



**New York City Council**

Christine C. Quinn, Speaker

**Finance Division**

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**Hearing on the Mayor's Fiscal Year 2012 Executive Budget**

**Health and Hospitals Corporation**

May 24, 2011

**The Committee on Finance**

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**The Committee on Health**

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**Joint with Mental Health, Mental Retardation, Alcoholism, Drug Abuse and Disability Services**

Hon. G. Oliver Koppell, Chair

**Subcommittee on Drug Abuse**

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# Overview

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.

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## Health and Hospitals Corporation Financial Summary

*Dollars in Thousands*

	2009 Actual	2010 Actual	2011 Adopted	2011 Exec. Plan	2012 Exec. Plan	Difference 2011–2012*
<b>Spending</b>						
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0
Other Than Personal Services	289,593	110,591	184,466	191,125	164,147	(20,320)
<b>TOTAL</b>	<b>\$289,593</b>	<b>\$110,591</b>	<b>\$184,466</b>	<b>\$191,125</b>	<b>\$164,147</b>	<b>(\$20,320)</b>

The Fiscal 2012 Executive Budget reflects a \$20 million decrease in City tax levy contributions when compared to the Fiscal 2011 Adopted Budget for HHC. This decrease can be attributed to three factors. First, the Fiscal 2011 Adopted Budget included approximately \$9 million in City Council funding (including funding for Council initiatives, Programs to Eliminate the Gap (PEG) restorations, and local discretionary). As Council funding is renegotiated annually and allocated on a one-time basis, it is not included in the Fiscal 2012 Budget. Second, the City’s PEG program for HHC totaled approximately \$12 million for Fiscal 2012. Lastly, HHC has lost State match eligibility for some of its HIV/AIDS supportive services due to the Department of Health and Mental Hygiene’s (DOHMH) newly heightened restrictions on the City’s application for State matching public health grants.

# Fiscal 2012 Executive Budget – Financial Plan Overview

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

	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
<b>OPERATING REVENUES</b>					
<b>Third Party Revenue</b>					
Medicaid Fee for Service	\$1,501.6	\$1,443.9	\$1,433.0	\$1,459.4	\$1,487.6
Medicare	707.7	626.2	634.0	620.5	598.3
Other Third Parties which includes Medicaid & Medicare managed care	1,270.7	1,277.5	1,304.5	1,333.6	1,358.8
Pools & Additional Revenues including Self Pay	1,642.8	1,790.0	1,770.0	1,711.8	1,712.5
<b>Subtotal: Third Party Revenue</b>	<b>\$5,122.8</b>	<b>\$5,137.6</b>	<b>\$5,141.5</b>	<b>\$5,125.2</b>	<b>\$5,157.2</b>
<b>Funds Appropriated by the City</b>					
Debt Service	(\$21.2)	(\$54.4)	(\$66.9)	(\$62.4)	(\$47.8)
Prisoner/Uniform Services	52.6	23.5	23.5	23.5	23.5
Other City Services	7.9	6.1	6.1	6.1	6.1
Unrestricted City Services	0.0	19.5	19.5	19.5	19.5
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	0.0	0.0	0.0	0.0
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	0.0	0.7	0.7	0.7	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
<b>Subtotal: Funds Appropriated by the City</b>	<b>\$63.2</b>	<b>\$17.4</b>	<b>\$4.1</b>	<b>\$8.6</b>	<b>\$23.4</b>
<b>Grants (including CHP and Intra-City)</b>	<b>\$221.8</b>	<b>\$215.6</b>	<b>\$221.5</b>	<b>\$221.5</b>	<b>\$221.6</b>
<b>Other Revenue</b>	<b>\$43.5</b>	<b>\$42.0</b>	<b>\$42.2</b>	<b>\$43.5</b>	<b>\$44.5</b>
<b>MetroPlus Premium Revenue</b>	<b>\$1,238.4</b>	<b>\$1,348.8</b>	<b>\$1,348.8</b>	<b>\$1,348.8</b>	<b>\$1,348.8</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$6,689.8</b>	<b>\$6,761.5</b>	<b>\$6,758.1</b>	<b>\$6,747.6</b>	<b>\$6,795.6</b>
<b>OPERATING EXPENSES</b>					
Personal Services	\$2,556.3	\$2,600.2	\$2,630.2	\$2,681.2	\$2,679.2
Fringe Benefits	1,118.9	1,188.7	1,241.3	1,301.0	1,407.9
Other Than Personal Services	1,635.7	1,701.6	1,753.7	1,707.9	1,659.7
Medical Malpractice	144.9	135.9	135.9	135.9	135.9
Affiliations	848.5	874.0	900.1	927.2	955.1
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
<b>TOTAL OPERATING EXPENSES</b>	<b>\$6,895.5</b>	<b>\$7,132.0</b>	<b>\$7,336.0</b>	<b>\$7,474.1</b>	<b>\$7,608.2</b>
<b>TOTAL OPERATING INCOME/(LOSS)</b>	<b>(\$205.8)</b>	<b>(\$370.5)</b>	<b>(\$577.9)</b>	<b>(\$726.5)</b>	<b>(\$812.6)</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>					
Interest Income	\$4.8	\$7.0	\$5.5	\$4.0	\$2.0
Interest Expense	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
<b>Total Non-Operating Expenses (net)</b>	<b>(\$95.2)</b>	<b>(\$93.0)</b>	<b>(\$94.5)</b>	<b>(\$96.0)</b>	<b>(\$98.0)</b>
<b>PROFIT/(LOSS) BEFORE OTHER CHANGES IN NET ASSETS</b>	<b>(\$300.9)</b>	<b>(\$463.5)</b>	<b>(\$672.4)</b>	<b>(\$822.5)</b>	<b>(\$910.6)</b>

