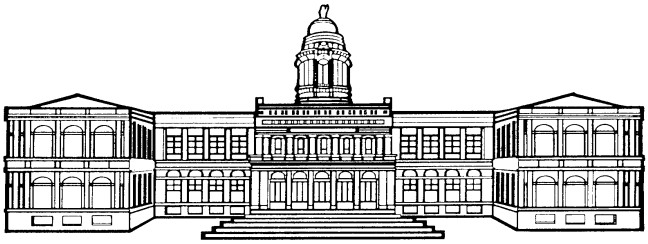

New York City Council
Christine C. Quinn, Speaker

Finance Division
Preston Niblack, Director
Jeffrey Rodus, First Deputy Director

Hearing on the Mayor's Fiscal Year 2012 Preliminary Budget

Health and Hospitals Corporation

March 28, 2011

Committee on Health

Hon. Maria del Carmen Arroyo, Chair

Latonia McKinney, Deputy Director, Finance Division
Pamela Corbett, Legislative Financial Analyst

Summary and Highlights

Dollars in thousands	2009 Actual	2010 Actual	2011 Adopted	2011 Feb Plan	2012 Feb Plan	Difference* 2012 vs. 2011
Other than Personal Services						
Fixed and Misc Charges	$288,202	$109,436	$183,334	$184,300	$177,014	$0
Other Services and Charges	1,391	1,155	1,132	1,132	1,132	0
Table Total	**$289,593**	**$110,591**	**$184,466**	**$185,432**	**$178,147**	**$0**

**The difference of Fiscal 2011 Adopted compared to Fiscal 2012 February Plan funding*

The City's portion of the New York City Health and Hospitals Corporation (HHC)'s Fiscal 2012 Preliminary Budget is $178.1 million, a decrease from the Fiscal 2011 Adopted Budget of $6.3 million or 3.4 percent. HHC's budget reduction target for Fiscal 2011 is $3.4 million and $8.1 million for Fiscal 2012.

Fiscal 2012 February Plan Highlights

Spending Reductions Proposed by HHC

To achieve its budget reduction target of $3.4 million in Fiscal 2011 and $8.8 million in Fiscal 2012, HHC's Fiscal 2012 Preliminary Budget contains several Programs to Eliminate the Gap (PEGs) to HHC and they are the following:

- **CEO- HHC Career Ladder Program.** (Fiscal 2011 reduction: $100,000; Fiscal 2012 reduction: $0). This PEG will affect tuition costs, although detailed information regarding the potential impact to the program was not available at the time this report was published. HHC is currently reviewing options to restructure the financing of this program and will likely have more detailed impact estimates within the next month or so. HHC receives funding from the Mayor's Center for Economic Opportunity to provide scholarships for income eligible New York City residents to attend nurse training programs leading to employment at an HHC facility.
- **Eliminate Sexual Assault Response Team (SART) Program.** (Fiscal 2011 reduction: $0; Fiscal 2012 reduction: $1.3 million). According to HHC, The Fiscal 2012 PEG should not adversely impact the SART program. All affected HHC facilities will find the necessary resources within their budgets to prevent any interruption in the provision of SART services. SART is composed of specially-trained forensic examiners and rape crisis counselors and is available at each of HHC's acute care hospitals. SART services provide immediate state-of-the-art forensic and counseling services and allow for sexual assault victims to receive sensitive care within one hour of their arrival. SART programs, which operate around the clock, can minimize trauma to the victim and reduce the risk that evidence critical to law enforcement will be lost, damaged or overlooked.
- **Reduction of Unrestricted City Subsidy.** (Fiscal 2011 reduction: $2.9 million; Fiscal 2012 reduction: $7.1 million). These proposed reductions in Fiscal 2011 and Fiscal 2012 to the City's Unrestricted Subsidy will not have a direct impact on HHC's services. This subsidy serves as a lump-sum appropriation to HHC in recognition of the financial challenges of serving uninsured and Medicaid patients. Payments associated with these particular services and patients do not cover the full costs of care and are not sufficient to meet HHC's financial needs. This subsidy, in addition to Disproportionate Share Hospital and Upper Payment Limit reimbursements, help to compensate HHC for the losses associated with its role as the City's primary safety net hospital system.

- **Re-estimate of Spending for Medical Malpractice.** (Fiscal 2011 reduction: $400,000; Fiscal 2012 reduction: $400,000.) These reductions for Fiscal 2011 and 2012 will not have a direct impact to services. The re-estimate of spending reflects the lower costs to HHC associated with medical malpractice. Over the last few years, the number of medical malpractice cases against HHC has declined, due to improvement in HHC's quality control.

Spending Reductions Proposed by DOHMH Affecting HHC Services

The Department of Health and Mental Hygiene (DOHMH) proposes reductions that will impact a number of HHC programs and services. To help meet its budget reduction target of $22 million in Fiscal 2011 and $32.7 million in Fiscal 2012, DOHMH proposes to reduce pass through funding to HCC in the amount of $2.4 million in Fiscal 2011, and $4.2 million in Fiscal 2012. These cuts to pass through, or Intra City, funding will impact HHC in the following ways:

Distribution of Mental Hygiene portion of Intra-Cities with HHC PEG:

Program	Proposed FY11 Cut	Proposed FY12 Cut
Child Health Clinics		
Child Health Clinic Reduction (BASE)	($224,207)	($448,415)
Subtotal, Child Health Clinics	**($224,207)**	**($448,415)**
HIV/AIDS		
Reduction of Satellite and Assessment Services	($37,848)	($75,696)
Reduction of Outpatient Pharmacy	($75,127)	($111,298)
Subtotal, HIV/AIDS Supportive Services	**($112,975)**	**($186,994)**
Mental Hygiene		
Reduction to Chemical Dependency Services	($610,183)	($830,682)
Closure of Morrisania MRDD Clinic	($395,099)	($617,342)
Reduction of Mental Health Subsidy and Support	($39,205)	($465,445)
Reduction of Mental Health Subsidy and Support	($1,000,000)	($1,612,964)
Subtotal, Mental Hygiene	**($2,044,487)**	**($3,526,433)**
TOTAL DOHMH PEG - INTRA CITIES WITH HHC*	**(2,381,669)**	**(4,161,842)**

***** Amount reflects total spending, including City and Non-City funds.

- **DOHMH Intra-Cities to HHC Child Health Clinics**. (Fiscal 2011 reduction: $224,207; Fiscal 2012 reduction: $448,415). HHC Child Health clinics treat all New York City children from birth to age 21. HHC child health clinics provide all the medical attention children need to stay healthy, including immunizations, physicals and treatment for just about everything from the common cold to more serious conditions, like asthma. These prevention and treatment services help to prevent unnecessary (and more costly) hospital emergency visits. Families also have access to specialists outside of the center, including a wide range of pediatric subspecialists.
- **DOHMH Intra-Cities to HHC HIV/AIDS Supportive Services**. (Fiscal 2011 reduction: $112,975; Fiscal 2012 reduction: $186,994). HHC hospitals, diagnostic and treatment centers, and some clinics, offer confidential, convenient HIV testing, as well as expert treatment and counseling. HHC currently serves about 19,000 HIV/AIDS patients - about one fifth of the more than 100,000 people known to be living with HIV/AIDS in New York City. HIV is the third leading cause of death below age 65 in New York City.

- **DOHMH Intra-Cities to HHC Mental Hygiene Services**. (Fiscal 2011 reduction: $2 million; Fiscal 2012 reduction: $3.5 million). HHC facilities offer a diverse range of behavioral health services for children, adults and seniors, including emergency psychiatric services, treatment for mental illness and help for people recovering from alcoholism or chemical dependency. Our facilities also offer special mental health programs that are tailored to patients with very specific needs, offering culturally appropriate treatment for immigrant New Yorkers, counseling for evacuees from the events of 9/11, and even a unique program for survivors of torture.

