



New York City Council

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Finance Division

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Hearing on the Mayor's Fiscal Year 2011 Executive Budget

Health and Hospitals Corporation

June 2, 2010

Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

Committee on Health

Hon. Maria del Carmen Arroyo, Chair

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Summary and Highlights

Health and Hospitals Corporation

Dollars in Thousands

	2009 Actual	2010 Adopted	2010 Exec. Plan	2011 Exec. Plan	Difference 2010 – 2011*
Spending					
Other than Personal Services					
Fixed and Misc Charges	\$288,202	\$99,495	\$112,759	\$170,483	\$70,988
Other Services and Charges	1,391	1,132	1,132	1,132	0
Total	\$289,593	\$100,627	\$113,891	\$171,615	\$70,988
Funding					
City Funds	NA	\$2,016	\$3,850	\$84,363	\$82,347
Federal - Other	NA	8,513	9,333	8,497	(17)
Intra City	NA	90,098	100,708	78,756	(11,342)
Total	\$289,593	\$100,627	\$113,891	\$171,615	\$70,988

*Variance between the Fiscal 2010 Adopted Budget and the Fiscal 2011 Executive Budget.

Fiscal 2011 Executive Plan Highlights

The City's portion of HHC's Fiscal 2011 Executive Budget is \$171.6 million, an increase of \$71 million since Fiscal 2010 or 42 percent. This increase reflects an \$85 million pre-payment of City's subsidies which is offset by the Programs to Eliminate the Gap (PEG) target. HHC's budget reduction target for Fiscal 2011 is \$11.7 million. To meet this target, HHC proposes to, re-estimate the cost savings from a number of services, increase its debt repayment to the City for agency-wide overhead costs, and reduce spending for the CEO nursing program and incentives in its substance abuse programs.

- **CEO: HHC Career Ladder Program.** In collaboration with the Mayor's Center for Economic Opportunity (CEO) and the NYC Office of Adult and Continuing Education, HHC's Nursing Career Ladder program offers accelerated licensed practical nursing (LPN) training to 40 low income New Yorkers annually, which lead to employment opportunities with HHC. HHC is proposing to reduce funding for this program by \$610,000 in Fiscal 2011 only. However, this reduction will be offset by funding from a Federal Health Resources and Services (HRSA) grant and will not impact services.
- **Eliminate Substance Abuse Contingency Management Funding.** HHC proposes to eliminate \$226,000 in Fiscal 2011 and in the outyears for its Substance Abuse Contingency Management program, which helps patients complete substance abuse treatment and provides follow-up care. Specifically, this funding is used to promote patient participation and provide incentives such as gift cards, movie tickets, metro cards, etc., to the complete the program's milestones. According to HHC, the elimination of this funding will not impact the delivery of services, however, it may impact the patients' commitment to the services.
- **Re-Estimate of Spending for Medical Malpractice.** HHC projects a reduction of \$50,000 in Fiscal 2011 and in the outyears on spending for medical malpractice legal counsel.
- **Re-estimate of Health Services at HHC to Inmates and Uniformed Services.** HHC projects a reduction in spending for prisoner and uniformed health services at its Bellevue and Elmhurst hospital facilities. HHC estimates a decrease of \$2.6 million in Fiscal 2011 and in the outyears.

Fiscal 2011 Executive and Preliminary Plan Highlights

The Department of Health and Mental Hygiene (DOHMH) proposes reductions that impact HHC for a number of programs and services. To help meet its budget reduction target of \$49.3 million in Fiscal 2011, DOHMH proposes to eliminate \$1.6 million in Fiscal 2011 and in the outyears to HHC including the following:

- **Alcohol and Drug Use Prevention, Care and Treatment Reduction.** In the Fiscal 2011 Executive Budget the Department of Health and Mental Hygiene (DOHMH) will reduce funding for enhancements for Medically Supervised Outpatient programs and underperforming programs in two HHC facilities by \$349,000 in Fiscal 2011 and \$218,000 in Fiscal 2012 and in the outyears. A total of \$148,000 in enhanced funding for adolescent services at Jacobi Medical Center will be totally eliminated. The enhanced funding contract for adolescent services at Cumberland Diagnostic and Treatment Center will be reduced by \$166,000 in Fiscal 2011 and in the outyears. DOHMH also proposed to reduce \$35,000 in funding for enhanced Mental Ill and Chemically Addicted (MICA) services at Kings County Hospital Center.
- **Tobacco Control.** In the Fiscal 2011 Preliminary Budget, DOHMH proposed to eliminate \$213,000 in Fiscal 2010 only by reducing the distribution of 2,100 Nicotine Replacement Therapy (NRT) kits at 11 HHC facilities and community cessation programs. In the Fiscal 2011 Executive budget, DOHMH proposes to further reduction of \$561,000, effectively eliminating patients access to NRT kits via HHC. Patients will have to contact 311 for information on how to access the free kits.
- **Reductions to Mentally Retarded and Developmentally Disabled (MRDD), Alcohol, Substance Abuse Programs.** The Preliminary Budget proposed to eliminate \$739,000 in Fiscal 2011 and in the outyears by reducing funding to HHC for programs that report low levels of service or that can be provided more cost-effectively through other programs.

The reduction of \$739,000 in Fiscal 2011 and in the outyears includes:

- A \$339,000 reduction in the Harlem Hospital Out-Patient Chemical Dependency (OPCD) program, which would result in a decreased ability to provide care for approximately 1,336 visits for under and uninsured patients requiring OPCD services and;
- A \$400,000 reduction to the Kings County Hospital Center's Developmental Evaluation Clinic. This reduction would result in the closure of the clinic, which serves 400 families and individuals.
- **Child Health Clinics.** The Preliminary Budget proposes to eliminate \$216,000 in Fiscal 2011 and in the outyears by reducing funding for child health clinics by eight percent.
- **HIV Contracts.** The Preliminary Budget proposes to eliminate \$135,000 in Fiscal 2011 and in the outyears from two HHC HIV contracts which would result in a 26 percent contract reduction at Bellevue AIDS Clinic and a 12 percent contract reduction to HHC's AIDS Assessment and Referral program. These are contracts that supplement support services such as case management, treatment adherence, supportive counseling, and referrals for social services that are currently provided by HHC.

Health and Hospital Corporation

The Health and Hospitals Corporation (HHC), the largest municipal hospital and health care system in the country, is a \$6.3 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 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 2009, HHC served 452,000 uninsured patients, an increase of eight percent from the number of patients served in 2007.

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.
- Reduce unnecessary emergency room visits and re-hospitalizations.
- Improve access to outpatient services.
- Expand enrollment in insurance programs.

SOURCE: Mayor's Preliminary Management Report

Fiscal 2011-2014 Cost Containment and Restructuring Plan

Since 2006, the number of uninsured patients that HHC serves has increased by 14 percent and over the past three years the Corporation has received \$240 million less in Medicaid revenue. Furthermore, HHC is projecting a \$68 million reduction in Medicaid reimbursements the Corporation as a result of State Medicaid budget reductions and it is unclear whether HHC will receive an additional \$300 million in Disproportionate Share Hospital (DSH) funding to help cover the rising indigent care costs that it received during each of the last two federal fiscal years.

As a result of these and other factors, HHC has announced a number of workforce reductions. By the end of this fiscal year, HHC will have reduced its workforce by over 1,000 positions, through both attrition and layoffs, and will possibly further reduce its workforce by 2,300 positions in the next fiscal year.

When looking at HHC's financial picture in its totality, the total projected expenses for the next fiscal year, beginning July 1, 2010, will exceed its total projected revenues by more than \$1.2 billion.

