

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Hospitals the Fiscal 2020 Executive Plan, the Ten-Year Strategy for Fiscal 2020-2029, and Fiscal 2020 Executive Capital Commitment Plan

New York City Health and Hospitals

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Finance Division

Lauren Hunt, Financial Analyst
Crielhien Francisco, Unit Head

Latonia McKinney, Director
Regina Poreda Ryan, Deputy Director

Paul Scimone, Deputy Director
Nathan Toth, Deputy Director

New York City Health + Hospitals Overview

NYC H+H is the City's public hospitals and health care system. H+H operates 11 acute-care facilities with nearly 5,000 beds, five long-term care facilities with nearly 3,000 beds, and more than 70 community-based healthcare centers and extensions clinics. This report presents a review of the New York City Health and Hospitals' (H+H) Fiscal 2020 Executive Budget. H+H's Fiscal 2020 Executive Budget is \$1 billion, \$283 million more than the Corporation's Fiscal 2019 budget. The section below presents an overview of H+H's budget and how it has changed during the course of Fiscal 2019, followed by a review of the significant budget actions introduced in the Fiscal 2020 Executive Budget. Major issues related to the H+H's budget are then discussed. Analysis and highlights of H+H's Ten-Year Strategy and Fiscal 2019 – 2023 Capital Commitment Plan follows the discussion of the expense budget. Appendix 1 reports the changes made to the Fiscal 2019 and Fiscal 2020 Budgets since Adoption of the Fiscal 2019 Budget. For additional information on the H+H's budget and its various programs, please refer to the Fiscal 2020 Preliminary Budget Report for Health and Hospitals at: <https://on.nyc.gov/2J1NI8A>

Fiscal 2020 Executive Plan Expense Budget Highlights

The Executive Financial Plan introduced changes that increased the City's budget for H+H by \$7.2 million in Fiscal 2019 and \$2.7 million in Fiscal 2020. The Plan did not introduce any savings or new needs for H+H. Changes include \$7.2 million in other adjustments for the current fiscal year, and \$2.7 million for Fiscal 2020. Described below are the notable budget actions for Fiscal 2019 and 2020 in the Executive Financial Plan.