Distribution of Mental Hygiene portion of DOHMH Intra-Cities with HHC PEG:

Program	Proposed FY11 Cut	Proposed FY12 Cut
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TOTAL DOHMH PEG - INTRA CITIES WITH HHC	**($2,381,669)**	**($4,161,842)**

- **City Council Reductions**. As part of its PEG program, the DOHMH proposed in its Fiscal 2011 November Plan to eliminate $1.1 million in City Council funding for HHC's Child Health Clinics ($524,050) and Rapid HIV Testing ($168,750), with historical under-spending ($421,880) accounting for the balance of the PEG. The City Council was successful in fully restoring its funding for Child Health Clinics and Rapid HIV Testing. Since City Council funding is one-year funding, there are no proposed Fiscal 2012 reductions.

Health and Hospitals Corporation

The Health and Hospitals Corporation (HHC), the largest municipal hospital and health care system in the country, is a $6.7 billion public benefit corporation. HHC is the successor entity for the Department of Hospitals and it provides medical, mental health and substance abuse services through its 11 acute care hospitals, four skilled nursing facilities, six large diagnostic and treatment centers and more than 80 community and school-based clinics. All of these services are provided to New York City residents regardless of their ability to pay. HHC also provides specialized services such as trauma, high risk neonatal and obstetric care and burn care. HHC acute care hospitals serve as major teaching hospitals. HHC operates a certified home health agency and a health maintenance organization, MetroPlus. HHC is the single largest provider of health care to uninsured New Yorkers. One in every six New Yorkers receives health services at an HHC facility. In 2010, HHC served over 450,000 uninsured patients, a 14 percent increase from the number of uninsured patients served in 2006.

The Corporation also provides emergency and inpatient services to New York City's correctional facilities' inmate population and conducts mental health evaluations for the family courts in the Bronx, Brooklyn, Queens, and Manhattan.

Key Public Services Areas

- Provide comprehensive medical, mental health and substance abuse services to New York City residents regardless of their ability to pay.

Critical Objectives

- Improve health outcomes.
- Achieve/surpass local and national performance for specific health interventions and efficient delivery of health services.
- Reduce unnecessary emergency room visits and re-hospitalizations.
- Improve access to outpatient services.
- Expand enrollment in insurance programs.

SOURCE: Mayor's Preliminary Management Report

Budget Overview

NYC Health & Hospitals Corporation
Accrual Basis
FY 2012 January Budget
($ in millions)

	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
OPERATING REVENUES					
Third Party Revenue					
Medicaid Fee for Service	$1,520.3	$1,504.5	$1,532.3	$1,560.3	$1,590.1
Medicare	684.8	645.1	635.9	622.4	609.9
Other Third Parties which includes Medicaid & Medicare managed care	1,266.2	1,280.2	1,308.1	1,338.4	1,365.1
Pools & Additional Revenues including Self Pay	1,660.6	1,788.9	1,768.9	1,708.4	1,708.4
Subtotal: Third Party Revenue	**$5,131.9**	**$5,218.7**	**$5,245.2**	**$5,229.4**	**$5,273.5**
Funds Appropriated by the City					
Debt Service	($34.6)	($62.0)	($69.1)	($59.4)	($53.0)
Prisoner/Uniform Services	27.6	27.6	27.6	27.6	27.6
Other City Services	7.9	6.1	6.2	6.2	6.2
Unrestricted City Services	0.0	22.6	22.7	22.7	22.7
Adjustment for Prepayment	0.0	0.0	0.0	0.0	0.0
CEO: Nursing Ladder Program	1.2	0.7	0.0	0.0	0.0
WTC- Bellevue Site	2.8	2.8	2.8	2.8	2.8
SART Grant	1.3	0.0	0.0	0.0	0.0
FTA Grant	0.2	0.0	0.0	0.0	0.0
Child Health Clinics	0.0	2.8	2.8	2.8	2.8
Outpatient Pharmacy	0.1	0.8	0.8	0.8	0.8
HIV Transfer	1.2	1.2	1.2	1.2	1.2
Medical Malpractice Transfer	17.3	17.3	17.3	17.3	17.3
Subtotal: Funds Appropriated by the City	**$24.9**	**$19.9**	**$12.1**	**$21.8**	**$28.3**
Grants (including CHP and Intra-City)	**$241.1**	**$215.7**	**$215.7**	**$215.7**	**$215.8**
Other Revenue	**$45.1**	**$46.2**	**$47.3**	**$48.5**	**$49.7**
MetroPlus Premium Revenue	**$1,238.4**	**$1,348.8**	**$1,348.8**	**$1,348.8**	**$1,348.8**
TOTAL OPERATING REVENUES	**$6,681.4**	**$6,849.3**	**$6,869.2**	**$6,864.3**	**$6,916.1**
OPERATING EXPENSES					
Personal Services	$2,595.3	$2,649.2	$2,679.2	$2,730.2	$2,728.2
Fringe Benefits	1,122.9	1,191.8	1,244.4	1,304.1	1,411.0
Other Than Personal Services	1,656.0	1,707.6	1,760.7	1,715.0	1,667.2
Medical Malpractice	144.9	144.9	144.9	144.9	144.9
Affiliations	855.0	880.7	907.0	934.3	962.4
Depreciation	253.3	263.3	273.3	283.3	293.3
Postemployment benefits, other than pension (Excl PYG)	337.9	368.3	401.5	437.6	477.0
TOTAL OPERATING EXPENSES	**$6,965.3**	**$7,205.9**	**$7,411.0**	**$7,549.5**	**$7,684.1**
TOTAL OPERATING INCOME/(LOSS)	**($283.9)**	**($356.5)**	**($541.8)**	**($685.2)**	**($768.0)**
NON-OPERATING REVENUE/(EXPENSE)					
Interest Income	$6.6	$7.0	$5.5	$4.0	$2.0
Interest Expense	($100.0)	($100.0)	($100.0)	($100.0)	($100.0)