**NYC Health & Hospitals Corporation**  
**Accrual Basis**  
**FY 2012 Executive Budget**  
**(\$ in millions)**

	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
<b>CORRECTIVE ACTIONS</b>					
HHC Savings Initiatives/Cost Containment	\$0.0	\$28.1	\$24.2	\$21.1	\$21.1
Restructuring	0.0	72.3	197.1	239.9	239.7
State and Federal Actions	0.0	0.0	250.0	350.0	500.0
<b>Subtotal: Corrective Actions</b>	<b>\$0.0</b>	<b>\$100.4</b>	<b>\$471.3</b>	<b>\$611.0</b>	<b>\$760.8</b>
<b>PROFIT/(LOSS) AFTER CORRECTIVE ACTIONS</b>	<b>(\$300.9)</b>	<b>(\$363.1)</b>	<b>(\$201.1)</b>	<b>(\$211.5)</b>	<b>(\$149.8)</b>
<b>PRIOR YEAR CASH BALANCE</b>	<b>\$365.3</b>	<b>\$557.1</b>	<b>\$530.7</b>	<b>\$408.5</b>	<b>\$195.4</b>
<b>ACCRUAL TO CASH ADJUSTMENT</b>	<b>\$492.7</b>	<b>\$336.7</b>	<b>\$78.9</b>	<b>(\$1.7)</b>	<b>\$10.8</b>
<b>CLOSING CASH BALANCE</b>	<b>\$557.1</b>	<b>\$530.7</b>	<b>\$408.5</b>	<b>\$195.4</b>	<b>\$56.4</b>

\*Continuation from previous page

### Projected Operating Deficit (Fiscal 2012 through 2015)

Based on its Fiscal 2012 Executive (Accrual) Financial Plan, HHC anticipates an operating loss of \$371 million in Fiscal 2012. 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 \$100.4 million in savings. Corrective actions are currently listed below the line of HHC's Operating Budget because many of these initiatives are only in the fledging stages of implementation. By Fiscal 2015, when these corrective actions have been fully implemented (and moved above the line), HHC expects to achieve \$761 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. HHC's cost containment and restructuring efforts can only do so much to compensate for additional losses in government funding.

