

New York City Council



BUDGET REPORT

Finance Division

March 2009

***Analysis of the
Fiscal 2010 Preliminary Budget
and
Fiscal 2009 Preliminary Mayor's Management Report
for the
Health and Hospital Corporation
Wednesday, March 25, 2009***

Hon. Christine C. Quinn
Speaker

Preston Niblack, Director

Hon. David I. Weprin, Chair
Committee on Finance

Jeffrey Rodus, First Deputy Director

Hon. Joel Rivera, Chair
Committee on Health

Latonia McKinney, Deputy Director

Crystal Coston, Legislative Financial
Analyst

PREFACE

On March 25, 2009, at 1 pm., the Committee on Health, chaired by the Hon. Joel Rivera, will hold a hearing on the Mayor's Fiscal 2010 Preliminary Budget and Fiscal 2009 Preliminary Mayor's Management Report for the Health and Hospitals Corporation.

Section 236 of the New York City Charter requires the Mayor to submit by January 16th a preliminary budget for the upcoming fiscal year.^a In addition, under section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30th the Preliminary Mayor's Management Report (PMMR) for the current fiscal year.^b Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."^c The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25th.^d This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the Fiscal 2009 Preliminary Mayor's Management Report.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The Health and Hospital Corporation is not a program budget agency.

This report was prepared by Crystal Coston, Legislative Financial Analyst, under the supervision of Deputy Director Latonia R. McKinney.

^a The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 03 of 2009 changed the date for the submission of the Preliminary Budget to January 30th, and the date for the Council's Response to the Preliminary Budget to April 8th.

^b Local Law 03 of 2009 changed the date of submission of the PMMR to February 13, 2009.

^c New York City Charter, §12(b)(2).

^d *See id.* at §247.

Health and Hospital Corporation (819)

The New York City Health and Hospitals Corporation (HHC), the largest municipal hospital and health care system in the country, is a \$6.2 billion public benefit corporation. 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. 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 health maintenance organization, MetroPlus. HHC is the single largest provider of health care to 1.3 million New Yorkers and nearly 450,000 who are uninsured. One in every six New Yorkers receives health services at an HHC facility.

PROGRAM TO ELIMINATE THE GAP

Since the Fiscal 2009 Budget was adopted in June, the Office of Management and Budget has twice asked agency heads to submit Programs to Eliminate the Gap (PEGs) proposals. In the first round, in September, OMB sought PEG submissions equal to five percent of agency City tax-levy budgets for Fiscal 2010, with a further seven percent sought in December.

PEGs reduce the City's budget gap either by reducing an agency's City tax-levy Expense Budget spending, or by increasing City revenues. The chart below indicates the proposed PEG amounts for the HHC based on the Fiscal 2010 forecast at the time the Fiscal 2009 Budget was adopted (June 2008).

November and January Plan PEGs for Fiscal 2010 <i>(in 000s)</i>	
Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)	\$93,699
Expense PEGs	(\$10,258)
Revenue PEGs	(\$3,997)
Total Fiscal 2010 PEGs	(\$14,255)
PEGs as a Percent of the Fiscal 2010 Forecast	15.2%

PRELIMINARY BUDGET HIGHLIGHTS

On March 19, 2009, the New York City Health and Hospitals Corporation (HHC) announced the first part of its gap closing plan to reduce its Fiscal 2010 budget gap by \$105 million. The proposed cuts are HHC's attempt to address significant State budget actions implemented in April and August of 2008 that resulted in a \$65 million cut to HHC's Medicaid reimbursement. To offset an anticipated \$316 million loss in the Fiscal 2010 budget and to address growing expenses from increases in the number of uninsured patients, wage and fringe benefits, and the rising cost of drug and medical supplies, the gap closing plan includes improved revenue collection and targeted service reductions, which unfortunately, includes headcount and hospital-based program reductions and clinic closures.

The Corporation's \$105 million in reductions include the following: \$78 million in savings from operating efficiencies; \$23 million in reductions of drug and medical supplies; \$34 million in City tax-levy funding as result of additional revenue, and coding and billing system improvements; and \$20.3 million in a

variety of reductions including ending consultant contracts, reducing the use of per diem staff and reductions in the health marketing and advertising budget. Savings from consolidation, service reductions, attrition and layoffs total \$27 million. Specifically, 400 positions will be eliminated by July 1, 2009, 200 through attrition and 200 through layoffs. These positions include managers, physicians, nurses, social workers, and support staff.

