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Health Care

\$2.5B bond could set model for Harris Health's future, CEO says



Dr. Esmaeil Porsa, president and CEO of Harris Health System

DANIEL ORTIZ/HBJ



By **Jishnu Nair** – Reporter, Houston Business Journal
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For Harris Health System CEO Dr. Esmaeil Porsa, Harris County's upcoming vote on a \$2.5 billion bond proposal for the health system is more than a decision on infrastructure upgrades – it is a judgment on Harris Health's changed philosophy since he took over as CEO in 2019.

“We have made a lot of promises to the community in the past few months,” Porsa told the Houston Business Journal in an interview. “If we're successful, then we can set a model for future Harris Health boards of trustees and administrations.”

When early voting begins on Oct. 23, Harris County voters will have the opportunity to decide on an unprecedented funding proposition for the health system. **The \$2.5 billion bond** would build an entirely new Lyndon B. Johnson Hospital on the same site as the original as well as three new community clinics. Additionally, the bond would provide refurbishments to the existing LBJ Hospital and Ben Taub Hospital.

Harris Health confirmed to the HBJ that the bond would create 30,000 construction jobs but said final workforce estimates could only be finalized if the proposition passes.

The bond was added to the Nov. 7 ballot **on Aug. 17, following approval from Harris County commissioners**. Porsa previously told commissioners that the planned projects would need more funding than the bond provides, but \$2.5 billion was the largest amount the county was able to have with its credit rating. The remaining \$400 million will be covered through Harris County's operational efficiencies and cost savings as well as philanthropic donations.

Porsa confirmed to the HBJ that Harris Health has already received a \$10 million commitment from the John M. O'Quinn Foundation, subject to approval from the Harris Health Board.

Harris Health's changing philosophy

The hospital upgrades would address capacity issues that stemmed from Harris Health using the same hospitals for over 30 years. However, the new community clinics included in the bond would highlight Harris Health's changing philosophy from managing disease to promoting community health, Porsa said.

“We need to shift the focus of our clinics so that they’re not just places for people to get their antibiotics or other medications, but so that they’re health hubs,” Porsa said.

“Harris Health would be a convener of social services, a place where other community-based organizations can have a presence or where we can connect our community to those services.”

While Harris Health **directly serves indigent residents** of Harris County, who would not be able to afford treatment elsewhere, Porsa highlighted the potential broader benefits of the bond for the Houston area.

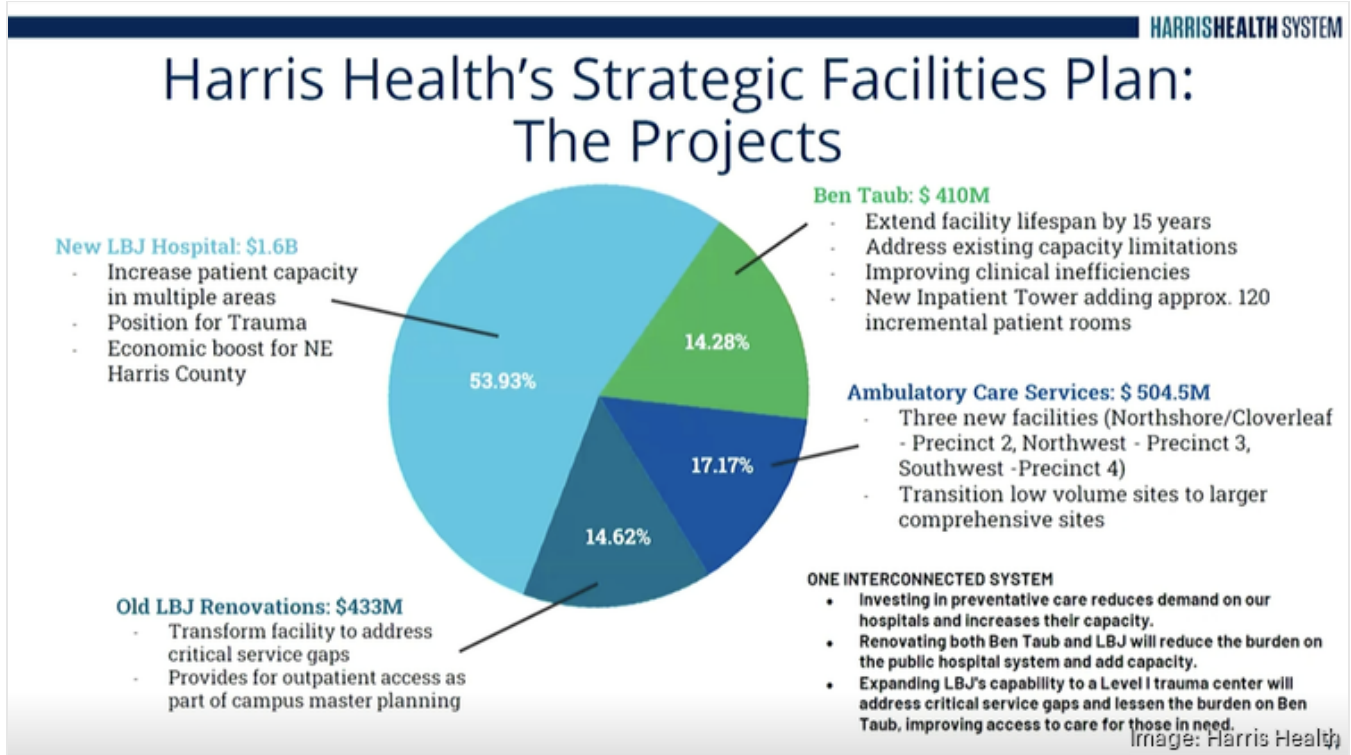
“Every year, Harris Health trains more than 3,000 medical students and residents,” Porsa said. “Those students tend to stay in Houston – so even if you’re not receiving health care from Harris Health, your doctor probably trained with us. That's Kelsey-Seybold; that's St. Luke's – it doesn't matter (which system).”