On May 11, 2010, HHC released its cost containment and restructuring plan which would help reduce the Corporation's projected Fiscal 2011 \$1.3 billion deficit over the next four fiscal years. The plan includes savings that would generate approximately \$300 million annually through Fiscal 2014. 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 will come from reductions in personnel, which includes a ten percent reduction to its workforce, or 3,600 positions, through layoffs and attrition. HHC will also implement reductions in Other than Personal

Services costs, improve payment collection and consolidate programs, streamline contracting, and close a number of clinics with low patient volume.

HHC has already begun implementing its cost containment measures, which are reflected in its budget this fiscal year. The Fiscal 2011 Executive Budget reflects City support to HHC in the amount of \$349 million in Fiscal 2010; waiving HHC's Fiscal 2010 obligations for debt services payments to the City, and reducing funding for medical malpractice and administrative overhead costs. The City's Human Resources Administration (HRA) budget reflects support to HHC with allocations of \$82 million in Fiscal 2011, \$229 million in Fiscal 2012, and \$300 million in Fiscal 2013 and Fiscal 2014. This funding reflects 50 percent of the non-federal share to support additional supplemental Medicaid reimbursements, and Disproportionate Share Hospital (DSH) enables HHC to extend necessary cost containment actions, including service and headcount reductions over four years instead of two.

The following areas will be impacted by HHC's cost containment and restructuring plan:

New Initiatives (\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014
<u>Administrative/Shared Services</u> – 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
<u>Affiliation/Physician Services Realignment</u> – To match contracted provider resources to patient volumes and need; reduce administrative positions.	\$51	\$51	\$51	\$51
<u>Long Term Care Realignment</u> – 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
<u>Ambulatory Care Realignment</u> -- 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
<u>Acute Care Realignment</u> -- 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
TOTAL	\$93	\$136	\$261	\$304

- **Administrative/Shared Services.** The projected \$141 million savings, which is a majority of the plan's savings, includes the reduction of construction and maintenance staff, contracting with a commercial lab to manage four of HHC's major laboratories, and 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 \$51.5 million savings includes the reduction of its affiliation contracts for physicians and health professional services by six percent.
- **Long Term Care Realignment.** The projected \$47 million savings includes the reduction of 300 long term care beds at HHC's four skilled nursing facilities (SNF), the closure and consolidation of under

utilized services at Coler-Goldwater specialty hospital and nursing facility, the consolidation of administrative and support services at select long-term care facilities, the rebalance of long-term staff to increase direct patient hours, improvement of the admissions coding and collection process to optimize reimbursements, and increase access to sub-acute rehabilitation and brain surgeries at long-term care facilities.

- Ambulatory Care Realignment.** The projected \$40 million savings includes HHC's proposal to seek Federally-Qualified Health Center (FQHC) status for its six diagnostic and treatment centers (D&TC's), which could generate approximately \$25 million in revenue, repositioning specialty services such as cardiology, endocrinology, pulmonary and gastroenterology to attract more inpatient volume, the consolidation of specialty care clinics offering services such as dermatology, rheumatology, pain management, and other specialty services to one specialty operation site per HHC network or borough, outsourcing outpatient chronic dialysis services, and closing the following five child health clinics and one dental clinic as a result of underutilization (which is defined as less than 10,000 patients served annually):

Name of Clinic	Location	Patents Served in FY 2009
Wyckoff Child Health Clinic	266 Wyckoff Street, Brooklyn	362
Glebe Child Health Clinic	214 Glebe Ave., Brooklyn,	513
Fifth Avenue Child Health Clinic	503 Fifth Ave., Brooklyn	872
Howard Houses Child Health Clinic	1620 East New York Ave., Brooklyn	962
Astoria Child Health Clinic	12-36 31 st Ave., Long Island City	1,167
Williamsburg Dental Clinic	214 Graham Ave., Brooklyn	2,152

- Acute Care Realignment.** The projected \$26 million savings includes the reduction of excess inpatient hospital length-of-stay, growing surgical volume by improving the operating room processes and recapturing surgeries performed outside of HHC, consolidation of prison units to one acute care facility instead of two, and the consolidation of joint/spine surgical volume to one location per borough or HHC network.