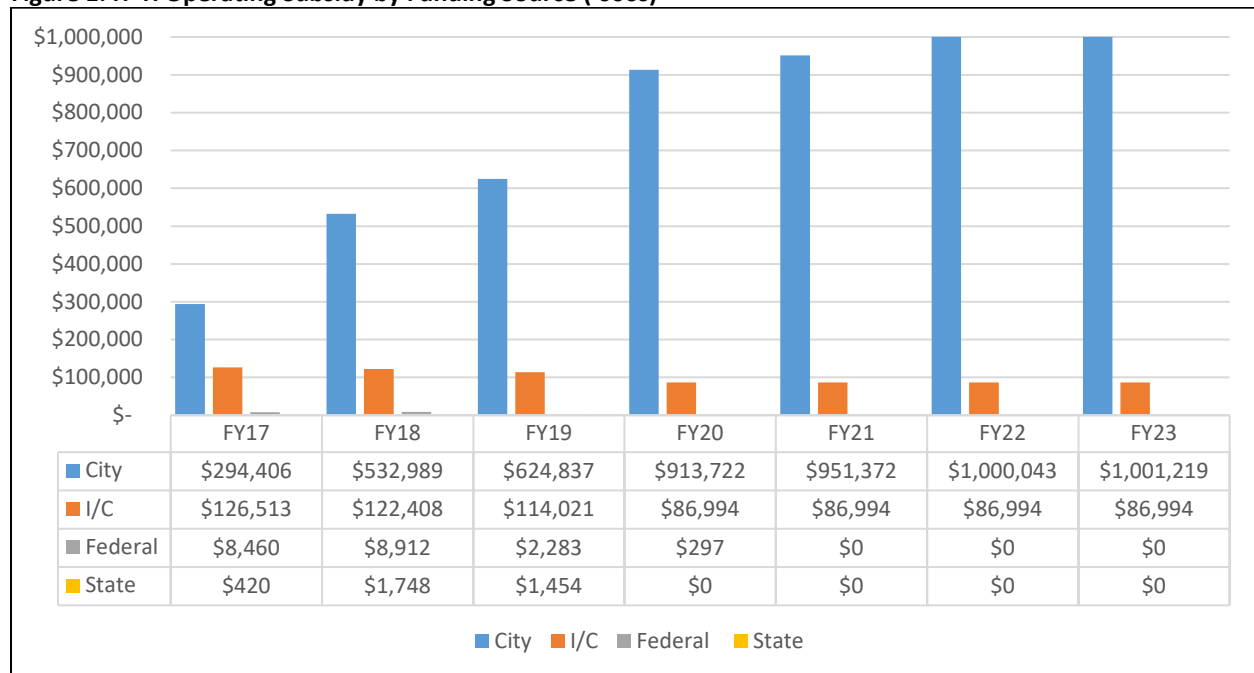
- **NYC Care.** The Preliminary Budget included \$25 million for Fiscal 2020, \$75 million for Fiscal 2021 and \$100 million in the outyears for the roll out of NYC Care. NYC Care is the Administration's plan to provide healthcare for all. On May 7, 2019, the Administration announced the NYC Care Card and details regarding the launch of the NYC Care program. Below are some highlights of the Administration's steps toward program implementation.
 - H+H will launch the NYC Care Card, which will provide each member with a dedicated doctor, access to a 24/7 customer service line to make appointments;
 - H+H has hired doctors in the Bronx to serve approximately 10,000 patients expected to enroll in NYC Care in the first six months;
 - H+H has hired a new Executive Director for NYC Care, Marielle Kress, who started on May 6 to oversee the NYC Care program; and
 - H+H will launch 24/7 pharmacy services in the Bronx on August 1, 2019.
- **Correctional Health Services (CHS) Collective Bargaining.** The Executive Budget includes \$1.6 million in Fiscal 2019 and \$2.8 million in Fiscal 2020 for collective bargaining related personnel cost increases for the Correctional Health Services operated by H+H. This increase is due to the renewal of the contract between New York State Nurse Association and H+H. The total increase is due to the enhancement of NYSNA salaries for CHS's staff.
- **Cure Violence Transfer.** The Fiscal 2020 Executive Plan includes a reduction of \$525,000 in Fiscal 2020 and \$14,000 in Fiscal 2019. The Cure Violence Program will be transferred from H+H to the Department of Health and Mental Hygiene (DOHMH).

- Support for Winston Temps.** The Executive Plan includes \$1.4 million in Fiscal 2019 for the support for Winston Resources, which provide temporary positions at H+H locations. H+H has a temporary contract with Winston Temps and spending in Fiscal 2019 is higher than anticipated.

Operating Subsidy by Funding Source

H+H’s City Budget is one lump sum that addresses solely Other Than Personal Services (OTPS). The majority of H+H funding is through a cash based plan. The operating subsidy provided by the City totals \$742 million in Fiscal 2019 and \$1 billion in Fiscal 2020. Below is a summary of key funding changes by sources for H+H’s operating subsidy provided by the City.

Figure 1: H+H Operating Subsidy by Funding Source ('000s)¹



City funding increases \$288 million, or 46 percent, from \$625 million in Fiscal 2019 Adopted Plan to \$914 million in Fiscal 2020 Executive Plan. The total of the funding increased is for OTPS. The increase is due to a funding decrease in Federal and State funding.

Budget Issues

The following section provides issues and concerns as it pertains to H+H’s Executive Budget.

Cash-Based Fiscal 2020 Executive Financial Plan

H+H’s cash-based Fiscal 2019 Executive Financial Plan projects an operating income of \$43.6 million in Fiscal 2019 and \$72.8 million in Fiscal 2020. The financial plan expects operating losses totaling \$92.2 million in Fiscal 2021, \$272.8 million in Fiscal 2022, and \$398.8 million in Fiscal 2023. The health system also anticipates a closing cash balance of \$781.4 million in Fiscal 2019 and \$854.2 million in Fiscal 2020.

- Fiscal 2019 Projections.** In Fiscal 2019, H+H projects \$6.3 billion from Third Party Revenue (Medicaid, Medicare, Other Managed Care, and Supplemental Medicaid); \$1.5 billion

¹ H+H budfile Executive budget 2020

from Other Revenue (City Subsidy, Grants, and Other); and \$712 million from Revenue-Generating Initiatives – for \$8.53 billion in total revenues. The revenue-generating initiatives include \$347 million from Medicaid Waiver Programs and \$355 million from Health Insurance Initiatives.

