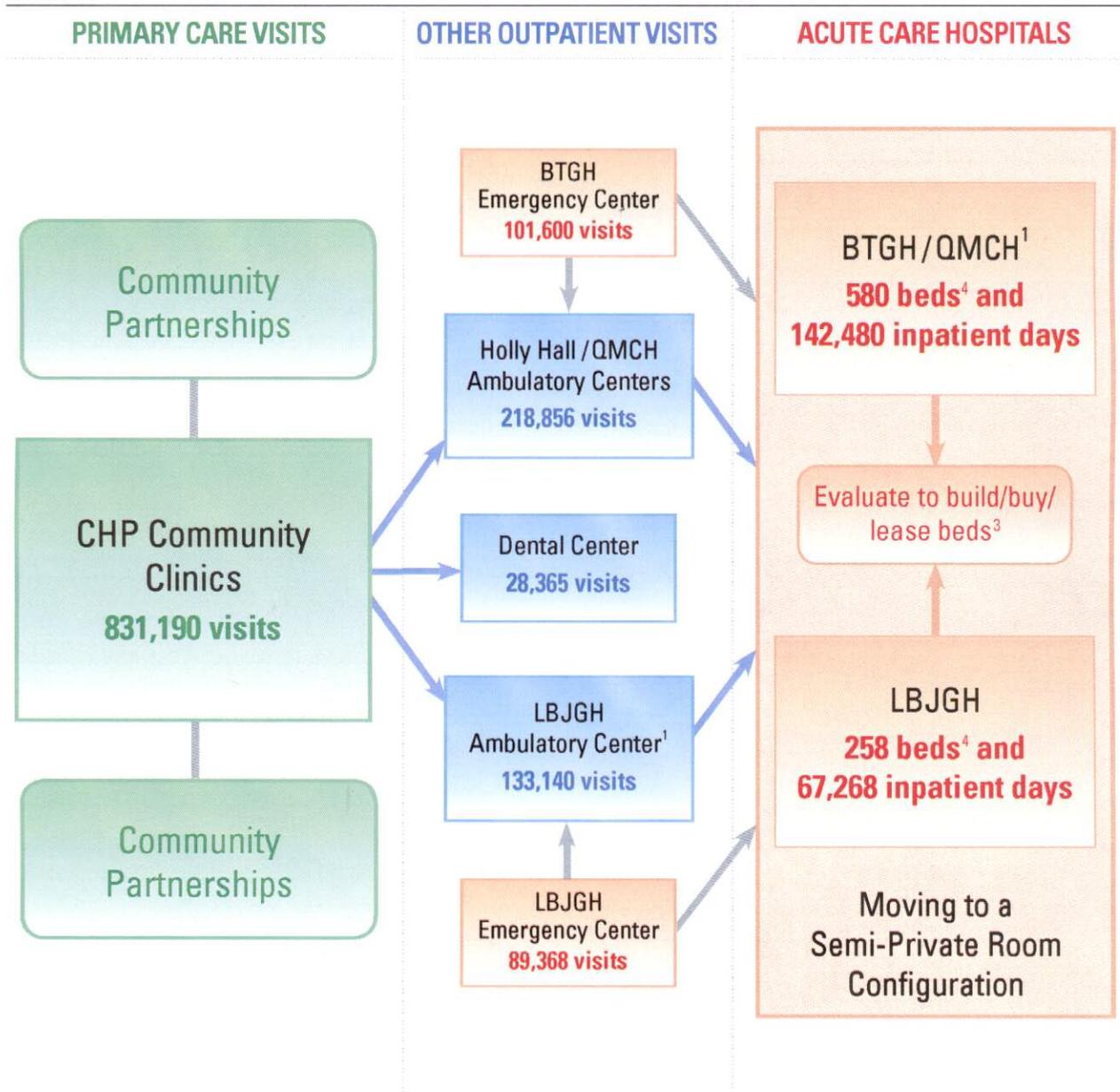
Strategies to be Implemented by February 2011:

- Define the unmet primary care needs of the community. Consider innovative ways of providing additional primary care and the associated specialty and inpatient care to Harris County’s residents within the constraints of HCHD’s budget and resources.
- Maintain at least a 2% net operating margin to maintain financial strength and ratios and to help fund Phase III capital expansion projects.
- Redesign registration and eligibility processes as part of the revenue cycle optimization.
- Increase net patient revenue collections by 10%.
- Implement integrated electronic medical record with seamless access to patient records across the system.
- Implement IT systems that provide timely information for clinical, financial and administrative decision making.
- Transition HCHD to a “Doing Business As” (DBA) name as approved by the Board of Managers and Commissioners Court; establish a marketing campaign to enhance community awareness of:
 - ◆ Who we are
 - ◆ What we do
 - ◆ The quality of our services
 - ◆ The efficiency of our operations
 - ◆ Our outstanding medical staff
 - ◆ Our exceptional system staff
 - ◆ The value we provide the residents of Harris County
- Continue the transition from an inpatient focused system to one with an increasing focus on ambulatory care. Employ the following strategies to maximize bed availability:
 - ◆ Decrease length of stay by 7% at BTGH and 4% at LBJGH by February 2011 and an additional 4% annually over each of the next two years.
 - ◆ Utilize space vacated by the relocation of hospital-based specialty clinics to meet treatment needs.
 - ◆ Evaluate the need to lease beds from other organizations and/or outsource inpatient or ambulatory specialty services to meet throughput demand.
- Develop strategies for chronic disease management to minimize utilization of specialty clinics and hospital services.
- Establish evidence-based protocols in collaboration with the medical schools.
- Improve referral process from primary care clinics to specialty clinics to conform with the community standards of care for timely access. Optimize referrals to most efficiently utilize available specialists and optimize patient care irrespective of the site of care or faculty affiliation.
- Develop and evaluate FQHC/HCHD demonstration project with the goal of increasing primary care access in the community.
- Implement a moratorium on any additional capital construction and/or facility acquisition until required to support an expanded patient population.
- Reexamine the Strategic Plan annually and revise as appropriate.



Planned State FY 2013-2014

Unduplicated Patients² = 355,000
A mature medical home model.



Planned state reflects balanced patient throughput that better meets community standard of care. This state is expected to attract a more robust payor mix, while maintaining current or improved access for uninsured patients.

¹ Stand alone ambulatory surgery/special procedures center is part of this model.

² In the planned state, some "unduplicated patients" become "medical home patients" in an integrated delivery system.

³ Based on analyses of net patient revenues, costs, benefits, and needs assessment.

⁴ As HCHD moves to private/semi-private configuration, the total inpatient beds would be 670.



Planned State – FY 2012-2014

Strategies to be Implemented by February 2014:

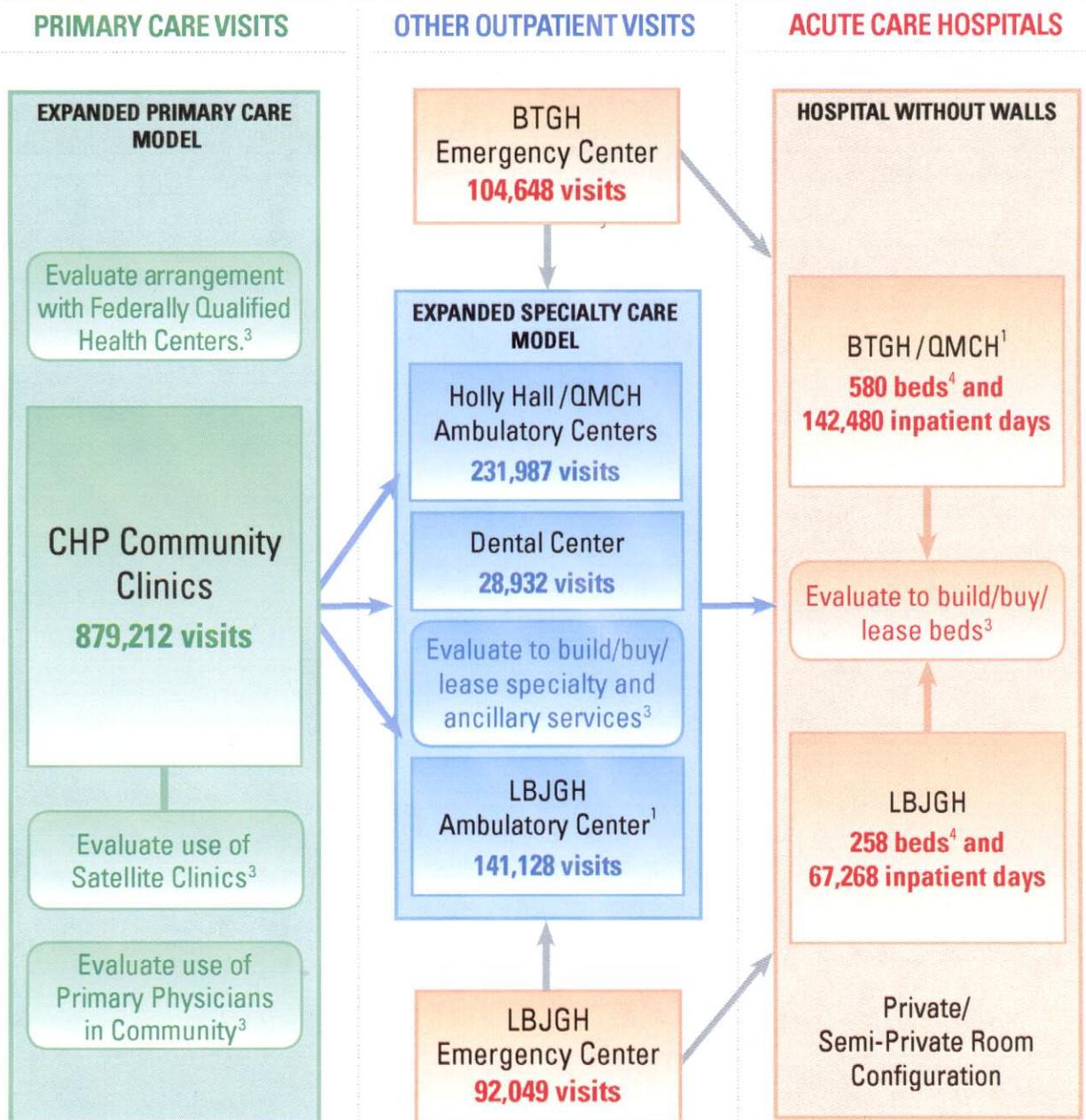
- Complete and operationalize all Phases I and II capital construction projects.
- Transition 75% of current primary care patients into a medical home; manage care to community standards.
- Provide appointments for primary and specialty services for our patients within the community standards of care, maximizing HCHD resources and facilities.
- Complete conversion of 4-bed rooms into private/semi-private rooms.
- In collaboration with the medical staff, define the elements required to be in place for an effective Accountable Care Organization.
- In collaboration with other stakeholders, define the elements of a long-term disease-prevention or wellness program for Harris County where we can contribute our network and capabilities.
- Evaluate ways to more rapidly and flexibly deliver care to underserved areas of Harris County, e.g., through smaller multi-specialty primary care practices (2-3 physicians with physician extenders).
- If additional clinical care capacity is needed, explore development of alternative community-based delivery models.
- Validate funding and with Board approval, complete planned Phase III capital construction projects.
- With projected revenue and operational costs considered, develop capacity to care for 375,000 unduplicated patients by February 2015.
- Expand community partnerships to enhance patient access; include Federally Qualified Health Centers, public health department clinics, MHRA, etc.
- Be the provider of choice for our patients and their families as reflected in retention of patients, including those with insurance.
- Improve our payor funding for Medicare, Medicaid, commercial insurance and other patient care grants by a minimum of 7%.
- Based on the number of unduplicated patients to be served, determine if additional bed and ancillary services capacity is required and whether to build, buy or lease.
- Community Health Choice (CHC) will develop plans with HCHD business units to increase percentage of CHC members using HCHD facilities; CHC will evaluate, and if financially feasible, implement new programs, such as Medicare Advantage for over 65, STAR Plus and Healthy Texas.
- Community Health Choice will develop plans to further expand access to care for the underserved by contracting with other entities in the region that have missions to serve the underserved in order to maximize potential to regionalize safety net health programs.