Budget Overview

<i>FY 2011 Executive Plan</i>	Projected	Projected	Projected	Projected	Projected
<i>(Accrual Basis)</i>	2010	2011	2012	2013	2014
(\$ in millions)					
OPERATING REVENUES					
<i>Third Party Revenue</i>					
Medicaid Fee for Service	1,441.6	1,471.9	1,472.7	1,501.5	1,531.5
Medicare	638.6	633.5	646.2	659.1	672.2
Other Third Parties	982.5	1,031.6	1,083.2	1,137.4	1,194.2
Pools & Additional Revenue	1,551.1	1,403.6	1,403.6	1,403.6	1,420.8
Subtotal: Third Party Revenue	4,613.8	4,540.6	4,605.7	4,701.6	4,818.7
<i>Funds Appropriated by the City</i>					
Debt Service	(15.0)	(45.0)	(63.6)	(67.6)	(63.5)
Prisoner/Uniform Services	65.7	52.6	52.6	52.6	52.6
Other City Services	38.1	28.0	27.9	28.0	28.0
Unrestricted City Services	4.0	2.6	29.7	29.8	29.8
Adjustment for Prepayment	(85.0)	0.0	-	-	-
CEO: Nursing Ladder Program	1.1	1.2	-	-	-
Subtotal: Funds Appropriated by the City	8.9	39.4	46.6	42.8	46.9
Grants (including CHP and Intra-City)	270.7	203.1	203.1	203.1	204.1
Other Revenue	37.0	37.9	38.9	39.8	40.8
MetroPlus Premium Revenue	1,119.1	1,238.4	1,348.8	1,348.8	1,348.8
TOTAL OPERATING REVENUES	6,049.5	6,059.4	6,243.1	6,336.1	6,459.3
OPERATING EXPENSES					
Personal Services	2,664.9	2,695.3	2,749.2	2,779.2	2,830.2
Fringe Benefits	1,088.9	1,169.9	1,229.8	1,290.8	1,355.3
Other Than Personal Services	1,685.4	1,734.5	1,787.4	1,841.9	1,797.9
Medical Malpractice	189.9	189.9	189.9	189.9	189.9
Affiliations	841.4	866.6	892.6	919.3	947.0
Depreciation	255.0	265.0	275.0	285.0	295.0
Postemployment benefits, other than pension	310.0	337.9	368.3	401.5	437.6

(Excl PYG)	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
TOTAL OPERATING EXPENSES	7,035.5	7,259.1	7,492.2	7,707.6	7,852.9
TOTAL OPERATING INCOME/(LOSS)	(986.0)	(1,199.7)	(1,249.1)	(1,371.5)	(1,393.6)
NON-OPERATING REVENUE/(EXPENSE) -					
Interest Income	5.0	10.0	7.5	5.0	5.0
Interest Expense	(110.0)	(110.0)	(110.0)	(110.0)	(110.0)
Total Non-Operating Expenses (net)	(105.0)	(100.0)	(102.5)	(105.0)	(105.0)
PROFIT/(LOSS) BEFORE OTHER CHANGES IN NET ASSETS	(1,091.0)	(1,299.7)	(1,351.6)	(1,476.5)	(1,498.6)
CORRECTIVE ACTIONS					
DSH Maximization		49.7	258.0	399.0	399.0
Additional Supplemental Medicaid Payments (City/Fed)	-	176.0	221.0	221.0	221.0
City Support	279.1	0.0	0.0	0.0	0.0
HHC Savings Initiatives/Cost Containment	201.0	273.0	306.0	306.0	306.0
Restructuring		43.0	136.0	261.0	304.0
Malpractice Containment	45.0	45.0	45.0	45.0	45.0
Subtotal: Corrective Actions	525.1	586.7	966.0	1,232.0	1,275.0
PROFIT/(LOSS) AFTER CORRECTIVE ACTIONS	(565.9)	(713.0)	(385.6)	(244.5)	(223.6)
PRIOR YEAR CASH BALANCE	233.5	667.8	492.3	203.5	128.6
ACCRUAL TO CASH ADJUSTMENT	1,000.2	537.4	96.9	169.3	127.0
CLOSING CASH BALANCE	667.8	492.2	203.6	128.3	32.0