Moreover, the Corporation proposes to close a number of programs and clinics, pending State approval, by June 2009. The service reductions are targeted toward programs that are particularly under-funded and would have, what HHC describes as a limited impact on patients due to the Corporation's identification of sufficient capacity to redirect patients elsewhere. The following chart outlines the programs and/or clinics that face closure in Fiscal 2010, their location and the number of patients currently served.

Programs/Clinics Scheduled to Close	Locations	Patients Served
School based mental health program	PS 90, Brooklyn PS 225, Brooklyn PS 329, Brooklyn IS 96, Brooklyn	45 36 53 53
Community Clinics	Highbridge Health Center, Bronx Sunnyside Medical Center, Queens Springfield Gardens Medical Center, Queens Sheepshead Bay Clinic, Brooklyn	1,834 1,916 3,791 3,969
Satellite Pharmacies**	Charles R. Drew Center, Queens Drew Hamilton Health Center, Manhattan Grant Houses Health Center, Manhattan	22,000 4,923 11,685
Case management programs for AIDS/HIV patients	Harlem Hospital Center, Manhattan Jacobi Hospital Center, Bronx	100 80
Adult Mental Health Day Treatment Programs	Harlem Hospital Center, Manhattan	313
Adolescent Mental Health Day Treatment Program	Lincoln Hospital Center	80
Directly Observed Therapy (DOT) program for TB patients	Lincoln Hospital Center, Bronx	7

** Number of prescriptions filled in Fiscal 2008.

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	\$95,110,841	\$95,110,841	\$89,144,018
Other Categorical	\$0	\$0	\$0
Capital IFA	\$0	\$0	\$0
State	\$0	\$0	\$0
Community Development	\$0	\$0	\$0
Federal-Other	\$5,688,909	\$17,023,554	\$8,513,347
Intra-City	\$84,175,619	\$90,980,503	\$71,363,337
Total	\$184,975,369	\$203,114,898	\$169,020,702

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/A's represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution. The table below presents the HHC budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects this year's budget at the time this financial plan was released.

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
001	Lump Sum	\$184,975,369	\$203,114,898	\$169,020,702	-8.63%
	Total	\$184,975,369	\$203,114,898	\$169,020,702	-8.63%

NYC Health & Hospitals Corporation

Accrual Basis January 10 Plan (S in millions)