If approved, the bond will also continue the system's trend of heightened infrastructure investment under Porsa’s leadership, though he said most of that investment was **out of necessity for aging buildings**.

According to capital expenditure and budget documents provided by Harris Health to the HBJ, the system’s capital expenditure budget increased dramatically from \$75.8 million in fiscal year 2021 to \$176.3 million in fiscal year 2022. Harris Health received a \$162 million capital expenditure budget in fiscal year 2023.

Fiscal year 2022 included over \$100 million in new construction for Harris Health, including projects such as a new parking garage for the existing LBJ Hospital and a renovation to the system’s Quentin Mease Health Center clinic, which cost nearly \$60 million.

Bond breakdown



A breakdown of Harris Health's strategic facilities plan by cost.

HARRIS HEALTH

The new LBJ Hospital represents the majority of the cost of the planned projects – \$1.6 billion, or 53.93%. The new hospital would be built on the existing LBJ campus in Houston's Kashmere Gardens neighborhood in the city's northeast region. It would make LBJ Hospital a Level 1 trauma center, which the American Trauma Society defines as providing total care for every level of injury. The new facility also would increase the hospital's beds from 215 currently to over 350. Additional specialties would include neurosurgery, cancer care and mental health care programs.

Another \$433 million – or 14.62% of the total cost – would be used to renovate the old LBJ Hospital, which was built in 1989. That project would transform the facility to address critical service gaps and provide for outpatient access as part of the campus master plan.

Ben Taub Hospital, which was built in 1990, also would get a \$410 million upgrade, representing 14.28% of the total cost. That project would extend the facility's lifespan by 15 years, address existing capacity limitations, improve clinical inefficiencies, and build a new patient tower to add approximately 120 incremental patient rooms.

Meanwhile, the three new clinics will be located in Harris County Precinct 2 (the Northshore/Cloverleaf area), Precinct 3 (northwest Harris County) and Precinct 4 (southwest Harris County). Porsa previously said the clinics would begin construction in 2025. The three clinics are expected to cost \$504.5 million combined.

The bond's full impact on local taxes will not be completely realized until the entire \$2.5 billion has been spent over the next decade or so, Porsa noted. When fully realized, the impact to Harris Health's debt service rate will be 2 cents or less, equating to less than \$6 per month for the average homeowner with a home valued at \$300,000, according to Harris Health.

Harris County's 2022 total hospital district tax rate is significantly below those in Texas' El Paso, Dallas and Bexar counties, according to Harris Health. Between 1999 and 2022, the Harris County rate increased about 1%, compared to 17% in Dallas County and 12% in Bexar County.

Additionally, Harris Health has been able to manage its increased operational costs without increasing its maintenance and operations tax rate thanks to higher property values in the county, which increased by 7.5% on average over the past 10 years, the system said. Even with the new strategic facilities plan, Harris Health does not anticipate needing to increase the M&O tax rate over the next decade due to projected appraisal values.

With 654 licensed local beds, Harris Health is **No. 8 on the Houston Business Journal's 2023 Largest Health Care Systems List.**

T H E L I S T

2023 Largest Houston-area health care systems

Local licensed beds