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According to the Health and Hospital Corporation's (HHC) Fiscal 2011 Executive Plan, it's projected to end the current fiscal year with a cash balance of \$667.8 million on an accrual basis. As a result of a number of planned cost containment initiatives outlined above, the Corporation projects a positive cash balance for Fiscal 2010 and 2011. The corrective actions, coupled with the prior year cash balance of \$233.5 million, will offset its projected \$1 billion shortfall in Fiscal 2010. Using this cash balance, HHC will roll funds to cover its projected deficit of \$713 million in Fiscal 2011. Fiscal 2011 is critical because the Corporation is actually projecting a \$1.3 billion loss in operating income, and is hoping the loss will be offset by \$713 million in corrective actions, and additional City support of \$83 million.

Revenues

The HHC anticipates its total operating revenues to increase from \$6 billion in Fiscal 2011 to \$6.4 billion in Fiscal 2014, an increase of \$400 million or six percent. Third party revenue, which includes payments for

Medicaid, Medicare, Upper Payment Limit (UPL) and Disproportionate Share Hospital (DSH) funding, comprises the largest portion of the HHC's operating revenue, and it increases from \$4.6 billion in Fiscal 2010 to \$4.8 billion by Fiscal 2014. The other major source of revenue for the HHC is Metroplus premium revenue, which increases slightly between Fiscal 2010 and Fiscal 2013, from \$1.1 billion to \$1.3 billion, or 15 percent.

Expenses

HHC anticipates total operating expenses to increase from \$7 billion in Fiscal 2010 to \$7.8 billion by Fiscal 2014, an increase of \$800 million, or ten percent. A majority of the HHC's operating expenses are personal services (PS) costs, which includes salaries and fringe benefits. Projected spending for personal services will increase from \$2.7 billion in Fiscal 2010 to \$2.8 billion in Fiscal 2014. This projected increase is based on the City's proposed collective bargaining pattern which increases by an average of three percent from Fiscal 2011 to 2014. Fringe benefits also increase between Fiscal 2010 and Fiscal 2014, from \$1.1 billion to \$1.4 billion, or 15 percent, due to increases in pension and health insurance costs.

State Issues and Highlights

As mentioned above, HHC's budget for the current fiscal year and in the outyears weighs heavily on what happens at the State level. The State Fiscal 2010-11 Executive Budget proposes reductions to Medicaid reimbursements, which the Corporation projects be approximately \$68.1 million this State fiscal year, and include a \$34.9 million reduction to hospitals (as outlined in the chart below) from the elimination of Trend Factor payments, which is an annual increase that hospitals receive to reflect increased costs of providing care; a .4 percent gross tax increase on hospital inpatient services; an estimated \$22.4 million recurring reduction of payments related to preventable conditions and readmissions; and a \$15 million reduction to homecare and MetroPlus payments. This projected \$72.3 million reduction is offset by \$4.2 million in payments to Nursing Homes as a result of an extension for Nursing Home Rebasing from March of 2010 to April 2011, and delays in the implementation of the new regional pricing system to March of 2011.

