

Memorandum

To: Finance Committee

From: Jonny F. Hipp, Administrator

Date: January 18, 2013

Re: First Fiscal Quarter Revenues Related to CHRISTUS Spohn Health System Corporation Membership Agreement

RECOMMENDATION:

Receive revenue reports relating to CHRISTUS Spohn Health System Corporation Membership Agreement: Membership Revenue Report for fiscal quarter ended December 31, 2012.

BACKGROUND:

Early last fall, the Nueces County Hospital District entered into a new agreement with CHRISTUS Spohn Health System Corporation titled CHRISTUS Spohn Health System Corporation Membership Agreement. Other agreements and/or amendments were also entered into at that time by the parties, including the Fifth Amendment to the Master Agreement, September 2012 Amendment to the Lease Agreement, Second Amendment to the Revised and Restated Indigent Care Agreement, and Memorandum of Understanding relating to Termination of the Membership Agreement.

Of particular interest, the CHRISTUS Spohn Health System Corporation Membership Agreement above at Article VII requires that CHRISTUS Spohn Health System Corporation share Net Patient Revenue with the Hospital District. Under the Article's Section 7.01 the term "Net Patient Revenue" is defined as Spohn's direct cash collections received for provision of inpatient and outpatient hospital services, including any ancillary and related services, at or through the hospital facilities located in Nueces County on or after October 1, 2012, that are received from patients of third parties responsible for making payments on behalf of such patients. The term "Net Patient Revenue" does not include any Medicare or CHAMPUS/TRICARE payments, the federal share of any Medicaid payments, or Medicaid Waiver or supplemental payments, nor any federal grant funding, paid to Spohn that is not specifically allocated to individual patients' services. The term "Net Patient Revenue" does not include any revenue generated from the operation or provision of services at any hospital, clinic, or other facility that is not located in Nueces County for the purposes of Spohn's participation in the Medicare and Medicaid programs. Section 7.02 establishes the related Spohn bank transferring accounts. Section 7.03 provides the mechanism for the determining the actual Member Revenue Allocation Percentage. In separate Annual Agreement Regarding Revenue Sharing Allocations

(2012-2013) entered in October 2012, the Member Revenue Allocation Percentage was established at **35.5%** for the Hospital District's fiscal year ending September 30, 2013.

DISCUSSION:

The Membership Revenue Report provided here details the Net Patient Revenue payments the Hospital District has received under terms of the CHRISTUS Spohn Health System Corporation Membership Agreement based on the **35.5 %** Member Revenue Allocation Percentage for the fiscal quarter ended December 31, 2012. No Board of Managers action is required; this report is information only and provides detailed information on this new source of Hospital District funds.

Joan F. Wipp