	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
OPERATING REVENUES					
Third Party Revenue					
Medicaid Fee for service	1,558.6	1,609.8	1,604.6	1,631.1	1,661.1
Medicare	592.7	604.6	616.6	629.0	641.6
Other Third Parties (Include Medicaid and Medicare managed care)	921.4	967.5	1,015.9	1,066.7	1,120.0
Pools & Additional Revenues including Self Pay	1,375.8	1,145.4	1,144.9	1,144.9	1,144.9
Subtotal: Third Party Revenue	4,448.5	4,327.3	4,382.0	4,471.7	4,567.6
Funds Appropriated by the City					
Debt Service	(59.2)	(66.3)	(65.3)	(57.2)	(60.3)
Prisoner/Uniform Services	52.6	52.6	52.6	52.6	52.6
Other City Services	42.9	41.7	41.3	31.3	31.3
Unrestricted City Services	9.3	5.1	5.2	5.3	5.6
Adjustment for Prepayment	-	-	-	-	-
CEO: Nursing Ladder Program	1.1	1.1	-	-	-
Subtotal: Funds Appropriated by the City	46.7	34.2	33.7	31.9	29.2
Grants (including CHP and Intra-City)	266.9	212.9	213.3	214.5	214.5
Other Revenue	48.0	49.2	50.4	51.7	53.0
MetroPlus Premium Revenue	961.3	1,080.2	1,113.8	1,132.8	1,151.2
TOTAL OPERATING REVENUES	5,771.5	5,703.7	5,793.2	5,902.5	6,015.4
OPERATING EXPENSES					
Personal Services	2,532.4	2,633.7	2,686.4	2,740.1	2,794.9
Fringe Benefits	980.7	1,038.1	1,111.6	1,169.9	1,228.4
Other Than Personal Services	1,609.7	1,658.8	1,709.9	1,762.1	1,814.9
Information Systems	-	-	-	-	-
Medical Malpractice	170.0	189.9	189.9	189.9	189.9
Affiliations	779.3	810.5	834.8	859.8	885.6
Depreciation	240.0	250.0	260.0	270.0	280.0
Postemployment benefits, other than pension (Excl PYG)	335.6	364.1	395.1	428.7	465.1
TOTAL OPERATING EXPENSES	6,647.7	6,945.1	7,187.6	7,420.5	7,658.9
TOTAL OPERATING INCOME/(LOSS)	(876.3)	(1,241.4)	(1,394.5)	(1,518.0)	(1,643.5)
NON-OPERATING REVENUE/(EXPENSE) -					
Interest Income	20.0	20.0	20.0	20.0	20.0
Interest Expense	(120.0)	(120.0)	(120.0)	(120.0)	(120.0)
Total Non-Operating Expenses (net)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
PROFIT/(LOSS) BEFORE OTHER CHANGES IN NET ASSETS	(976.3)	(1,341.4)	(1,494.5)	(1,618.0)	(1,743.5)
CORRECTIVE ACTIONS					
State/Federal Actions	557.9	784.0	773.9	773.9	773.9
Corporate Savings Initiatives	50.0	100.0	150.0	200.0	200.0
Revenue initiatives	-	50.0	50.0	50.0	50.0
Medical Malpractice Containment	-	25.0	25.0	25.0	25.0
Managed Care Initiatives	-	-	-	-	-
Operational Initiatives	-	80.0	80.0	80.0	80.0
Subtotal: Corrective Actions	607.9	1,039.0	1,078.9	1,128.9	1,128.9
PROFIT/(LOSS) AFTER CORRECTIVE ACTIONS	(368.4)	(302.5)	(415.6)	(489.1)	(614.6)
PRIOR YEAR CASH BALANCE	879.7	1,402.9	1,297.8	1,107.9	883.2
ACCRUAL TO CASH ADJUSTMENT	891.6	197.3	225.6	264.4	314.2
CLOSING CASH BALANCE	1,402.9	1,297.7	1,107.8	883.2	582.8

FUNDING ANALYSIS

According to HHC's Fiscal 2010 Preliminary Plan, it will end the current fiscal year with a cash balance of \$1.4 billion on an accrual basis. Using this cash balance, HHC will roll those funds and cover the projected deficit of \$303 million in Fiscal 2010. However, in 2011 and in the outyears, the projected deficits increase and HHC projects that the Corporation will close Fiscal 2013 with only \$583 million, a decrease of \$820 million or 58 percent from the Fiscal 2009 closing balance. This is significant because the Corporation must retain a substantial cash balance to meet its ongoing payroll and other obligations and low cash balances lead to instability that necessitate reductions. HHC's revenues and expenses are outlined below.

Revenues

HHC anticipates its total operating revenue to increase from \$5.77 billion in Fiscal 2009 to \$6.02 billion in Fiscal 2013. Third party revenue, which includes payments for Medicaid, Medicare, and disproportionate-share hospital (DSH), comprised the largest portion of HHC's operating revenue, and it increases from \$4.45 billion in Fiscal 2009 to \$4.57 billion in Fiscal 2013. The other major source of revenue for HHC is Metroplus premium revenue, which also increases between Fiscal 2009 and Fiscal 2013, from \$961 million to \$1.15 billion, an increase of \$190 million or 17 percent.

Expenses

HHC anticipates total operating expenses to increase from \$6.65 billion in Fiscal 2009 to \$7.66 billion in Fiscal 2013, an increase of \$ 1 billion or 15 percent. A majority of HHC's operating expenses are from personal services (PS) costs, which includes salaries and fringe benefits. Projected spending for personal services increase from \$2.53 billion in Fiscal 2009 to \$2.79 billion in Fiscal 2013. This projected increase is based on the City's proposed collective bargaining pattern for PS disbursements, which increases by four percent in Fiscal 2010 and two percent from Fiscal 2011 to 2013. Fringe benefit disbursements also increase between Fiscal 2009 and Fiscal 2013, from \$980 million to \$1.23 billion, or by 25 percent. This increase is due to increases in pension and health insurance costs. In Fiscal 2011, fringes are expected to increase by seven percent, which is primarily due to a large spike in pension contributions because of the recognition of Fiscal 2008 asset returns. However, for the remainder of the plan, fringe benefit expenses increase by five annually.