Estimated SFY 10-11 12 month Impact by HHC Facility					
<i>Dollars in Thousands</i>	Assessment*	Trend Cut**	Indigent Care Cut		Total
Hospital					
BELLEVUE HOSPITAL CENTER	(2,071)	(2,894)			(4,966)
COLER MEMORIAL HOSP	(903)	(588)			(1,490)
CONEY ISLAND HOSPITAL	(994)	(1,019)			(2,012)
ELMHURST HOSP CTR	(1,361)	(1,875)			(3,235)
GOLDWATER MEM HOSP	(903)	(1,249)			(2,151)
HARLEM HOSPITAL CENTER	(871)	(1,160)			(2,032)
JACOBI MEDICAL CENTER	(1,480)	(2,077)			(3,557)
KINGS COUNTY HOSPITAL CENTER	(1,726)	(2,701)			(4,427)
LINCOLN MEDICAL	(1,374)	(1,851)			(3,224)
METROPOLITAN HOSPITAL CENTER	(762)	(1,205)			(1,967)
NORTH CENTRAL BRONX HOSPITAL	(457)	(609)			(1,066)
QUEENS HOSPITAL CENTER	(900)	(1,031)			(1,931)
WOODHULL MEDICAL	(1,045)	(1,523)			(2,568)
TOTAL Reduction HHC HOSPITALS	(14,846)	(19,781)			(34,627)
*This assessment reflects the impact of a .4% increase on the gross receipt tax to hospitals for inpatient services					
**Trend refers to the formula-based increase in the cost of providing care					
				Delay Regional Pricing	Total
Nursing Homes	Trend Cut		Assessment		
Coler-Goldwater SNF Coler Site	(1,092)		(514)	4,089	2,483
Coler-Goldwater SNF Goldwater Site	(778)		(357)	2,628	1,493
Dr. Susan Smith McKinney	(462)		(258)	1,121	400
Gouverneur	(287)		(169)	1,731	1,275
Sea View	(496)		(343)	(641)	(1,480)
Total Reduction HHC NH	(3,115)		(1,641)	8,928	\$4,171
Diagnostic & Treatment Centers – HHC Estimate					
Belvis	(15)				(15)
Cumberland	(35)				(35)
East NY	(38)				(38)
Gouverneur DTC	(117)				(117)
Morrisania	(31)				(31)
Renaissance	(17)				(17)
Total Reduction HHC DTC	(251)				(\$251)
TOTAL Hospitals, NH's, and DTC's					(\$30,707)
Source: The Health and Hospitals Corporation (HHC)					
Note: Table does not reflect the projected MetroPlus reduction of \$15 million and projected reduction of \$22.4 million from a Re-Admission Penalty. The addition of these reductions would bring the total HHC impact to \$68.1 million					

City Council Funding and Initiatives

The Council has routinely provided funding for HIV testing and the expansion of health services. Additionally, the Council restored \$800,000 to HHC for mental health and substance abuse mental retardation/developmental disability services. This funding is not included in the Fiscal 2011 Preliminary Budget.

FY 2010 Council Changes at Adoption	
<i>Dollars in Thousands</i>	
HHC (via)DOHMH	
Rapid HIV testing	\$2,000
Child Health Clinics	5,000
Subtotal	\$7,000
HHC	
Mental Health PEG Restoration	\$800
Primary Care Initiative	1,804
Subtotal	\$2,604
TOTAL	\$9,604