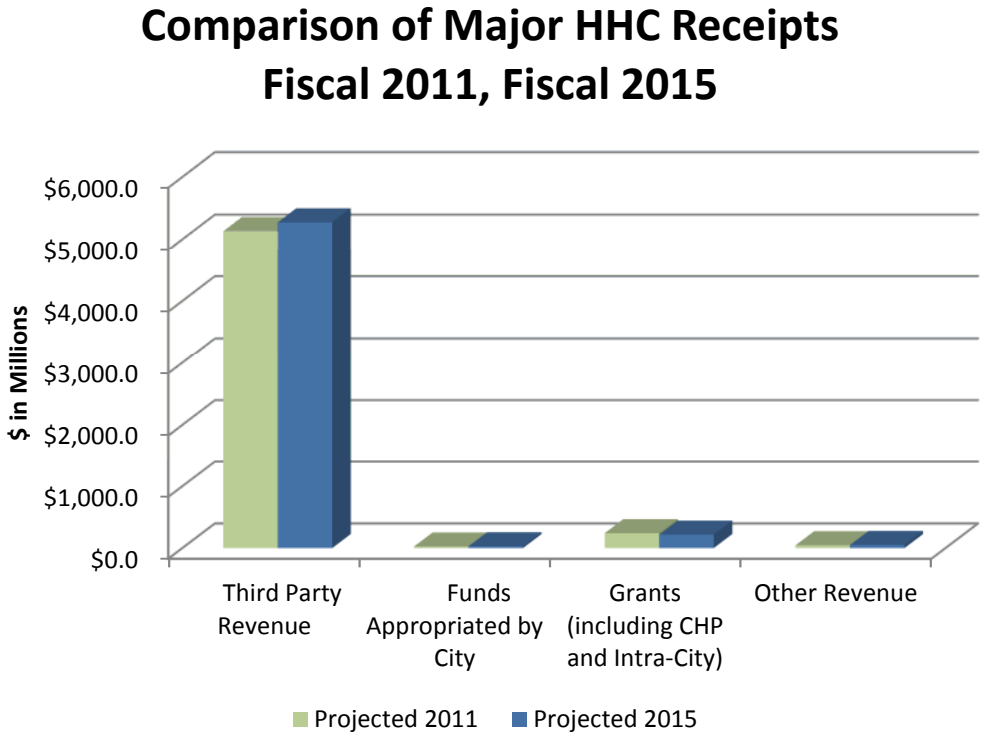
NYC Health & Hospitals Corporation Accrual Basis FY 2012 January Budget ($ in millions)	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Subtotal: Non-Operating Expenses (net)	**($93.3)**	**($93.0)**	**($94.5)**	**($96.0)**	**($98.0)**
PROFIT/(LOSS) BEFORE OTHER CHANGES IN NET ASSETS	**($377.2)**	**($449.5)**	**($636.3)**	**($781.2)**	**($866.0)**
CORRECTIVE ACTIONS					
HHC Savings Initiatives/Cost Containment	$0.0	$28.1	$24.2	$21.1	$21.1
Restructuring	43.0	136.0	261.0	304.0	304.0
To Be Determined	0.0	0.0	0.0	250.0	450.0
Subtotal: Corrective Actions	**43.0**	**164.1**	**285.2**	**575.1**	**775.1**
PROFIT/(LOSS) AFTER CORRECTIVE ACTIONS	**($334.2)**	**($285.4)**	**($351.1)**	**($206.1)**	**($90.9)**
PRIOR YEAR CASH BALANCE	$365.3	$832.5	$581.1	$318.6	$110.9
ACCRUAL TO CASH ADJUSTMENT	801.4	34.0	88.6	(1.6)	11.1
CLOSING CASH BALANCE	**$832.5**	**$581.1**	**$318.6**	**$110.9**	**$31.1**

Background

Under a 1992 financial agreement signed with the City, HHC has the authority to develop a consolidated annual expense and revenue budget, which is then approved by HHC's Board of Directors and subsequently by the City. The agreement allows HHC to develop non-city funding sources for new programs and allows for the retention of any surpluses during a fiscal year. Additionally, the agreement provides for payment of the City's tax levy to HHC in a lump sum thereby indemnifying the Corporation against changes in the City's budget during a fiscal year.

Projected Operating Deficit (Fiscal 2012 through 2015)

Based on its Fiscal 2012 January (Accrual) Financial Plan, HHC anticipates an operating loss of $357 million in Fiscal 2012, a 25 percent increase from its Fiscal 2011 operating loss. This deficit is further exacerbated by an additional $93 million in HHC's non-operating expenses (mainly, interest expense). HHC is currently undertaking corrective actions to mitigate the gap. These corrective actions are comprised of cost containment initiatives and organizational restructuring, which is currently valued at $43 million in savings. Many of these corrective actions are only in the fledging stages of implementation, which is why they are currently listed below the line of HHC's Operating Budget. By Fiscal 2015, when these corrective actions have been fully implemented (and moved above the line), HHC expects to achieve $775 million in annual savings. While these corrective actions should be effective in stemming much of HHC's growing deficit, they are not a panacea for sustaining HHC's overall long-term financial health. Budget actions at the City, State and federal levels each continue to play a critical role in HHC's long-term financial solvency and HHC's cost containment and restructuring efforts can only do so much to compensate for additional losses in government funding.



* Revenue estimates based on HHC's Fiscal 2011-2015 accrual-based financial plan.

Revenues

HHC anticipates its operating revenue will increase from $6.85 billion in Fiscal 2012 to $6.92 billion in Fiscal 2015, reflecting a minimal growth by approximately $66.8 million or slightly less than one percent. Much of the slow growth can be attributed to a stagnation in Third Party Revenue collected by HHC, which comprises more than three-quarters of the HHC's total operating revenue. Third Party Revenue includes,

among other things, reimbursements for pools, Medicaid, Medicare, Upper Payment Limit (UPL) and Disproportionate Share Hospital (DSH) funding and is expected to remain relatively flat, growing about one percent from Fiscal 2012 through Fiscal 2015, or $54.7 million. Much of the projected stagnation in third party revenue in the outyears is attributed to: (1) a slight increase in Medicaid fee-for-service receipts; and (2) scheduled reductions in federal DSH, UPL and Medicare appropriations (or, matches) as prescribed by the Patient Protection and Affordable Care Act of 2010 (the federal Healthcare Reform Law).

Nevertheless, the DSH and UPL reductions aren't slated for roll-out until 2014 and there is some flexibility with regard to how these reductions will be administered. The federal government directly allots its share of DSH and UPL matches to the states and not to individual localities. Each state determines its own methodology for distributing its DSH allotment among its localities. Additionally, it is important to note that is highly likely that between now and 2014, these slated reduction amounts and roll-out schedules will be subject to change based on the priorities of both the federal Administration and Congress.

MetroPlus premium revenue, a significant (albeit, indirect source) of revenue for HHC, is expected to remain completely flat at $1.3 billion from Fiscal 2012 through Fiscal 2015. MetroPlus premium revenues are collected by HHC and paid out to its health maintenance organization, MetroPlus.

In the short term (from Fiscal 2011 to Fiscal 2012), funds appropriated by the City are projected to go down by 20.1 percent, or $5 million. While HHC is expecting to receive an additional $23 million from the City in the form of an unrestricted subsidy, this additional revenue is entirely offset by an increase in City funds budgeted for debt service payments by $27 million, or 79 percent (these funds are subtracted from the total City appropriation). Additionally, the February 2012 budget also incorporates planned reductions in services resulting from the City's PEG program.

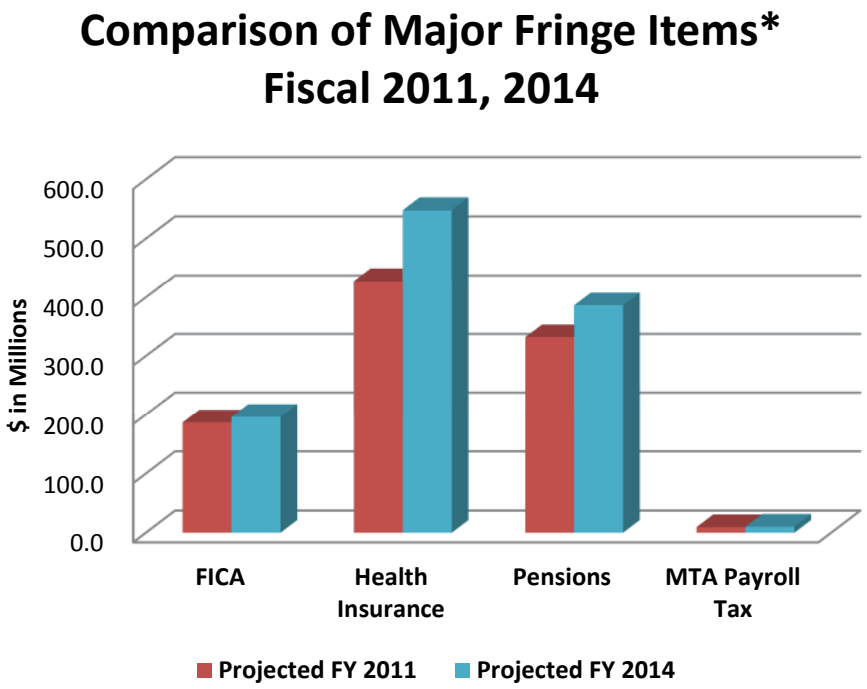
In the more intermediate term (From Fiscal 2012 through Fiscal 2015), however, City tax levy funding appropriated to HHC actually grows by $8.4 million, or 41.9 percent, accounting for a noticeable decrease (about 15 percent) in funds budgeted for debt service payments.