H+H anticipates \$8.88 billion in Expenses in Fiscal 2019 – including Personal Services, Fringe Benefits, Affiliations, and Other Than Personal Services – minus \$394.4 million from Expense-Reducing Initiatives – for \$8.5 billion in total expenses. The Expense-Reducing Initiatives include \$125 million from Procurement Efficiencies and \$269.4 million from Restructuring and Personnel Initiatives. This results in a total operating income of \$43.6 million in Fiscal 2018.

- **Fiscal 2020 Projections.** In Fiscal 2020, H+H projects \$5.54 billion from Third Party Revenue; \$1.56 billion from Other Revenue; and \$889.9 million from Revenue-Generating Initiatives – for \$7.9 billion in total revenues. The revenue-generating initiatives include \$164.52 million from Medicaid Waiver Programs, \$530 million from Health Insurance Initiatives, and \$75.4 million from Patient Revenue Growth.

In Fiscal 2020, H+H anticipates \$8.5 billion in Expenses minus \$530 million from Expense-Reducing Initiatives, including \$145 million from Procurement Efficiencies and \$385 million from Restructuring and Personnel Initiatives. This results in \$7.83 billion in total expenses and a total operating income of \$72.8 million in Fiscal 2020.

Transformation Plan

H+H transformation plan has two major components, Revenue Generating Initiatives and Expense-Reduction Initiatives. The following section goes into detail the different components that make up the transformation program

Revenue-Generating

- **Medicaid Waiver Program.** The Medicaid Waiver program is temporary Federal funding to support the transition of health insurance from straight Medicaid to Medicaid Managed Care. The funding consists of three programs. Delivery System Reform Incentive Payment (DSRIP), Value Based Payment Quality Improvement Program (VBP-QIP), and Care Restructuring Enhancement Pilots. In Fiscal 2019, the total Medicaid Waiver Program is \$347 million, or 49 percent of the revenue-Generating Initiatives. DSRIP is \$39 million, VBP is \$248 million, and CREP is \$59 million. In Fiscal 2020, the total Medicaid Waiver Program Totals \$165, or 19 percent of the total revenue-generating initiatives. DSRIP is \$0, VBP is \$120 million and CREP is \$45 million.
- **Federal and State Charity Care.** The Federal and State Charity Care is anticipated to make up for the cuts to DSRIP, the hope is the State will pick up some of the cost after the cuts. The equitable Disproportionate Share Hospital distribution wouldn't start until Fiscal 2020 and is anticipated to amount to \$120 million.
- **Health Insurance Initiatives.** The Health Insurance Initiative is a program designed to generate the highest amount of revenue from health insurances. The program consists of five programs, Revenue cycle Improvements, Managed Care Contracting Improvements, Federally Qualified Health Center Revenue, Metroplus Engagement and Growth and

Coverage for Eligible Uninsured. In Fiscal 2019, the total Health Insurance Initiatives is \$355 million, or 50 percent of the total revenue generating initiatives. Revenue Cycle Improvements is \$190 million, Managed Care contracting improvements is \$45 million, FQHC Revenue is \$20 million, MetroPlus Engagement and Growth is \$60 million and coverage for eligible uninsured is \$40 million. In Fiscal 2020, the total Health Insurance Initiative is \$530 million, or 60 percent of the total revenue generating initiatives. Revenue Cycle Improvements is \$230 million, Managed Care contracting improvements is \$120 million, FQHC Revenue is \$20 million, MetroPlus Engagement and Growth is \$100 million and coverage for eligible uninsured is \$60 million.