State Issues and Highlights

The New York State Budget Deficit Reduction Plan and Executive Budget proposals include Medicaid funding reductions to hospitals, nursing homes and home care providers, as well as reforms that could increase funding for ambulatory care and care to uninsured patients. The estimate of the proposed State cuts is nearly \$300 million, including \$210.6 million in cuts to hospitals and a \$47.8 million in cuts to nursing facilities. Specifically, this estimate consists of \$96 million in across-the-board rate reductions and provider taxes from the Governor's Deficit Reduction Plan. The Plan includes \$72.7 million in Medicaid rate reductions and \$21.8 million provider taxes, \$51.9 million as a result of a new hospital inpatient reimbursement methodology and other reductions, and \$47.8 million from the implementation of new nursing home rates.

Hospital Inpatient Funding

As indicated in the Fiscal 2010 Financial Plan, HHC's hospitals' operating budgets rely heavily on Medicaid funding. HHC's hospitals serve higher numbers of Medicaid patients when compared to almost all other New York City hospitals. With the reform of hospital inpatient reimbursement rates which consist of re-basing to the 2005 base rate from the previous 1981 base rate, HHC stands to lose approximately \$51.9 million. While it is important to establish more accurate forms of pricing for medical services, the new formula does not adequately reflect the public hospitals' actual costs of providing care and raises serious concerns about the newly proposed methodology that does not adequately reflect the public hospitals' actual costs of providing care. Because HHC hospitals have little opportunity to cross-subsidize their expenses with funding from other payers, the negative impact of changes in the Medicaid reimbursement rate has the biggest impact to the City. The proposed formula fails to consider HHC hospitals' labor costs including physician salaries and the value of fringe benefits. As of 1996, HHC no longer operates the citywide Emergency Medical Services (EMS), and an agreement with the State allowed the portion of EMS costs related to Medicaid patients to continue to be reimbursed through HHC's Medicaid rates. However, the new methodology would eliminate that funding by creating a single statewide price without the consideration of specific hospital costs.

Skilled Nursing Facilities

HHC's four largest skilled nursing facilities currently provide high levels of care daily to more than 3,300 patients. Most of these patients have no other options for care. The State proposal to move to a new reimbursement system would decrease funding by more than \$47.8 million and have a serious impact to services for the aging.

Investments

A portion of the nearly \$300 million cut to HHC could be partially offset by investments in ambulatory care and through a new indigent care pool that would increase reimbursement to teaching hospitals providing care to uninsured patients. HHC could receive up to \$171 million from this new initiative.

Positive Changes to Expand Coverage

HHC supports the proposals to restructure the process for those enrolling or recertifying for Medicaid, Child Health Plus (CHP) and Family Health Plus (FHP). These changes will benefit the increasing number of New Yorkers without health coverage and the safety net providers who serve them. Limitations on FHP enrollment for public employees and 19-20 year olds who do not reside with parents are also eliminated. HHC is supportive of the proposal to expand FHP eligibility from 150 percent of the federal poverty level to 200 percent FPL if new sources of federal funding can be secured, and the State does not use supplemental Medicaid funding that public hospitals currently receive.

PRELIMINARY BUDGET ACTIONS (in 000s)

