

CAUSE NO. D-1-GN-17-005824

REBECCA BIRCH, RICHARD FRANKLIN	§	IN THE DISTRICT COURT OF
III, and ESTHER GOVEA,	§	
<i>Plaintiffs,</i>	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
TRAVIS COUNTY HEALTHCARE	§	
DISTRICT d/b/a CENTRAL HEALTH, and	§	
DR. PATRICK LEE, in his official capacity	§	
only	§	345th JUDICIAL DISTRICT
<i>Defendants.</i>	§	

FINAL JUDGMENT

On May 9, 2024, Plaintiffs’ Motion for Summary Judgment and Defendants’ Motion to Dismiss for Lack of Subject Matter Jurisdiction and Amended Plea to the Jurisdiction were called for hearing. Plaintiffs appeared through their counsel of record, Manuel Quinto-Pozos and Fred I. Lewis. Defendants appeared through their counsel of record, Sinéad O’Carroll and Beverly Reeves.

The Court received and accepted into evidence all the exhibits attached to and submitted with Defendants’ Motion to Dismiss for Lack of Subject Matter Jurisdiction and Amended Plea to Jurisdiction (Exhibits A-F), Defendants’ Response to Summary Judgment (Exhibits A-H), Plaintiffs’ Motion for Summary Judgment (Exhibits A, 1-29), and Plaintiffs’ Response in Opposition to Defendants’ Motion to Dismiss and Plea to the Jurisdiction (Exhibits 1-3, and incorporating Motion for Summary Judgment Exhibits A, 1-29) . The Court did not accept into evidence the exhibits attached to and submitted on the day of trial with Defendants' Reply in Support of Motion to Dismiss for Lack of Subject Matter Jurisdiction and Brief in Support of Amended Plea to the Jurisdiction.

The Court heard argument from both parties’ counsel on the Motion to Dismiss for Lack of Subject Matter Jurisdiction and Amended Plea to the Jurisdiction and on the Motion for

Summary Judgment. The hearing was transcribed and a record of the proceedings was made by the court reporter for the 201st District Court.

As to the Defendants' Motion to Dismiss for Subject Matter Jurisdiction and Amended Plea to Jurisdiction, the Court denies the motion to dismiss and plea to the jurisdiction as to Defendant Patrick Lee, in his official capacity only. The Court grants the motion to dismiss and plea to the jurisdiction as to the entity, Travis County Healthcare District d/b/a Central Health.

As to the Plaintiffs' Motion for Summary Judgment, the Court grants the motion for summary judgment in full as to Defendant Patrick Lee, in his official capacity:

Declaratory Relief

The Court **FINDS:**

1. Plaintiffs are property taxpayers in Travis County and have paid property taxes to the Defendant Travis County Healthcare District; therefore, they have standing to bring this lawsuit.
2. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, has expended and is continuing to expend property taxpayer dollars on activities that do not constitute under state law a hospital purpose, hospital and medical care, or its administration, including expending of funds on education, research, the operations and administration of a medical school unrelated to hospital and medical care, economic development, charitable contributions unrelated to medical care, and social determinants of health non-medical care programs. These acts violate the plain meaning of hospital and medical care in Article IX, Secs. 4 and 9 of the Texas Constitution and Texas Health and Safety Code, Section 281.002, and the statutory definition in Texas Health and Safety Code, Section 61.028. There is no express or implied power for special purpose hospital districts such as Travis County Healthcare District to spend funds on these activities.
3. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, has expended and is continuing to expend property tax dollars on ineligible patients (non-residents of Travis County and non-low income Travis County residents) without implementing legally required eligibility procedures or seeking reimbursement for the reasonable costs of the services, in violation of Chapter 61 of the Texas Health and Safety Code.

4. Defendant Patrick Lee, in his official capacity only, on behalf of Defendant Travis County Healthcare District, has failed and continues to fail to exercise financial control over the \$35 million annual payments to the Dell Medical School to ensure public funds are spent on the constitutional and statutory prescribed constitutional and legislative purposes for hospital districts, including failing to specify the scope of health care services, the payment methodology, the reporting and recordkeeping requirements, the right to audit, or the right to obtain reimbursement for erroneous or duplicate payments. These acts violate Article III, Section 52(a) of the Texas Constitution.
5. The above acts constitute *ultra vires* acts that contravene state law and exceed Defendant Patrick Lee's limited lawful discretion, entitling Plaintiffs relief against Defendant Patrick Lee in his official capacity.