- Rapid HIV Testing Initiative.** In Fiscal 2010 the Council provided \$2 million via the Department of Health and Mental Hygiene (DOHMH), for the expansion of HHC's HIV rapid testing, which is a rapid test for detecting antibody to HIV and is a screening test that produces very quick results, usually in 5 to 30 minutes, and for counseling services on a routine basis beyond AIDS centers and prenatal care clinics. This funding assist 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 the Fiscal 2010 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 the Fiscal 2010 Preliminary Budget DOHMH proposed to reduce funding to HHC for mental health, substance abuse and mental retardation/developmental disability services, by \$869,000, however, the Council restored \$800,000 of this funding. As a result HHC's Queens and Renaissance Health Care Network Diagnostic & Treatment Centers were able to remain open.
- Primary Care Initiative.** As a result of the Council's call for the City to perform an assessment of the barriers to obtaining health care in underserved communities, assessments were conducted by HHC and were compiled in a 2008 report entitled, Primary Care Initiative Community Health Assessment. Eleven communities were highlighted that face the most significant shortages of primary care services, healthcare services that are in need of improvement and a needed expansion in local clinics were also identified. As part of this initiative, the Council is committed to develop, implement, and administer new programs or make modifications to current programs. In the Fiscal 2010 Adopted Budget, the Council allocated \$2.7 million for the expansion of primary care. The Council designated \$946,000 to DOHMH to expand services at six school-based clinics in Brooklyn, The Bronx, Queens and Staten Island and \$1.8 million to HHC to expand services at four HHC Health care facilities which include \$240,000 for the expansion of services at the Baruch Family Health Center, \$462,000 for Gouverneur Healthcare Services in Manhattan, \$414,000 for Springfield Gardens Medical Center in

Queens, which was slated for closure and will remain open as a result of this funding, \$300,00 for the Greenpoint Family Health Center in Brooklyn, and \$388,000 for to fund operating losses at HHC's 27 school-based health programs located throughout the city.

Capital Program

The May 2010 Capital Commitment Plan includes \$309.2 million in Fiscal 2011-2014 for the Health and Hospitals Corporation (HHC) (including City and Non-City funds). This represents less than one percent of the City's total \$28.6 billion Executive Plan for Fiscal 2011-2014. The agency's May Commitment Plan for Fiscal 2011-2014 is 38.8 percent less than the \$505.5 million scheduled in the January Commitment Plan, a decrease of \$ 196.3 million.

Over the past five years HHC has committed an average of 41 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2010 capital plan will be rolled into Fiscal 2011 thus increasing the size of the Fiscal 2011-2014 capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2010 has neither increased nor decreased and remains at \$251 million.

Currently, HHC's appropriations total \$173.7 million in City funds for Fiscal 2010. These appropriations are to be used to finance the agency's \$157.6 million City-funded Fiscal 2010 capital commitment program. The agency has \$16.1 million or over nine percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

According to the September 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 Fiscal 2010 Ten-Year September Capital Plan totals \$742 million which is an increase of \$195 million, or 36 percent from the Fiscal 2010 Executive Capital Commitment Plan of \$547 million. As indicated in the Fiscal 2010 September Ten-Year Capital Plan, HHC plans to spend \$339.6 million, or 46 percent for hospital reconstruction, \$262.5 million or 35 percent for routine reconstruction, \$125.1 million or 17 percent for emergency, medical services equipment, \$14.7 million or two percent, for major medical equipment, and the remaining \$171,000 or less than one percent for information systems.

FY 2010 September Ten-Year Capital Commitment Plan

<i>Dollars in thousands</i>	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2019	Total
Information Systems	\$171	\$0	\$0	\$0	\$0	\$171
Emergency Medical Services Equipment	14,540	7,700	7,700	8,400	86,744	125,084
Major Medical Equipment	13,499	0	0	1,204	0	14,703
Hospital Reconstruction	87,202	47,214	38,205	91,404	75,547	339,572
Routine Reconstruction	136,498	21,418	11,772	16,088	76,716	262,492
TOTAL	\$251,910	\$76,332	\$57,677	\$117,096	\$239,007	\$742,022

Major Capital projects in the agency's Fiscal 2011 January Capital Plan for Fiscal 2010-2013 include the modernization of Harlem Hospital Center and Gouverneur Healthcare Services.