The following table is a summary of the Preliminary Plan actions for Fiscal 2009 and Fiscal 2010 that are described in the Program Budget section above. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes for the HHC.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the November Plan	\$94,614	\$105,166	\$199,780	\$92,985	\$82,719	\$175,704
January Plan Programs to Eliminate the Gap (PEGs)						
DCAS Supplies Reduction			\$0	(\$436)	\$0	(\$436)
HHC Child Health Clinics Pass-Through			\$0		(\$1,500)	(\$1,500)
HHC Mental Hygiene Services			\$0		(\$869)	(\$869)
HIV Prevention/Control Contracts-HHC			\$0		\$0	\$0
Reduce Diagnostic & Treatment Center Funding (2%)			\$0	(\$473)	\$0	(\$473)
Reduce Lease Payments			\$0	\$0	(\$473)	(\$473)
Re-estimate of spending in HHC(2%)			\$0	(\$2,596)	\$0	(\$2,596)
Re-estimate of spending in HHC				(\$1,386)	\$0	(\$1,386)
Total PEGs	\$0	\$0	\$0	(\$4,891)	(\$2,843)	(\$7,733)
January Plan Other Adjustments						
CEO: HHC Ladder Program			\$0	\$1,050		\$1,050
Fund DOHMH-Birth Certificates			\$0	\$0		\$0
IC w/ HHC-ACORN HS		\$50	\$50	\$0		\$0
IC w/ HHC Bellevue Parking		\$70	\$70	\$0		\$0
IC w/ HHC Correctional Health		\$2,438	\$2,438	\$0		\$0
IC w/ Harlem Hospital Cntr		\$172	\$172	\$0		\$0
IC w/ HHC NYC Stop DWI		\$49	\$49	\$0		\$0
IC w/ Springfiled HS		\$60	\$60	\$0		\$0
Total Other Adjustments	\$0	\$2,839	\$2,839	\$1,050	\$0	\$1,050
Total January Plan Budget Changes	\$0	\$2,839	\$2,839	(\$3,841)	(\$2,843)	(\$6,683)
Agency Budget as per the January Plan	\$94,614	\$108,005	\$202,619	\$89,144	\$79,876	\$169,020

Fiscal 2010 Capital Plan

Agency Overview

The Health and Hospitals Corporation (HHC), a public benefit corporation, is the successor entity for the Department of Hospitals and is the sole operator of New York City's municipal hospital system. HHC's responsibilities extend to the provision of comprehensive medical, mental health, and substance abuse services to residents of the City regardless of their ability to pay.

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

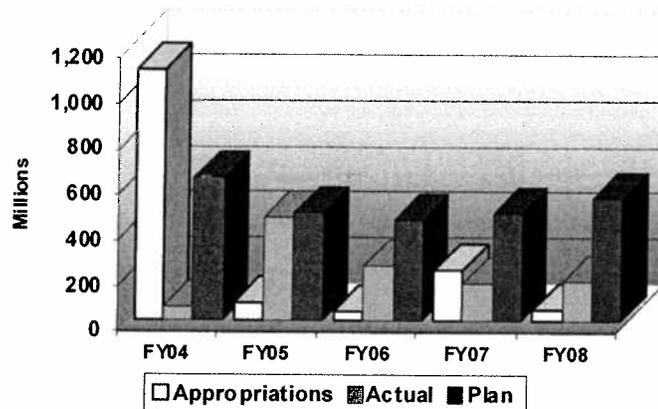
and subsequently by the City. The agreement allows HHC to develop non-city funding sources for new programs and allows for the retention of any surpluses during a fiscal year. Additionally, the agreement provides for payment of the City's tax levy to HHC in a lump sum thereby indemnifying the Corporation against changes in the City's budget during a fiscal year.

HHC leases its facilities and equipment from the City at a cost of \$1 per year. The corporation operates 11 acute care hospitals; 4 long-term care facilities; 6 diagnostic and treatment centers; a certified home health agency; and more than 100 community-based health clinics. During the course of Fiscal 1998, HHC integrated 39 child health clinics, 7 Communicare clinics, 16 fixed oral health clinics, and 32 portable health clinics into the Corporation's regional facilities networks.

As of 1996, HHC no longer operated the citywide Emergency Medical Services (EMS). HHC is also the lead agency in developing and providing comprehensive primary care services via the City's Communicare and managed care health initiatives. 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.

HHC's capital program primarily consists of major construction of Kings County Campus Modernization Phase II, III and IV, Coney Island Hospital New Bed Tower, Jacobi Medical Center Acute Care Facility Modernization, Queens Hospital Phase II (The New Ambulatory Care Pavilion), Major Modernization of Harlem Hospital Center, Gouverneur Health Care Services and the OCME DNA Lab construction on the Bellevue Campus.

HEALTH & HOSPITALS CORPORATION
Appropriations vs. Actual & Planned Commitments
(City funds)



Current Budget Summary

The January 2009 Capital Commitment Plan includes \$854 million in Fiscal 2009-2013 for HHC (including City and Non-City funds). This represents less than one percent of the City's total \$50.55 billion January Plan for Fiscal 2009-2013. The agency's January Commitment Plan for Fiscal 2009-2010 shows no change from the September Commitment Plan.