Revenues from grants and other miscellaneous receipts are also expected to remain stagnant from Fiscal 2012 through Fiscal 2015.

Expenses

HHC projects total operating expenses to grow from almost $7 billion in Fiscal 2011 to $7.2 billion by Fiscal 2015, an increase of nearly $241 million, or 3.5 percent. Personal Services (PS) costs (salaries) and fringe benefits comprise a majority of HHC's operating expenses and, respectively, account for 37 percent and 17 percent of the overall share of HHC's operating expenses. Projected spending for personal services will increase from $2.6 billion in Fiscal 2012 to $2.7 billion in Fiscal 2015. This projected increase of $79.1 million in PS expenses is based on the City's proposed collective bargaining pattern which increases by three percent from Fiscal 2012 to 2015.

Fringe benefits paid out will substantially increase between Fiscal 2011 and Fiscal 2015. Fringe benefits are expected to grow by $1.1 billion in Fiscal 2012 to $1.4 billion in Fiscal 2015, reflecting an 18 percent or $219 million overall increase. Much of the growth in fringe payments is attributed to considerable increases in pension and health insurance costs, which are expected to increase by 16.4 percent and 28.1 percent, respectively, from Fiscal 2011 to Fiscal 2014.



* Expense estimates based on HHC's Fiscal 2011-2014 cash-based financial plan.

With regard to other estimated expenses, HHC applied a three percent inflator to its projections for other than personal services projections and a three percent growth rate to its estimates for affiliations. These inflators are loosely based on a weighted average of inflation estimates for items such as the annual cost of prescription drugs, utilities and physicians salaries.

Fiscal 2011-2014 Corrective Actions – Cost Containment and Restructuring Plan Update

Background

Over the last five years, HHC has encountered numerous financial challenges that have threatened its long-term financial solvency. Employee fringe benefits (including pensions and health insurance costs) grew by $340 million. HHC had sustained Medicaid reimbursement cuts in the amount of $330 million annually for the last three consecutive years while serving an increasing number of uninsured patients. Supplemental Federal Medicaid Assistance Percentages (FMAP) stimulus funding to HHC has ended. Medicaid reimbursement rates have remained far below the actual cost of care. Altogether, these factors have substantially contributed to projections of a growing unsustainable structural deficit.

In early February 2009, HHC responded to these destabilizing challenges by embarking on a series of initiatives to contain costs and increase operation effectiveness, while continuing to improve the system's competitiveness. Despite realizing combined savings and revenues in the amount of $210 million by the end of Fiscal 2010, HHC's total projected expenses for Fiscal 2011 had still far exceeded its total projected revenue by roughly $1 billion. Working with Deliotte Consulting, HHC developed a plan to restructure its entire system with the ultimate goals of creating a more effective model of care and identifying additional cost containment options to address projected budget deficits.

On May 11, 2010, HHC released its restructuring plan, known as "The Road Ahead", which details a series of corrective actions designed to help reduce the Corporation's projected Fiscal 2011 $1.3 billion deficit over the next four fiscal years. The restructuring program delineates 39 distinct initiatives to achieve savings

that would generate approximately $300 million annually when fully implemented. The full plan can be viewed at http://www.nyc.gov/html/hhc/downloads/pdf/hhc-road-ahead-report.pdf. A majority of the savings are designed to be achieved through reductions in personnel, which includes reducing HHC's workforce by approximately 3,700 positions, or a ten percent reduction, through layoffs and attrition. Other cost containment components of this plan involve reducing Other than Personal Services costs, improving payment collection, consolidating programs, streamlining contracting and closing a number of clinics with low patient volume.

The following areas have been and will continue to be impacted by HHC's restructuring plan:

New Initiatives ($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014
Administrative/Shared Services – To target benchmark efficiencies in multiple administrative areas by creating cost effective shared services operations and contracting out the management and/or provision of ancillary services.	$40	$49	$141	$141
Affiliation/Physician Services Realignment – To match contracted provider resources to patient volumes and need; reduce administrative positions.	$51	$51	$51	$51
Long Term Care Realignment – to better match HHC's long term care bed capacity to patient demand for skilled nursing and chronic hospital services; consolidate administrative and support services where possible; consolidate under-utilized services.	$0	$16	$44	$47
Ambulatory Care Realignment -- to consolidate some specialty outpatient services; close six satellite clinics with low utilization; pursue alternative administrative models for delivering outpatient services.	$2	$14	$14	$39
Acute Care Realignment -- to improve care management and reduce patients' length of time in hospital; facilitate the retention of more surgeries within the HHC system; consolidate selected inpatient services.	$0	$6	$11	$26
Expenses – budgeted to account for a one-time fee/severance associated with employee headcount reduction efforts.	*($50)*	--	--	--
TOTAL	**$43**	**$136**	**$261**	**$304**

- **Administrative/Shared Services.** The projected $141 million savings, representing a majority of the plan's overall savings, includes (a) the reduction of construction and maintenance staff, (b) contracting with a commercial lab to manage four of HHC's major laboratories and (c) efficiencies in multiple administrative areas including finance, human resources, and legal services among others, reductions of central office operations and information technology contract staff, and outsourcing of laundry and linen operations.
- **Affiliation/Physician Services Realignment.** The projected $51 million in savings accounts for the reduction by six percent of HHC's affiliation contracts with physicians and health professional services.
- **Long Term Care Realignment.** The projected $47 million in savings will be achieved through (a) the reduction of 300 long term care beds at HHC's four skilled nursing facilities (SNFs), (b) the closure and consolidation of under-utilized services at HHC's Coler-Goldwater specialty hospital and nursing facility, (c) the consolidation of administrative and support services at select long-term care facilities, (d) the rebalance of long-term staff to increase direct patient hours, (e) improvement of the admissions coding and collection process to optimize reimbursements and (f) increased patient access to sub-acute rehabilitation and brain surgeries at long-term care facilities.

- **Ambulatory Care Realignment**. The projected $39 million in savings includes (a) HHC's proposal to seek Federally-Qualified Health Center (FQHC) status for its six diagnostic and treatment centers (D&TC's) – achieving FQHC status could generate approximately $25 million in additional revenue to HHC, (b) repositioning HHC specialty services such as cardiology, endocrinology, pulmonary and gastroenterology to attract more inpatient volume, (c) consolidating specialty care clinics offering services such as dermatology, rheumatology, pain management and other specialty services into one specialty operation site per HHC network or borough, (d) outsourcing outpatient chronic dialysis services, and (e) the closure of five child health clinics and one dental clinic as a result of underutilization (which is defined as less than 10,000 patients served annually).
- **Acute Care Realignment.** The projected $26 million in savings includes (a) reducing excess inpatient hospital length-of-stay, (b) expanding surgical volume by improving the operating room processes and recapturing surgeries performed outside of HHC, (c) consolidating prison units to one acute care facility (instead of two) and (d) consolidating HHC's joint/spine surgical volume to one location per borough or HHC network.

Achievements to-date

Cost containment began in 2009 and included consolidating some primary care services into sites with the capacity to absorb more patients, improving the management and operations of ancillary services to reduce expenditures, and reducing the workforce through attrition. Many of these cost containment measures are already reflected in HHC's Fiscal 2012 Preliminary Financial Plan.