The Court DECLARES:

1. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, must stop spending public funds, or transferring public funds to Dell Medical School or others, on activities that do not constitute the plain meaning of hospital and medical care as specified in state law, as described above, and in the statutory definition in Texas Health and Safety Code Sec. 61.028.
2. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, must stop spending public funds on ineligible patients (non-residents of Travis County or non-low income Travis County residents), without seeking reimbursement for the reasonable costs of the services, in violation of Chapter 61 of the Texas Health and Safety Code. Defendant Patrick Lee, in his official capacity only, must implement required eligibility procedures for itself and all vendors, as required under Texas Health and Safety Code, Chapter 61.
3. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, must implement constitutionally sufficient financial controls over any and all payments to third-parties to ensure public funds are spent on the prescribed constitutional and legislative purposes for hospital districts (hospital and medical care), including reasonable and customary health care industry standard payor-provider provisions to specify the health care services to be provided, the payment methodology, an explanation how rates are determined, the reporting and recordkeeping requirements, the right to audit, and the right to obtain reimbursement for erroneous or duplicate payments.
4. Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, must report at least quarterly to the District's Board of Director, the County Commissioners and the public for low-income, Travis County resident

eligible patients, the number of visits and encounters, the number of patient diagnoses by universal code, the number of patients treatments by universal code, and the costs for each patient's treatment. This requirements applies to all funds, broken out separately for the District and each provider.

Injunctive Relief

1. IT IS ORDERED, ADJUDGED, AND DECREED that Defendant Patrick Lee, in his official capacity only, on behalf of the Travis County Healthcare District, is commanded and enjoined to stop expending District funds on activities that do not constitute hospital and medical care as defined by the plain meaning of the Texas Constitution Article IX, Secs. 4 and 9, and Texas Health and Safety Code, Sec 61.028, incorporated herein in full by reference. Hospital and medical care includes reasonable and medically necessary care for patients provided by licensed professionals, directly related clinical administration, and facilities to attend to and treat low-income eligible, resident patients. Defendant Patrick Lee, in his official capacity only, is enjoined from expending district funds, through Central Health, the University of Texas or any other entity, that include: education of medical students; administration and operations of a medical school entity to educate medical students; medical school fundraising, medical school admissions, school communications, student affairs, or other activities related to the educational function of a medical school or other entity; research; administration and operations of a medical school or other entity related to the research function of a medical school or other entity; economic development of an Innovation District or other such entities; the social determinants of health programs that do not constitute hospital or medical care of patients; and charitable contributions and sponsorships that are not medical care services for low-income eligible patients.
2. IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Patrick Lee, in his official capacity only, on behalf of Travis County Healthcare District, is commanded to seek reimbursement for the reasonable costs for providing hospital and medical care for non-eligible patients, who are not low-income or county residents, as defined by the Travis County Healthcare District and state law in Texas Health and Safety Code, Chapter 61. Defendant is commanded to implement eligibility requirements and procedures for itself and all vendors as required by Texas Health & Safety Code, Chapter 61, incorporated herein in full by reference.
3. IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Patrick Lee, in his official capacity only, on behalf of Travis County Healthcare District is commanded to ensure that any and all of the District's funds spent by any institution of higher education, including Dell Medical School, are classified as a Hospital expenditure as defined by the national functional classification standards of the National Association of College and University Business Officials (NACUBO), as

set out in its Financial Accounting and Reporting Manual for Higher Education, incorporated herein in full by reference.

4. IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Patrick Lee, in his official capacity only, on behalf of Travis County Healthcare District is commanded to implement financial controls, for all Travis County Healthcare District existing and future agreements and activities, that comply with Government Accounting Standards Board (GASB) Standard No. 34, Texas Local Gov. Code, Section 203.021 and customary health care industry standards for financial controls. Such financial controls include per health care industry customary standard payor-provider contracts, the specific delineation of health services to be provided, specification of the payment methodology, an explanation of how rates are determined, compliance with hospital district eligibility procedures and requirements, the right to audit funded activities, recordkeeping and reporting, and reimbursement for erroneous or duplicate payments. Recordkeeping and reporting requirements shall include at a minimum, for the District and each provider separately, for low-income, eligible Travis County residents, the number of patient visits, the number of patient encounters, the charge per patient, the aggregate number of diagnoses by universal code, and the aggregate number of treatments by universal code. This information shall be released publicly at least quarterly to the District board, the Travis County Commissioners, and the public.

The clerk shall forthwith, when requested by plaintiffs, issue a writ of injunction in conformance with the law and the terms of this judgment.

All relief sought by any party, but not herein expressly, given is denied.

Plaintiffs will post a bond of \$500.

This Final Judgment disposes of all issues and claims between the parties and is intended to be a final and appealable judgement

Signed on ____ day of _____, 2024.

Judge Amy Clark Meachum