## Major Changes to HHC's Fiscal 2012 Executive Financial from HHC's Fiscal 2012 Preliminary Financial Plan

### Revenue

- Disproportionate Share Hospital (DSH) payments were rolled over from Fiscal 2011 into Fiscal 2012. HHC had originally planned to receive these payments in Fiscal 2011; however, it will more likely secure these payments in Fiscal 2012. This rollover technique is commonly used in the Corporation's financial planning, and in this case, merely reflects a timing issue with regard to the Corporation's collections.
- Estimates for Medicaid Fee for Service payments have been reduced to reflect the implementation of the State's Medicaid redesign initiatives.

- Re-estimates for pools, Medicaid Managed Care, grants and other miscellaneous receipts reflect changes in some of the underlying assumptions in the Corporation's forecasting formulae.
- Reductions in revenue from administering City services is attributed to HHC's Fiscal 2012 PEG program. For more details on these reductions, please see the following section herein on *Programs to Eliminate the Gap*.

### Expenses

- PS and OTPS savings achieved through HHC's restructuring plan were moved above the line in HHC's Fiscal 2012 Executive Financial Plan, reflecting an overall decrease in the Corporation's expenses. (Note: "Above the line" items are included in the Corporation's actual financial estimates while "Below the line" items delineate initiatives that are being developed.) These savings were achieved through a headcount reduction of 715 positions during the current fiscal year – which represents over 70 percent of HHC's headcount reduction target for Fiscal 2011. Since some of the headcount reductions are still ongoing in Fiscal 2011, HHC will realize full savings from these actions starting in Fiscal 2012.
- Fringe costs were re-estimated at a lower value in the Executive Financial Plan due to changes in some of the underlying assumptions in the Corporation's forecasting formula.
- Estimates for Medical Malpractice costs have been reduced to reflect malpractice reforms enacted through State Medicaid redesign.
- The decrease in debt service costs are a reflection of the City's debt service re-estimates. (Estimates for debt service on City property are given by the City, not HHC.)

### Corrective Actions

- Estimated savings from HHC's Restructuring initiatives, originally valued at \$43 million (as per HHC's Fiscal 2012 Preliminary Financial Plan), have been moved above the line and reflected in re-estimates for PS and OTPS expenses.
- The line for Corrective "State and Federal Actions" has been added to the Financial Plan to account for the level of funds necessary to fully compensate for losses of funding at the State and federal levels due to major reforms, including State Medicaid Redesign and Federal Health Care Reform.
- Note: MetroPlus estimates for Fiscal 2012 and in the outyears do not reflect the State Medicaid Redesign impact. HHC requires more details from the State in order to generate accurate projections.

**Budget Actions in the Executive Plan**

<i>Dollars in Thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as of the February 2011 Plan</b>	<b>\$59,317</b>	<b>\$126,116</b>	<b>\$185,433</b>	<b>\$81,914</b>	<b>\$96,233</b>	<b>\$178,147</b>
<b>Programs to Eliminate the Gap (PEGs)</b>						
Reduction of Unrestricted City Subsidy	\$0	\$0	\$0	(\$3,246)	\$0	(\$3,246)
<b>Total, PEGs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$3,246)</b>	<b>\$0</b>	<b>(\$3,246)</b>
<b>Other Adjustments</b>						
Fees for MAP Units	\$0	\$1,143	\$1,143	\$0	\$0	\$0
HHC SAMSHA Emergency Response	0	509	509	0	0	0
IC W/ HHC - Bainbridge	0	7	7	0	0	0
IC W/ HHC - CB	0	67	67	0	67	67
IC W/ HHC - Winston Temps	0	750	750	0	0	0
IC W/ HHC - Correctional Health	0	34	34	0	0	0
Intra-City with DOHMH for HIV Counseling and Testing Services	(516)	0	(516)	0	0	0
Medicaid Inmate Intra-City	25,000	(25,000)	0	(4,060)	4,060	0
MH State Aid Letter 1-10-11	0	2,998	2,998	0	2,998	2,998
Realign HHC's Outpatient Medication Program	(141)	0	(141)	0	0	0
Realignment - U/A 117 Cont.	0	0	0	0	(2,885)	(2,885)
Realignment - U/A 118/121 Continued	0	0	0	0	675	675
Remove Art. 6 from HHC HIV IC	0	0	0	0	(290)	(290)
Transfer CTL from HHC to DOHMH for Article 6	0	516	516	0	0	0
WTC Zadroga Act	0	0	0	(2,822)	(8,497)	(11,319)
<b>Total, Other Adjustments</b>	<b>\$24,344</b>	<b>(\$18,977)</b>	<b>\$5,367</b>	<b>(\$6,882)</b>	<b>(\$3,872)</b>	<b>(\$10,754)</b>
<b>Total, All Changes</b>	<b>\$24,344</b>	<b>(\$18,977)</b>	<b>\$5,367</b>	<b>(\$10,128)</b>	<b>(\$3,872)</b>	<b>(\$14,000)</b>
<b>Agency Budget as of the Executive 2012 Plan</b>	<b>\$83,661</b>	<b>\$107,139</b>	<b>\$190,800</b>	<b>\$71,786</b>	<b>\$92,361</b>	<b>\$164,147</b>