New York City Health and Hospitals Corporation
Overview of Major Cost Containment Initiatives
($ in Millions)

HHC Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OTPS Savings	$70.0	$70.0	$70.0	$70.0	$70.0
PS Attrition (FTE headcount reduction)	80.0	125.0	125.0	125.0	125.0
MetroPlus Risk Savings	35.0	20.0	20.0	20.0	20.0
Improved Collections	25.0	58.0	91.5	91.5	91.5
TOTAL SAVINGS	$210.0	$273.0	$306.5	$306.5	$306.5

Since 2009, HHC is already on target to achieve a total of $483 million in accumulated savings through its preliminary cost containment initiatives (Fiscal 2010 savings: $210 million; Fiscal 2011 savings: $273 million). HHC is also on target to reach full implementation of these cost containment initiatives by Fiscal 2012.

Clinic Closures

HHC has already closed nine small, low-patient volume clinics through its initial cost containment plan and is on target to close another six clinics, as prescribed by HHC's restructuring plan by the close of Fiscal 2011 (June 2011):

Clinic Closures in Fiscal Years 2009-10:

Name of Clinic*	Location	Patients Served	Alternate HHC Service Location(s)
Community Clinics			
Highbridge Health Center	1015 Ogden Avenue, Bronx	1,834	Lincoln Hospital, Morrisania, Belvis
Sunnyside Medical Center	43-12 43rd Street, Sunnyside	1,916	Elmhurst Hospital Center
Springfield Gardens Medical Ctr	134-64 Springfield Blvd., Springfield Gardens	3,800	QHC, Parsons or South Queens Multi-Service Ctr
Charles R. Drew Center	168-10 Archer Avenue, Jamaica	499	QHC, Parsons or South Queens Multi-Service Ctr
Sheepshead Bay Clinic	3121 Ocean Avenue, Brooklyn	3,969	Coney Island Hospital
School based mental health programs			
PS 90	2840 West 12th Street, Brooklyn	45	Coney Island Hospital
PS 225	1975 Ocean View Avenue, Brooklyn	36	Coney Island Hospital
PS 329	2929 West 30th Street, Brooklyn	53	Coney Island Hospital
IS 96	99 Avenue P, Brooklyn	53	Coney Island Hospital

Clinic Closures Scheduled for Fiscal 2011:

Name of Clinic*	Location	Patients Served	Alternate HHC Service Location(s)
Child Health Clinics			
Wyckoff Child Health Clinic	266 Wyckoff Street, Brooklyn	362	Cumberland DT&C
Glebe Child Health Clinic	214 Glebe Ave., Bronx	513	Jacobi Medical Center
Fifth Avenue Child Health Clinic	503 Fifth Ave., Brooklyn	872	Kings County Hospital
Howard Houses Child Health Clinic	1620 East New York Ave., Brooklyn	962	East New York DT&C
Astoria Child Health Clinic	12-36 31st Ave., Long Island City	1,167	Elmhurst Hospital Center**
Dental Clinic(s)			
Williamsburg Dental Clinic	214 Graham Ave., Brooklyn	2,152	Woodhull Medical Center

*Clinic closures and alternate HHC service locations were determined based on the following considerations: (1) service utilization; (2) proximity to other HHC-operated service locations (mainly, other clinics, DT&Cs and hospitals); and (3) access transportation.

**Upon closure of the Astoria Child Health Clinic, a provider opened up a new site nearby to receive many of those displaced patients; the balance of displaced patients are now receiving services at HHC's Elmhurst Hospital Center.

Personal Services (Headcount Reduction)

As part of its corrective actions, HHC plans to reduce its workforce by a total of 3,700 full time employees (FTE) by the end of Fiscal 2013 (June 2014). HHC is well on its way toward achieving its overall headcount reduction target. Since February 2009, HHC has already trimmed its workforce by 1,941 full time employee (FTE) positions. A total of 1,341 of these positions were eliminated from February 2009 through June 2010. Another 1,000 FTE positions are targeted for elimination by the end of Fiscal 2011. Since the beginning of

Fiscal 2011 (July 2010), HHC reduced its FTE staff by 600 positions. A total of 355 of these positions were eliminated as part of HHC's restructuring plan, with 175 positions lost through trades contract eliminations, 50 FTE positions eliminated through central staff layoffs and 30 positions were lost through one of the six clinic closures targeted for Fiscal 2011. The remaining 345 FTE positions have been eliminated through attrition. This headcount includes restructuring initiatives ahead of target (e.g., attritted positions that have not been backfilled). The balance of the overall reduction target, approximately 1,360 positions, will be achieved in the latter half of Fiscal 2011 through Fiscal 2013.

To help achieve these targeted headcount reductions, HHC has implemented a hiring freeze with exemptions for critical care, emergency and revenue generating positions. Requests for exemption for individual positions are submitted to HHC's Vacancy Control Board (VCB) for review. Positions are either approved or denied by the VCB and forwarded to the President for final review.

MetroPlus Risk Savings

HHC's risk agreement with MetroPlus yielded a $35 million surplus in Fiscal 2010. These savings were generated through more efficient provider contracting, increased utilization, quality review of inpatient services and aggressive management of Clinical Risk Group (CRG) acuity measures – which translate into increased revenue from the State Department of Health.

Other than Personal Services Expenditures

HHC has realized an additional $70 million in savings through reducing spending on equipment and minor renovations, reducing inventory, negotiating better pricing on medical/surgical supplies and implementing tighter controls on travel and other non-essential other than personal services spending. Notably, the Corporation has discontinued the use of operating funds for capital eligible fixed assets.

Improved Collections

In the past year, HHC has embarked on Breakthrough initiatives (an approach to performance improvement) to review charge capture (the capture of information for use in a medical claim document, a critical element of the overall revenue cycle) across the Corporation. As a result, the Corporation has hosted corporate-wide charge capture Rapid Improvement Events (RIEs) which have identified over $135 million in potential revenue. HHC has also been working with Provider Consultant Solutions (PCS) to identify areas of opportunity. PCS consults primarily on documentation & coding training & medical record review to analyze data and review medical records. PCS has also assisted in the development of tools and training curriculum for inpatient coding and documentation.

HHC has also entered into hospital agreements with Aetna, United Healthcare and Oxford to diversify its patient base and attract more commercial referrals from community physicians. In addition, the Corporation has been working on revenue recovery efforts with participating and non-participating plans.

Other Corrective Actions – Supplemental Medicaid Maximization

In recognition of future supplemental Medicaid reductions (in DSH and UPL), last year HHC successfully lobbied the State of New York to include language in its budget allowing for New York City to draw down the full amount of DSH funding eligible for HHC so long as the City agrees to a 50 percent match with the federal government. This corrective action has since been incorporated into HHC's revenue budget:

NYC Health & Hospitals Corporation
***Cash Basis* – DSH Payment Revenues ONLY**
FY 2012 January Budget
($ in millions)

	Actuals 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Disproportionate Share Hospital (DSH) Payment						
Hospital	*$495.0	$165.0	$330.0	$330.0	$313.5	$313.5
DSH Maximization	*600.0	304.9	387.2	367.2	329.8	329.8
Total DSH Payment	**$1,095.0**	**$469.9**	**$717.2**	**$697.2**	**$643.3**	**$643.3**

*Amounts reflect one-time supplemental (ARRA) FMAP funding, which has since been discontinued.

Additionally, the City's Human Resources Administration (HRA) Fiscal 2012 Preliminary Budget reflects City support (the City's portion of DSH maximization contributions) to HHC with additional allocations of $25 million in Fiscal 2011, $129 million Fiscal 2012 and $200 million in Fiscal Years 2013 and 2014.

It is important to note that while the City has so far agreed to the annual match it is also possible that future fiscal and political climates will compromise the City's ability to afford the match. Moreover, while HHC may be able to partially offset planned reductions in DSH subsidies with this optional drawdown, the City's ability to access these funds is also dependent upon the language written in the budget. This language could be subject to change; however, HHC has received no indication to believe potential changes would be in store for the near future.