- HHC's Fiscal 2011 May Capital Commitment Plan includes \$179.1 million for the Modernization of the Harlem Hospital campus. This consists of renovation to the existing Martin Luther King Pavilion, and construction of a new pavilion on Lenox Avenue that will connect the King Pavilion to the Ron Brown Ambulatory Care Pavilion, creating one unified healthcare complex. The new pavilion will include a new emergency department, surgery department, diagnostic and treatment services, a critical care

suite and a modern radiology center. The modernization will unify the hospital campus, which currently comprises seven buildings over two blocks; renovate the inpatient bed tower; provide a garage for use by the hospital community; build a new FDNY Emergency Medical Service (EMS) garage; and provide an overall patient-friendly and staff-efficient environment. Included in the modernization plan for Harlem Hospital is the restoration of priceless WPA-era art murals, which are housed at the existing Harlem Hospital Center campus. However, as a result of the 30 percent reduction to the HHC's ten-year Capital Plan last fiscal year, the amount planned for this project was reduced by \$47.1 million. This reduction will impact phase II of the modernization, reductions in medical equipment, and clinical space. Construction for this project began in the fall of 2005 and is scheduled for completion in 2012.

- A total of \$91.6 million is included in the Plan for the major modernization and expansion of Gouverneur Hospital. The project will upgrade the existing infrastructure and expand and consolidate the ambulatory care and nursing facilities within separate areas of the building. This will permit staffing and functional efficiencies, increase out-patient capacity and increase the number of beds.

Appendix A: Budget Actions Since Fiscal Year 2010 Adoption

<i>Dollars in Thousands</i>	FY 2010			FY 2011		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the June 2009 Plan	\$2,016	\$98,611	\$100,627	\$85,948	\$87,321	\$173,269
Program to Eliminate the Gap (PEGs)						
Re-Estimate for Debt Service			\$0	(8,209)		
Re-estimate of spending for Medical Mal			0	(50)		(50)
Re-estimate of Health Services at HHC to Inmates & Uniform			0	(2,559)		(2,559)
Eliminate Substance Abuse Conting Mngmt Fund			0	(226)		(226)
City Council Intra-City	438		438			876
CEO: HHC Ladder Prgm			0	(610)		(610)
Alcohol & Drug Prevention, Care & treat			0		(349)	(349)
City Council Intra-City		(438)	(438)			0
Correctional Health HHC Intra-City		(643)	(643)			0
HHC Child Health Clinic Pass-Through		(169)	(169)		(338)	(338)
HHC HIV Contracts Intra-City					(211)	(211)
Mental Hygiene Contracts		(214)	(214)		(753)	(753)
Total, PEGs	\$438	(\$1,463)	(\$1,025)	(\$11,654)	(\$1,650)	(\$13,304)
Other Adjustments						
Chem Dep		(\$111)	(\$111)	(\$111)		(\$111)
CEO: HHC Career Ladder Program	1,450		1,450	1,860		1,860
FY10 Exec Plan MHY Revised PEG		388	388		388	388
FY10 Jan Plan MHY Revised PEG		240	240		240	240
Comm on Pub Health System	50		50			0
CHC Restor	0	7,813	7,813			
HHC & Vol Realign			0	16		16
Stop DWI		(144)	(144)	(144)		(144)
Primary Care	1,804		1,804			0
HHC Subsidy			0			0
Oasas Letter		327	327		327	327
IC W HHC		50	50	50		50
IC w HHC Aids Counselors		(49)	(49)	(49)		(49)
IC W HHC Quit Smoking		100	100			0
IC W/ HHC-Chem Dep		107	107	107		107
IC W/ Correctional Health		832	832			0
IC W/ Parking Permits			0			0
IC W/ Woodhull Min Scrn		4,180	4,180			0
IC W/HHC-Renovations		45	45			0
MRDD State Aid Letter		(1,213)	(1,213)		(1,213)	(1,213)
Roll FY09 UASI Funds to FY10						
Total, Other Adjustments	\$3,304	\$12,566	\$15,870	\$1,729	(\$257)	\$1,472
Agency Budget as per the Fiscal 2011 Executive Plan	\$3,850	\$110,041	\$113,891	\$84,363	\$87,253	\$171,616