Future State FY 2015

Unduplicated Patients² = 375,000

Accountable Care Organization/Integrated Delivery System/Medical Home



Future state reflects core platform and partnership options which provide flexibility in expanding the number of unduplicated patients.

This state is expected to attract a more robust payor mix that sustains increased enrollment.

¹ Stand alone ambulatory surgery/special procedures center is part of this model.

² In the future state, some "unduplicated patients" become "medical home patients" in an integrated delivery system.

³ Based on analyses of net patient revenues, costs, benefits, and needs assessment.

⁴ As HCHD moves to private/semi-private configuration, the total inpatient beds would be 670.



Future State FY 2015 and Beyond

Strategies to be Implemented by February 2015:

- Fully engage and leverage the provisions of national healthcare reform
- Become a fully integrated Accountable Care Organization (ACO).
- Be recognized as a national model for a healthcare provider of the future.
- Maintain quality at or above the 90th percentile of national standards as measured by standard quality metrics and patient outcomes.
- Complete evolution to a system whose primary focus is ambulatory care along with sustained collaborative focus on long-term prevention and community wellness.
- Reduce duplication of hospital-based services by both BTGH and LBJGH; move toward creating a “hospital without walls.”
- Serve 375,000 unduplicated patients.
- If additional unduplicated patients are to be served, determine overall system expansion needs considering the balance required among:
 - ◆ Primary care, specialty care and acute care hospital resources.
 - ◆ Build, buy or lease options for facilities/clinical services
- Determine the best value and use of Quentin Mease Community Hospital.
- Endorse and support efforts to regionalize healthcare delivery in collaboration with providers within Harris and surrounding counties.
- Work with other key stakeholders to define and implement the most cost-effective contributions that HCHD can make toward using our network to enhance preventive care and long-term community health.



Harris County Hospital District

Capital Construction

Current State:

El Franco Lee Health Center – April 2009
Martin Luther King Jr. Health Center – May 2010
Physical Therapy/Occupational Therapy at Quentin Mease Community Hospital –
June 2010
Holly Hall Garage – July 2010

Planned State:

Holly Hall Ambulatory Center – August 2012
LBJGH Emergency Center – January 2012
Old Ben Taub Renovation – April 2012 (*)
LBJ Specialty Clinic Building/Garage – April 2012 (*)
BTGH Day Surgery – October 2013 (*)
BTGH Emergency Center – October 2013 (*)
Data Centers at BTGH and Holly Hall – August 2012 (*)
* - Awaiting Approval by Board of Managers

Future State:

None planned as of June 16, 2010



Definitions

Accountable Care Organization (ACO) – defined as organizations that:

- ◆ Can provide primary care and basic medical/surgical inpatient care for a population of patients.
- ◆ Are willing to take responsibility for the overall costs and quality of care for the population.
- ◆ Have the size and scope to fulfill this responsibility.¹

Medical Home – defined by the following characteristics:

- ◆ **Personal Physician** - each patient has an ongoing relationship with a personal physician trained to provide first contact, continuous and comprehensive care.
- ◆ **Physician Directed Medical Practice** - the personal physician leads a team of individuals at the practice level who collectively take responsibility for the ongoing care of patients.
- ◆ **Whole Person Orientation** - the personal physician is responsible for providing for all the patient's health care needs or taking responsibility for appropriately arranging care with other qualified professionals. This includes care for all stages of life; acute care; chronic care; preventative services; and end of life care.
- ◆ **Care Is Coordinated and/or Integrated** across all elements of the complex health care system (e.g., subspecialty care, hospitals, home health agencies, nursing homes) and the patient's community (e.g., family, public and private community-based services). Care is facilitated by registries, information technology, health information exchange and other means to assure that patients get the indicated care when and where they need and want in a culturally and linguistically appropriate manner

¹ Medicare Payment Advisory Committee, *Report to the Congress: Improving Incentives in the Medicare Program*, June 2009, p. 39.