Additional State Issues and Highlights – Medicaid Redesign Team (MRT)

HHC's February 2012 Financial Plan *does not* account for budget actions at the State level. While HHC's budget for the current fiscal year and in the outyears will be significantly affected by State Medicaid cuts, specific details regarding these actions are still being developed. State budget impact estimates to HHC will likely become available for the upcoming Executive Budget Hearing Report on HHC.

In early Calendar Year (CY) 2011, Governor Cuomo nominated a team of 27 health care stakeholders, known as the Medicaid Redesign Team (MRT), to find ways to reduce costs in the amount of $2.85 billion in the state's Medicaid program for the upcoming 2011-12 fiscal year and by $4.6 billion for Fiscal Year 2012-2013. The Fiscal 2011-12 target has since been reduced to $2.3 billion.

Based on the MRT recommendations, the State's Fiscal 2011-12 Executive Budget proposes approximately $2.3 billion in reduced State Medicaid spending through a combination of (a) implementing across-the-board rate reductions, (b) eliminating statutory cost drivers (mainly, eliminating trend factor payments to health care institutions and health management organizations, which is an annual cost increase to reflect increased costs of providing care), (c) maximizing the value of federal funds, (d) implementing programmatic and structural reforms and (e) working with key stakeholders of the health care industry to devise other cost containment initiatives. While this redesign package is still in draft form and subject to

change, HHC's most recent financial impact estimates forecast an annual $118 million loss to HHC beginning in the upcoming fiscal year (including a $65 million direct impact to MetroPlus):

Estimate Potential MRT Impact to HHC:

MRT Proposal	Annual Est. Impact to HHC (in millions)
Rate Reductions	
2% Across the Board Rate Reduction (institutions)	($27.8)
Trend Factor Elimination (institutions)	(23.6)
2% Across the Board Rate Reduction (HMOs)*- hit to MetroPlus	(22.8)
Trend Factor Reduction (HMOs)* - hit to MetroPlus	(19.4)
Rate Reductions Subtotal	**($93.6)**
Programmatic Reforms	
HMO Profit Reduction* - hit to MetroPlus	($19.6)
Remove Physician Component from Ambulatory Patient Group (APG) Base Rates	(5.0)
Reduce Inappropriate Use of Certain Services	(4.2)
Eliminate Direct Marketing of Medicaid Recipients by Medicaid Managed Care Plans*	(3.6)
Align Medicare Part B clinic coinsurance with Medicaid coverage and rates	(2.7)
Utilization Controls on Behavioral Health Clinics	(2.3)
All Other Proposals**	12.7
Programmatic Reforms Subtotal	**($24.7)**
Total	**($118.3)**

*Proposed reduction would be a direct impact to MetroPlus and, consequently, an indirect impact to HHC.

**Also includes items that could redirect more State funds to HHC (mainly, proposal #131: Reform Medical Malpractice and Patient Safety).

To reiterate, the rough financial estimates presented in the above table *are not final*. They are merely offered as an illustration of how State Medicaid redesign efforts *could* impact HHC. More than half of the estimated impact would to fall on MetroPlus. Rate reductions could account for nearly 80 percent of the overall estimated impact to HHC (not accounting for the proposal to remove physician APG base rates, which also structurally functions as a rate reduction).

HHC expects the rate reductions to hit first, since these reforms can be implemented immediately. The programmatic reforms would take longer to implement with a gradual impact over time to HHC. For example, one of the proposals requires all Medicaid beneficiaries to be enrolled in managed care (currently, many are not). The effort to enroll this targeted population is expected to take some time, with HHC not realizing the full impact of the reform until implementation has been completed. Similarly, enforcing cost utilization controls, another MRT proposal, would occur over time among hospitals and providers.

Some of the proposals offered in the MRT package may stand to benefit HHC. The proposal to create health homes for Medicaid enrollees with chronic diseases would take advantage of a 90 percent federal match and would transition these patients (who are often considered to be high-end users of the system) to a more cost-effective model of care. This particular Medicaid population often receives care in a disjointed or fragmented manner and could benefit from better coordination and management of the health and long-term services offered through health homes. Health homes are designed to be person-centered systems of care that facilitate access to and coordination of the full array of primary and acute physical health services, behavioral health care, and long-term community-based services and supports. HHC has been working closely with the State Department of Health on this issue.

HHC could also expect to gain from another reform, a "Supportive Housing Initiative," where the goal is to create between 5,000 and 10,000 housing opportunities for persons at risk of nursing home or other institutional placements. The availability of supportive housing units enables HHC to expedite the discharge of patients that don't require the intensive level of care offered at skilled nursing facilities, where the cost of care is much higher. Many of HHC's long-term care patients have a history of homelessness (for whom there are limited housing options in the City) and cannot be discharged without a place to go. Supportive housing offers this population an appropriate discharge setting for continued-care while reducing the number of nursing home beds (resulting in a savings to both HHC and the State).

Given the current ambiguous nature of the proposed cuts (including amounts and implementation), it is also not clear how these proposed reforms and subsequent estimated reductions in State Medicaid payments to HHC will specifically affect HHC's services. Likewise, facility-specific estimates on State budget impact were also unavailable at the time this report was published.

City Council Funding and Initiatives

The Council has routinely provided funding for HIV testing and the expansion of health services. Additionally, the Council restored nearly $2 million to HHC to maintain service operations at an HHC Developmental Evaluation Clinic, to maintain services for patients suffering from mental health disorders, substance abuse and/or mental retardation/developmental disability. This funding is not included in the Fiscal 2012 Preliminary Budget.

FY 2011 Council Changes at Adoption *Dollars in Thousands*	
HHC (via)DOHMH	
Rapid HIV testing	$2,000
Child Health Clinics	5,000
Subtotal	**$7,000**
HHC	
Mental Health PEG Restoration	$800
HHC Kings County Hospital DEC PEG Restoration	400
Primary Care Initiative	670
Subtotal	**$1,870**
TOTAL	**$8,870**

- **Rapid HIV Testing Initiative.** In Fiscal 2011 the Council provided $2 million to HHC via the Department of Health and Mental Hygiene (DOHMH), for the expansion of HHC's HIV rapid testing, which detects antibody to HIV and screens quickly, usually in 5 to 30 minutes, and for counseling services on a routine basis beyond AIDS centers and prenatal care clinics. This funding assists in the expansion of testing to patients who are hospitalized, to patients who are seeking care in hospital emergency rooms and in many out-patient clinics.
- **Child Health Clinics.** In Fiscal 2011 the Council provided $5 million to HHC via DOHMH for Child Health Clinics. Child Health Clinics provides infants, children, and adolescents with quality medical care, including primary, reproductive, and mental health services. These clinics staffed by nurses and pediatricians who speak a variety of languages and are conveniently located city-wide. This funding ensures that child health clinics will remain open, and continue to provide enhanced levels of access and quality care.

- **Mental Health PEG Restoration.** In Fiscal 2010, the Council restored $800,000 in funding to HHC for mental health, substance abuse and mental retardation/developmental disability services and continued to it in Fiscal 2011. As a result, HHC's Queens and Renaissance Health Care Network Diagnostic & Treatment Centers have been able to remain open.
- **HHC Kings County Hospital Developmental Evaluation Clinic PEG Restoration**. In Fiscal 2011, the Council restored funding to HHC's Kings County Hospital Developmental Evaluation Clinic (DEC). This restoration allowed the clinic to remain open and serve approximately 400 patients and their families.
- **Primary Care Initiative.** In Fiscal 2011, the Council allocated $669,000 to DOHMH to expand services at school-based clinics and HHC health care facilities. A total of $216,000 was designated to the Baruch Family Health Center in Manhattan and $270,000 was designated to the Greenpoint Family Health Center in Brooklyn. The remaining $183,600 was used to fund operating losses at HHC's 27 school-based health programs located throughout the City.