**Program to Eliminate the Gap (PEGs)**

**Eliminate Sexual Assault Response Team (SART) Program.**

- Fiscal 2012 reduction: \$1.3 million total, with City tax levy accounting for \$839,000 of the total cut.
- Impact estimate: According to HHC, The Fiscal 2012 PEG should have a minimal impact on HHC's sexual assault response services. The \$1.3 million represents funding for the SART staff. Without this funding, victims of sexual assault will continue to receive services; however, they will most likely experience much longer wait times and they would no longer have access to the specially-trained forensic examiners and rape crisis counselors. Rather, they would be examined and assisted by doctors and nurses.
- Program description: SART is staffed by 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 2012 reduction:** \$10.4 million (November Plan PEG value was \$7.1 million). To achieve its Fiscal 2012 PEG target in the latest round of PEGs, HHC increased the reduction amount of its unrestricted subsidy by \$3.3 million.
- **Impact Estimate:** This proposed reduction 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.
- **Description:** This subsidy, in addition to Disproportionate Share Hospital and Upper Payment Limit reimbursements, helps 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 2012 reduction:** \$400,000.
- **Impact Estimate:** 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 HHC’s improved 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 City tax levy spending reduction for Fiscal 2012, DOHMH proposes to reduce pass through funding to HHC 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:

Program	Proposed FY11 Cut	Proposed FY12 Cut
<b>Child Health Clinics</b>		
Child Health Clinic Reduction (BASE)	(\$224,207)	(\$448,415)
<b>Subtotal, Child Health Clinics</b>	<b>(\$224,207)</b>	<b>(\$448,415)</b>
<b>HIV/AIDS</b>		
Reduction of Satellite and Assessment Services	(\$37,848)	(\$75,696)
Reduction of Outpatient Pharmacy	(\$75,127)	(\$111,298)
<b>Subtotal, HIV/AIDS Supportive Services</b>	<b>(\$112,975)</b>	<b>(\$186,994)</b>
<b>Mental Hygiene</b>		
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)
<b>Subtotal, Mental Hygiene</b>	<b>(\$2,044,487)</b>	<b>(\$3,526,433)</b>
<b>TOTAL DOHMH PEG - INTRA CITIES WITH HHC*</b>	<b>(2,381,669)</b>	<b>(4,161,842)</b>

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

# State Budget Actions

## Medicaid Redesign

The New York State Enacted Budget for 2011-2012 includes a package of rate reductions and programmatic reforms intended to “redesign” the State’s Medicaid system and to stem future State spending on Medicaid. This redesign effort was developed by a team of 27 statewide health care stakeholders, known as the Medicaid Redesign Team (MRT). This team was formed in early Calendar Year 2011 and was tasked to find ways to reduce State Medicaid spending in the amount of \$2.85 billion 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.