Over the past five years HHC has only committed an average of 41 percent of its annual capital plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2009 Capital Plan will be rolled into Fiscal 2010, thus greatly increasing the size of the Fiscal 2010-2014 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has remained at \$414.3 million.

Currently HHC appropriations total \$312.7 million in city-funds for Fiscal 2009. These appropriations are to be used to finance the HHC's \$242.8 million City-funded Fiscal 2009 Capital Commitment program. The agency has over 29 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

In January, the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – Fiscal 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The capital cut would eliminate nearly \$7 billion worth of planned commitments from the current Plan.

The Health and Hospitals Corporation's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY - CAPITAL BUDGET

(\$ in millions)

	FY04	FY05	FY06	FY07	FY08
CITY	\$58	\$399	\$243	\$167	\$179
NON-CITY	0	0	0	0	0
TOTAL	\$58	\$399	\$243	\$167	\$179

The Adopted Five-Year Capital Plan is shown below:

ADOPTED FIVE YEAR CAPITAL BUDGET – NOVEMBER 2008

(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$414.3	\$81.2	\$109.0	\$82.4	\$167.3	\$854.2
NON-CITY	0	0				0
TOTAL	\$414.3	\$81.2	\$109.0	\$82.4	\$167.3	\$854.2

The Preliminary Five-Year Capital Plan is shown below:

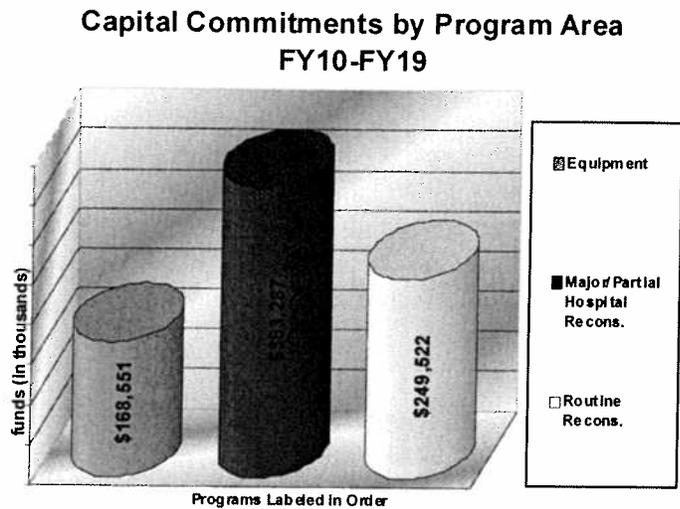
PRELIMINARY FIVE YEAR CAPITAL PLAN – JANUARY 2009

(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$414.3	\$81.2	\$109.0	\$82.4	\$167.3	\$854.2
NON-CITY	0	0				0
TOTAL	\$414.3	\$81.2	\$109.0	\$82.4	\$167.3	\$854.2

PRELIMINARY BUDGET ISSUES

According to the Preliminary Ten-Year Capital Strategy, the focus of the Health and Hospitals Corporation's Ten-Year Capital Plan is to improve the physical plants to comply with regulatory requirements and to address customer satisfaction, market demands, and community health care. The agency's Ten-Year Preliminary Capital Plan totals \$781.3 million (City funds). As indicated in the adjacent chart titled Capital Commitments by program area, \$363.3 million, or 46.5 percent is planned for hospital reconstruction, \$249.5 million or 31.9 percent is planned for routine reconstruction, and \$167.6 million or 21.5 percent is planned for EMS ambulance purchases, and major medical equipment.



Nearly two-thirds of the commitments in the agency's Preliminary Ten-Year Capital Plan are for three major hospital reconstruction projects. The largest portion of these funds, \$246.7 million is allocated for the renovation of the Harlem Hospital campus. These funds will be used for the construction of a new diagnostic, treatment, and emergency pavilion. \$30.6 million of the Plan is allocated for the completion of Phase IV at Kings County Hospital Center. These funds will make possible the construction of a new Behavioral Health Center at Kings County Hospital. An additional \$73.2 million of the Plan is allocated for the major modernization and expansion of Gouverneur Hospital.

Local Law 11 compliance requires that all masonry façade buildings with greater than six stories comply with building code requirements. An architect or engineer report on the exterior of the building must be submitted once every five years. The agency's Fiscal 2009 Preliminary Capital Plan includes \$47.6 million for Local Law 11 funding.