Performance Measures

The following performance measures were reported in the Mayor's Preliminary Management Report for HHC.

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
Percentage of prenatal patients retained in care through delivery	89.0%	89.2%	86.5%	89.6%	90.0%
Percent of eligible women aged 40-70 receiving a mammogram screening from HHC	70.9%	71.0%	72.8%	72.1%	70.0%
Percent of HIV patients using dedicated HIV clinics	99.0%	99.3%	99.2%	99.2%	99.0%
Percent of two-year olds immunized	97.0%	97.0%	96.5%	NA	98.0%
General care average length of stay (days)	4.7	4.6	4.6	4.6	4.7
Emergency room revisits for adult asthma patients (%)	5.2%	4.7%	5.1%	5.8%	5.0%
Emergency room revisits for pediatric asthma patients (%)	3.1%	3.3%	3.2%	2.3%	3.2%
Percent of adult patients discharged with a principal psychiatry diagnosis who are readmitted within 15 days	4.6%	5.2%	5.1%	5.3%	5.0%
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Adult medicine	66	60	59	61	60
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Pediatric medicine	59	61	58	60	60
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Women's health	59	60	61	60	60
Uninsured patients served	448,705	452,576	NA	NA	NA
Total Medicaid Managed Care, Child Health Plus and Family Health Plus enrollees	373,284	436,526	474,118	478,356	450,000

	FY 08	FY 09	FY 10	FY 11 4-Month Actual	Target FY 12
MetroPlus Medicaid, Child Health Plus and Family Health Plus enrollees	323,746	355,172	383,797	388,238	402,845
Net days of revenue for Accounts Receivable	59.17	56.28	55.51	53.56	56.00

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The percentage of eligible women ages 40 to 70 receiving a mammogram at the end of the first quarter of Fiscal 2011 increased from 70.3 percent to 72.1 percent compared to the same period last year and surpassed the Corporation's target of 70 percent. HHC will maintain efforts to increase the number of women ages 40 to 70 screened to enhance breast cancer detection and reduce mortality.

As a result of the efficient care provided by HHC staff, the general care average length of stay (excluding psychiatry and rehabilitation) at HHC hospitals remained stable at 4.6 days and has exceeded the Corporate target of 4.7 days at the end the first four months of Fiscal 2011.

The proportion of patients living with HIV/AIDS at HHC acute care facilities who use dedicated HIV clinics remained unchanged at 99.2 percent from the prior year. HHC is committed to improving the quality of life for its patients living with HIV/AIDS.

As a result of the efforts of facility-specific asthma programs that provide close follow-up of asthma patients, the rate of emergency room revisits within seven days of discharges for pediatric asthma patients decreased from 3.2 percent in the first quarter of Fiscal 2010 to 2.3 percent in the first quarter of Fiscal 2011. For those patients who do visit the Emergency Department, a follow-up clinic visit is scheduled and each patient is referred to his or her primary care provider (PCP). Those patients who do not have a PCP are assigned to one.

At the end of the first four months of Fiscal 2011, HHC was able to meet the average cycle time goal of 60 minutes for two of the three primary care services (pediatric and women's health). The average cycle time for an adult medicine care clinic visit was above the target at 61 minutes.

As a result of operational efficiency, the net days of revenue for accounts receivable has decreased from 54.5 in the first quarter of 2010 to 53.6 in the first quarter of Fiscal 2011. This indicator reflects the efficiency of HHC's collection of accounts receivable.

Capital Program

Agency Overview

HHC leases its facilities and equipment from the City at a cost of $1 per year. The Corporation operates 11 acute care hospitals, four skilled nursing facilities, six diagnostic and treatment centers and more than 80 community-based health clinics. HHC Health and Home Care, a division of HHC, provides in-home services for New Yorkers. HHC also operates some facilities, which are financed by the New York State Housing Finance Agency (HFA) and leased to the City on behalf of HHC.

2011-2014 Commitment Plan: Adopted and Preliminary Budget

Dollars in Thousands

	FY11	FY12	FY13	FY14	Total
Adopted					
Total Capital Plan	$225,471	$57,677	$119,036	$47,366	**$449,550**
Prelim					
Total Capital Plan	$295,473	$218,224	$186,302	$53,415	**$753,414**
Change					
Level	$70,002	$160,547	$67,266	$6,049	**$303,864**
Percentage	31.05%	278.36%	56.51%	12.77%	**67.59%**

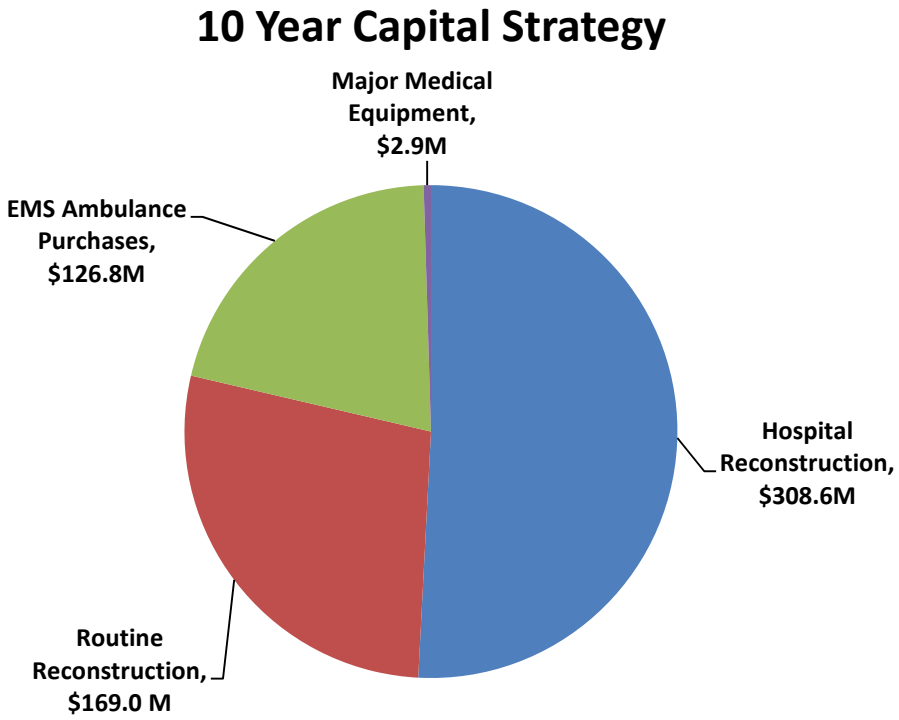
Capital Budget Summary

The February 2011 Capital Commitment Plan includes $753 million in Fiscal 2011-2014 for the New York City Health and Hospitals Corporation (including City and Non-City funds). This represents 2.3 percent of the City's total $33.2 billion February Plan for Fiscal 2011-2014. The agency's February Commitment Plan for Fiscal 2011-2014 is 68 percent more than the $450 million scheduled in the September Commitment Plan, an increase of $304 million.

Over the past five years (2006-2010) the Health and Hospitals Corporation has only committed an average of 44.3 percent of its annual Capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2011 Capital Plan will be rolled into Fiscal 2012, thus increasing the size of the Fiscal 2012-2015 Capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2011 has increased from $225,000 million to $295 million, an increase of $70 million or 31 percent.

Currently the Health and Hospitals Corporation's appropriations total $152.4 million in City funds for Fiscal 2011. These appropriations are to be used to finance the Corporation's $354.4 million City-funded Fiscal 2011 Capital Commitment Program. The agency has $202 million, or 57 percent more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

The Department's Ten-Year Capital Strategy includes a total of $607.3 million in funding for:



Preliminary Budget Highlights

Major Capital projects in the agency's Fiscal 2012 February Capital Plan for Fiscal 2011-2014 include the ongoing modernization of Harlem Hospital Center and Gouverneur Healthcare Services, as well as a new project at North General.