The Medicaid reforms in the Enacted 2011-12 Budget include (a) implementation of across-the-board rate reductions, (b) elimination of 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) maximization of federal funds, (d) implementation of programmatic and structural reforms and (e) collaboration among the State’s stakeholders of the health care industry to devise other cost containment initiatives. To view details regarding the individual enacted reforms, please go to:

[http://www.health.state.ny.us/health\\_care/medicaid/redesign/docs/redesign\\_proposals.pdf](http://www.health.state.ny.us/health_care/medicaid/redesign/docs/redesign_proposals.pdf)

The enacted MRT package, as it stands, provides for approximately \$2.3 billion in reduced State Medicaid spending in 2011-2012; however, the State has still not determined how \$640 million, or over a quarter, of that overall \$2.3 billion target will be achieved. The Medicaid Redesign package was enacted without a clear plan toward achieving the remaining savings.

The following chart projects the total State Medicaid redesign impact to HHC, including both its facilities and MetroPlus:

New York City Health and Hospitals Corporation New York State Medicaid Redesign Impact Estimates*			
Proposal #	Proposal Description	Total Impact to HHC <i>(in thousands)</i>	
		TOTAL HHC	HHC Facilities MetroPlus
<b>Rate Reductions</b>			
4	Trend Factor Elimination	(\$42,988)	(\$23,588) (\$19,400)
0	Trend Factor Year 2	(42,988)	(23,588) (19,400)
4651	2% ATB Reduction	(50,778)	(27,954) (22,824)
25	APG Base Rate	(4,988)	(4,988) 0
	<b>Subtotal, Rate Reductions</b>	<b>(\$141,741)</b>	<b>(\$80,117) (\$61,624)</b>
<b>Programmatic Reforms</b>			
6	HMO Profit Reduction	(\$19,600)	\$0 (\$19,600)
10	Direct Marketing/FE	(3,600)	0 (3,600)
26	BH Utilization	(2,328)	(2,328) 0
34	PT OT Utilization Limits	(865)	(865) 0
49	HIV Test & Counsel APG	(140)	(140) 0
54	340B Clinic Drug Reduction	(175)	(175) 0
61	Home Care Living Wage	(760)	(760) 0
82	PPC/HACs	(700)	(700) 0

New York City Health and Hospitals Corporation				
New York State Medicaid Redesign Impact Estimates*				
Proposal #	Proposal Description	Total Impact to HHC <i>(in thousands)</i>		
		TOTAL HHC	HHC Facilities	MetroPlus
83	SBIRT	(298)	(298)	0
103	Inapprop Use of Svcs	(4,235)	(4,235)	0
116	IPro Detox Review	(399)	(399)	0
131	Malpractice	4,453	4,453	0
164	Medicare Part B Reduction	(2,680)	(2,680)	0
191	Reduce Pressure Ulcers	(123)	(123)	0
889	Bed Hold	(1,313)	(1,313)	0
	<b>Subtotal, Programmatic Reforms</b>	<b>(\$32,761)</b>	<b>(\$9,561)</b>	<b>(\$23,200)</b>
	<b>TOTAL IMPACT</b>	<b>(\$174,502)</b>	<b>(\$89,678)</b>	<b>(\$84,824)</b>

\*Impact estimates contingent upon full MRT implementation.

- Latest State Medicaid Redesign Impact Estimate:** Upon full implementation of State Medicaid redesign, HHC anticipates a \$131.5 million cut in Year One and a \$174.5 million cut in Year Two. A few things to keep in mind:

  - Rate reductions account for \$96 million, or 73 percent, of the full Year One State Medicaid Redesign impact to HHC and can be applied immediately.
  - The remaining cuts will come from program reforms, which can take longer to implement and may not be fully realized in Fiscal 2012 (Year One).
  - Up until recently, HHC’s finance team had focused on Year One estimates only. Upon projecting Year Two estimates, it became evident that the second year of the trend factor elimination would ramp up.
  - The trend factor elimination is expected to last for only two years, reducing impact estimates in the outyears.
  - As mentioned earlier, the \$640 million in “other cost savings initiatives” that was part of the overall State Medicaid redesign effort has yet to be determined. It is possible that the State will appeal to Washington, DC, for the remaining funds; however, if the State is unsuccessful in soliciting outside funding to achieve the remaining savings, it is likely the State will look to implement another round of cost containment initiatives that would likely further adversely impact HHC’s future Medicaid receipts.
- Enforcement of State Medicaid Spending Cap.** The budget includes a cap of \$15.3 billion on Department of Health Medicaid state expenditures, which represents the largest and one of the fastest growing components of state spending. To enforce the cap, the State Department of Health and the Budget Division has been charged with monitoring month-to-month spending, and is empowered to impose "utilization controls" and rate reductions if those agencies determined it was about to be exceeded. HHC may become subject to additional utilization controls and rate reductions should the State pierce its Medicaid spending cap.

## Federal Budget Actions

### Health Care Reform:

- HHC expects to see a reduction of \$110 million, or five percent, to its Disproportionate Share Hospital (DSH) subsidy starting in Fiscal 2014.
- Many other cost estimates regarding federal health reform will be highly sensitive to the political fluctuations of Congress and the Federal Administration and are therefore subject to change between now and 2014.

### Current Federal Budget:

- Federal Fiscal Year begins October 1; Congress has been passing resolutions to extend the deadline as budget negotiations continue.
- Theoretically, the federal budget needs to be adopted by the time U.S. reaches debt ceiling. Some estimate that the debt ceiling will be reached by August 2, 2011; however, there is also speculation that the debt ceiling has already been pierced.
- Estimates of nationwide cuts to Medicaid and Medicare anywhere between \$480 billion (President Obama’s Plan) and 1.4 trillion (Congressman Ryan’s Plan), depending on the budget.
- Currently, there is insufficient detail in plans for HHC to generate accurate impact estimates – HHC needs to see what would happen to the State as a proxy for the Corporation.

## Council Funding

City Council funding provides a portion of HHC’s annual City-funds operating budget. In Fiscal 2011, The Council has provided \$9 million in supplemental operating funds for child health clinics, primary care facilities, rapid HIV testing and mental health services. As Council funding is renegotiated annually and allocated on a one-time basis, it is not included in the Fiscal 2012 Budget.

<b>FY 2011 Council Changes at Adoption</b>	
<i>Dollars in Thousands</i>	
<b>DOHMH Intra-Cities</b>	
Child Health Clinics	\$5,000
Rapid HIV Testing	2,000
Primary Care Initiative	670
<b>Subtotal</b>	<b>\$7,670</b>
<b>Direct HHC Funding</b>	
HHC Kings County Hospital Developmental Evaluation Clinics	\$400
HHC Mental Health Funding PEG Restoration	800
<b>Subtotal</b>	<b>\$1,200</b>
<b>Local Initiatives</b>	<b>\$97</b>
<b>TOTAL</b>	<b>\$8,967</b>

# Capital Program

## Capital Budget Summary

The May 2011 Capital Commitment Plan includes \$233.9 million in Fiscal 2012-2015 for the Health and Hospitals Corporation (including City and Non-City funds). This represents less than one percent of the City’s total \$28.1 billion Executive Plan for Fiscal 2021-2015. The Corporation’s Executive Commitment Plan for Fiscal 2011-2015 is 96.8 percent more than the \$241.7 million scheduled in the September Commitment Plan, an increase of \$233.862 million.

Over the past five years (2006-2010), HHC 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 \$225.5 million to \$295.5 million, an increase of \$70 million or 31.1 percent.

Currently HHC’s appropriations total \$168 million in City-funds for Fiscal 2011. These appropriations are to be used to finance the remaining portion of the agency’s \$37.1 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$205 million more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

### 2012-2015 Commitment Plan: Adopted and Preliminary Budget

*Dollars in Thousands*

	FY11	FY12	FY13	FY14	FY15	Total
<b>Adopted</b>						
Total Capital Plan	\$225,471	\$57,677	\$119,036	\$47,366	\$17,595	<b>\$241,674</b>
<b>Executive</b>						
Total Capital Plan	\$295,473	\$219,335	\$185,602	\$53,415	\$17,595	<b>\$475,947</b>
<b>Change</b>						
Level	\$70,002	\$160,547	\$67,266	\$6,049	\$0	<b>\$233,862</b>
Percentage	31.05%	278.36%	56.51%	12.77%	0.00%	<b>96.77%</b>

## Capital Program Goals

- ✓ Major modernizations to replace or renovate aging facilities intended to improve market share, operational efficiencies and patient satisfaction;
- ✓ Satisfy regulatory requirements and/or correct code deficiencies;
- ✓ Rehabilitate building components and systems to improve safety, patient comfort and operations;
- ✓ Replace medical equipment; and
- ✓ Replace aging ambulance fleet for the FDNY/EMS.

### Executive Budget Highlights

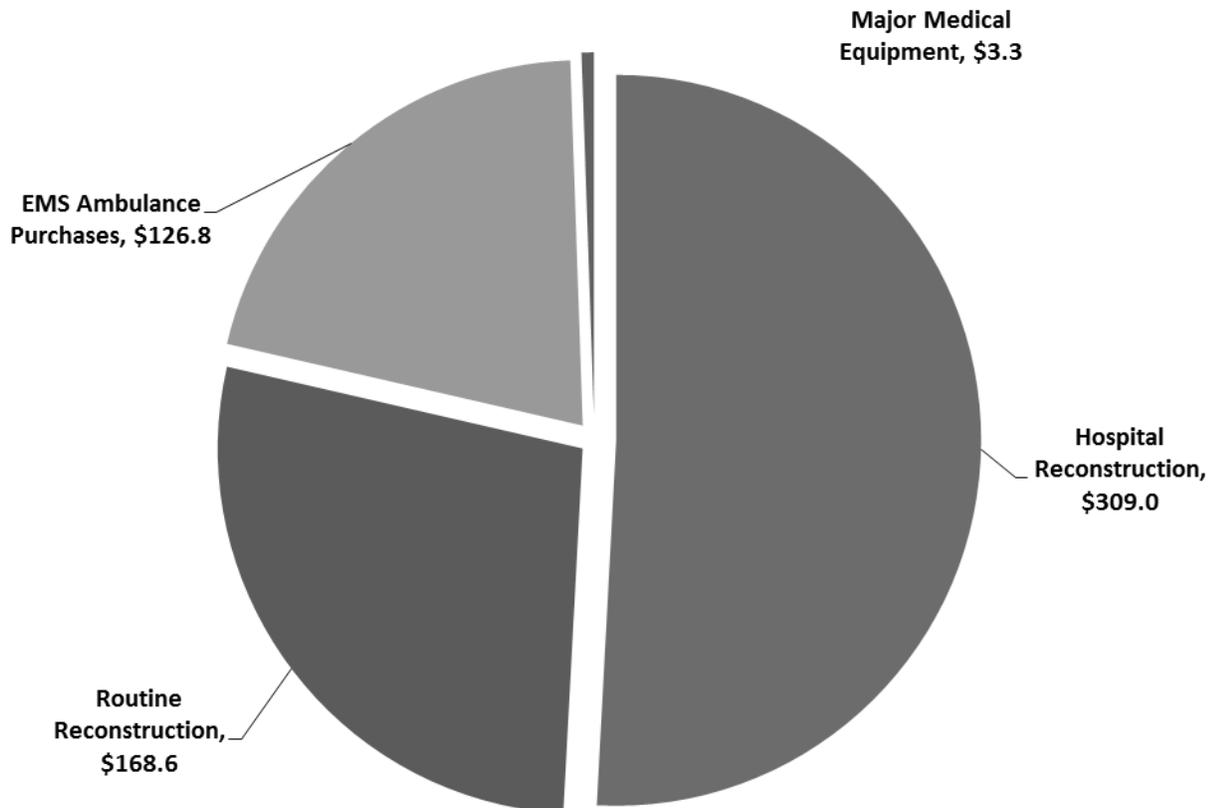
The Administration asked agencies to identify a 20 percent reduction in capital commitments for fiscal years 2011 to 2021. With regard to HHC, there is a minimal difference between the February Ten Year Plan and the Executive Ten Year Plan.