Harlem Hospital Center

This modernization includes the construction of a new Diagnostic, Treatment, Emergency and Critical Care Pavilion of approximately 195,000 square feet and a new FDNY EMS station. The major campus-wide modernization of the Harlem Hospital Campus continues through 2014.

The City has committed has $172,905 million over FY 2012-2013 towards HHC's Harlem Hospital Center modernization project. This campus-wide effort has already begun and it involves the construction of a new Diagnostic, Treatment, Emergency and Critical Care Pavilion of approximately 195,000 square feet and a new FDNY EMS station.

Originally, this plan had included a project to renovate the Martin Luther King (MLK) Pavilion and then to connect the MLK Pavilion to both the newly constructed pavilion and the Ron Brown Ambulatory Care Pavilion. However, construction of the MLK pavilion has been put on hold due to recent budget cuts. Construction for the entire modernization project began in the fall of 2005 and is scheduled for completion in at the end of this calendar year. HHC reports that this project is already 60-65 percent complete and should be on target to meet its completion deadline.

Gouverneur Healthcare Services

Gouverneur Healthcare Services is in the midst of a major modernization and expansion project with $89.3 million over FY2012-2021. This modernization includes the construction of a new 108,000 square foot ambulatory care pavilion and long-term care bed tower and the renovation of the existing building.

Gouverneur Healthcare Services, a long term care nursing facility and the largest City-run community health center, began construction in 2008 on a major $180 million, four-year modernization project that will expand primary and preventive care services, transform the clinical and residential environments, and create a larger, modern, 295-bed nursing facility to serve the Lower East Side and Chinatown community.

The project is part of a citywide, five-year $1.2 billion capital investment program to modernize and rebuild New York City Health and Hospital (HHC) facilities and further improve the quality of healthcare services for all New Yorkers.

North General

A total of $91.6 million is included in the Plan for the consolidation and relocation of the Coler-Goldwater nursing home to North General Hospital in Harlem. HHC operates two Coler sites on Roosevelt Island: Coler-Goldwater Specialty Hospital and Nursing Facility Goldwater and Coler Campus. This project is three-fold. HHC will: (1) decant its Goldwater site on Roosevelt Island, construct a new building on the North General site and relocate its Coler-Goldwater nursing home to North General Hospital in Harlem; (2) terminate its Coler Campus site; and (3) consolidate Roosevelt Island operations on its Coler-Goldwater site. This plan involves a combination of City and State funding and is slated for completion by the end of calendar year 2014.

Specifically, this plan calls for the relocation of approximately 280 long-term acute hospital beds from the Goldwater campus to the main hospital building of the former North General Hospital by early 2012. A skilled nursing facility will be built on the parking lot parcel of North General, and 270 to 300 skilled nursing facility beds from Goldwater will be relocated there by late summer 2014. This plan also includes construction efforts to complete code requirements and replace essential systems on the Coler campus.

Preliminary Ten-year Strategy

As indicated in the above section, “Preliminary Budget Highlights”, HHC is in the midst of major or partial reconstruction at many of its facilities. The Health and Hospitals Corporation is continuing to modernize many of its hospitals and facilities across the City with $607.3 million in the current capital plan. This plan includes projects to address the following criteria: (a) major modernizations to replace or renovate aging facilities intended to improve market share, operational efficiencies, and patient satisfaction; (b) satisfying regulatory requirements and/or correct code deficiencies; (c) rehabilitating building components and systems to improve safety, patient comfort, and operations; (d) replacing medical equipment; and (e) replacing aging ambulance fleet for the FDNY/EMS.

The funding of the Corporation’s capital plan is accomplished through a combination of City General Obligation bonds and Dormitory Authority of the State of New York (DASNY) financed bonds.

Appendix A: Budget Actions in the November and February Plans

Dollars in thousands	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2010 Plan	**$86,329**	**$98,137**	**$184,466**	**$110,210**	**$87,331**	**$197,541**
Program to Eliminate the Gap (PEGs)						
CEO: HHC Career Ladder Program	($100)	$0	($100)	$0	$0	$0
City Council Reductions	(422)	(103)	(524)	0	0	0
Eliminate SART Program	0	0	0	(1,272)	0	(1,272)
Intra-Cities with HHC	0	(2,382)	(2,382)	0	(4,162)	(4,162)
Reduction of Unrestricted City Subsidy	(2,888)	0	(2,888)	(7,143)	0	(7,143)
Reestimate of spending for Medical Malpractice	(400)	0	(400)	(400)	0	(400)
Total, PEGs	**($4,231)**	**($2,587)**	**($6,818**	**($8,815)**	**($4,162)**	**($12,977)**
Other Adjustments						
Nov Plan						
7-26-10 OASA State AID Letter	$0	$1,475	$1,475	$0	$1,475	$1,475
HHC - Collective Bargaining	0	1,348	1,348	0	1,348	1,348
HHC Child Health Transfer	0	0	0	2,763	(2,763)	0
HHC - Correctional Health	0	8	8	0	0	0
HHC HIV Realignment	0	(335)	(335)	0	(335)	(335)
HHC HIV Transfer	1,235	(1,235)	0	1,197	(1,197)	0
HHC Outpatient Medication Transfer	141	(141)	0	819	(819)	0
HHC/Harlem Realignment	0	(23)	(23)	0	(26)	(26)
IC W/HHC - Harlem Hospital	0	1,214	1,214	0	0	0
IC W/HHC - Prophylactic Svcs	0	5	5	0	0	0
IC W/ HHC Rapid Testing	0	0	0	0	0	0
IC W/ Springfield& Acorn	0	451	451	0	0	0
IC W/ HHC - Chemical Dependency	0	(1,813)	(1,813)	0	(1,813)	(1,813)
IC W/ HHC - Correctional Health	0	1,716	1,716	0	0	0
IC W/ HHC - Correctional & Child	0	1,208	1,208	0	0	0
IC W/ HHC - Collective Bargaining	0	770	770	0	770	770
Jan10 PEG Realignment	0	192	192	0	192	192
Kings County Signage	0	212	212	0	0	0
Mental Hygiene Realignment	0	(205)	(205)	0	(205)	(205)
Mhy Funding Shift HHC	0	240	240	0	240	240
Transfer Medicaid Inmate Revenue from HRA to HHC	(25,000)	25,000	0	(25,000)	25,000	0
Nov Plan Subtotal	($23,625)	$30,090	$6,465	($20,221)	$21,868	$1,647
Nov Plan Subtotal	**($27,012)**	**$27,979**	**$967**	**($28,296)**	**$8,902**	**($19,394)**
Prelim Plan						
AOT Functional Transfer	$0	($2,169)	($2,169)	$0	($8,639)	($8,639)
CEO: HHC Career Ladder Program	0	0	0	740	0	740
CHAT funds 651 to 51A	0	1,709	1,709	0	0	0
FY11 HHCRENT	0	(172)	(172)	0	(166)	(166)
IC W/ HHC - STOP DWI	0	49	49	0	0	0
IC W/ HHC - Correctional Health	0	760	760	0	0	0
IC W/ HHC - Metropolitan Hospital	0	93	93	0	0	0
Prelim Plan Subtotal	$0	$271	$271	$740	($8,805)	($8,065)
Total, Other Adjustments	($23,625)	$30,360	$6,736	($19,481)	$13,063	($6,418)
Sum(PEGs, New Needs, Oth Adj)	**($27,012)**	**$27,979**	**$967**	**($28,296)**	**$8,902**	**($19,394)**
Agency Budget as of Preliminary 2012 Plan	**$59,317**	**$126,116**	**$185,433**	**$81,914**	**$96,233**	**$178,147**