The Capital Variance Report indicates minimal variance between the September Commitment Plan and the February Commitment Plan. Capital projects relating to the renovation and construction of HHC’s New Goldwater North Facility, including its Long-Term Adult Care Facility and the Skilled Nursing Facility account for the variance between the two Capital Commitment Plans. The DOHMH has pushed out these projects while prioritizing its own projects in an effort to realize cost savings in the current fiscal year. Medical Examiner projects still remain a top priority in the Department’s Ten Year Capital Strategy, as is further described in the section below.

### Ten-Year Strategy

The Corporation’s Ten-Year Capital Strategy focuses on the improvement of physical plants to comply with regulatory requirements and to address customer satisfaction, market demands and community health care needs. The Department’s Ten-Year Capital Strategy includes a total of \$607.7million in funding for construction and equipment purchases.

### HHC Ten-Year Capital Strategy



**TOTAL: \$607.7 Million**

**Construction and Renovations**

The Preliminary Ten-Year Capital Strategy provides funding to complete renovations and upgrades for the various senior centers around the City. Funds are also provided to assure the agency's fire and safety infrastructure meets standards, and that necessary improvements for HVAC, masonry, roofing, electrical, plumbing are completed.

**Information Technology and Computers**

The Preliminary Ten-Year Capital Strategy will continue to provide funding for the technology needs of the agency, as well as technology improvements for the agency's contractors and service providers.

### Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as of June 2010 Plan</b>	<b>\$86,329</b>	<b>\$98,137</b>	<b>\$184,466</b>	<b>\$110,210</b>	<b>\$87,331</b>	<b>\$197,541</b>
<b>Program to Eliminate the Gap (PEGs)</b>						
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)
<b>Total, PEGs</b>	<b>(\$4,231)</b>	<b>(\$2,587)</b>	<b>(\$6,818)</b>	<b>(\$8,815)</b>	<b>(\$4,162)</b>	<b>(\$12,977)</b>
<b>Other Adjustments</b>						
<b>Nov Plan</b>						
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
<b>Nov Plan Subtotal</b>	<b>(\$23,625)</b>	<b>\$30,090</b>	<b>\$6,465</b>	<b>(\$20,221)</b>	<b>\$21,868</b>	<b>\$1,647</b>
<b>Nov Plan Subtotal</b>	<b>(\$27,012)</b>	<b>\$27,979</b>	<b>\$967</b>	<b>(\$28,296)</b>	<b>\$8,902</b>	<b>(\$19,394)</b>
<b>Prelim Plan</b>						
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
<b>Prelim Plan Subtotal</b>	<b>\$0</b>	<b>\$271</b>	<b>\$271</b>	<b>\$740</b>	<b>(\$8,805)</b>	<b>(\$8,065)</b>
<b>Total, Other Adjustments</b>	<b>(\$23,625)</b>	<b>\$30,360</b>	<b>\$6,736</b>	<b>(\$19,481)</b>	<b>\$13,063</b>	<b>(\$6,418)</b>
<b>Sum(PEGs, New Needs, Oth Adj)</b>	<b>(\$27,012)</b>	<b>\$27,979</b>	<b>\$967</b>	<b>(\$28,296)</b>	<b>\$8,902</b>	<b>(\$19,394)</b>
<b>Agency Budget as of Preliminary 2012 Plan</b>	<b>\$59,317</b>	<b>\$126,116</b>	<b>\$185,433</b>	<b>\$81,914</b>	<b>\$96,233</b>	<b>\$178,147</b>