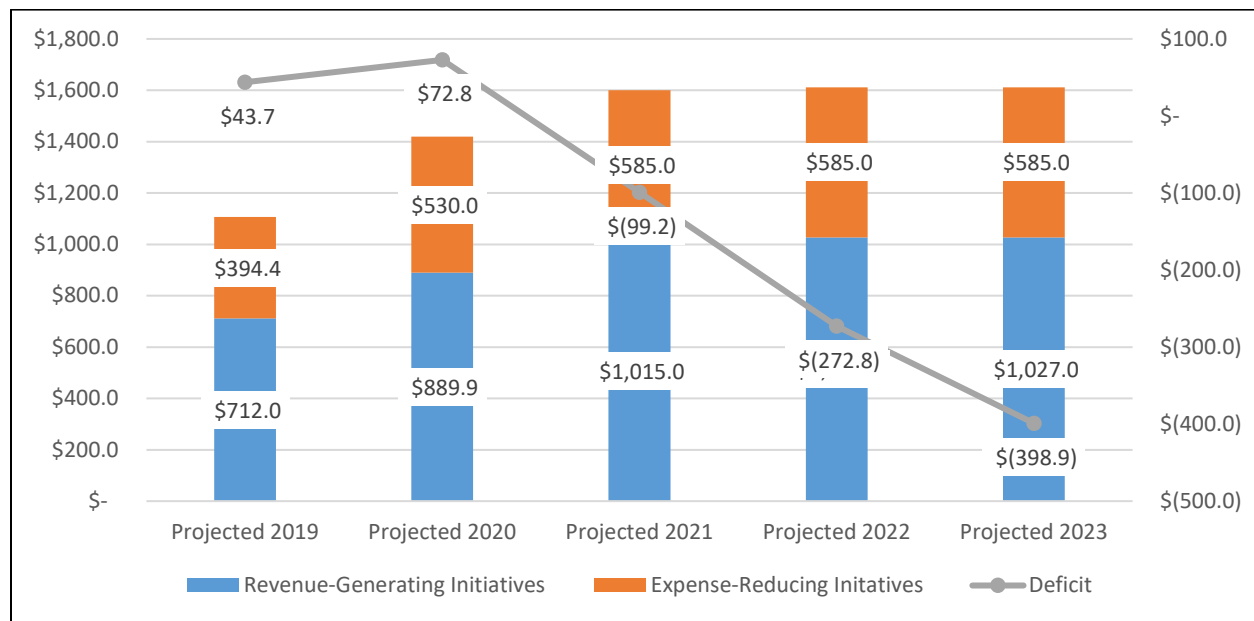
- **Growth Initiatives.** Patient revenue growth is estimated to be \$10 million for Fiscal 2019, or 1 percent of the total revenue-generating initiatives. In Fiscal 2020, the anticipated revenue is \$75 million, or eight percent.

Expense-Reducing Initiatives

- **Procurement Efficiencies.** Procurement Efficiencies consists of two parts, supply chain and Labs and Pharmacy. In Fiscal 2019, the total Procurement Efficiencies is \$125 million, or 32 percent of the total expense-reducing initiatives. Supply chain is \$95 million and Labs and Pharmacy is \$30 million. In Fiscal 2020, the total Procurement Efficiencies is \$145 million, or 27 percent of the total expense-reducing initiatives. Supply chain is \$115 million and Labs and Pharmacy is \$30 million.
- **Restructuring and Personnel Initiatives.** The restructuring and personnel initiatives is designed to reduce the number of positions and restructure to ensure maximum efficiency in position usage. The initiative is two parts, Global FTE reduction and Restructuring healthcare services. In Fiscal 2019, the total restructuring and personnel initiative is \$270 million or 68 percent. Global FTE reduction would save \$265 million and Restructuring healthcare services would save \$5 million. In Fiscal 2020, the total restructuring and personnel initiatives is \$385 million, or 73 percent. Global FTE reduction would save \$375 million and restructuring healthcare services would save \$10 million.

The following chart shows the revenue-generating and expense-reducing initiatives compared to the income over loss.

Figure 2: Actions to Correct the Deficit



Fiscal 2020 Preliminary Budget Response

The Council’s response to the Fiscal 2020 Preliminary Budget included three recommendations for H+H, but none of the proposals were funded in the Fiscal 2020 Executive Budget. The Council called for the following;

- **Gotham Urgent Care in Gouverneur Hospital.** H+H has pledged \$82 million to open three urgent care centers, one each in Brooklyn, Queens, and the Bronx. H+H’s plans for expansion are welcome, but there is also a high need in the Lower East Side for an urgent care facility. With an allocation of \$27 million in the Capital Budget to renovate an area in Gouverneur Hospital into a new Gotham Urgent Care H+H could better serve residents of the LES.
- **Renovate Woodhull Hospital.** The Council urged the Administration to include \$10 million in the Capital Budget for Woodhull Hospital. Woodhull Hospital has been awarded \$5 million to renovate its emergency department, however, this funding does not cover the cost of creating a state-of-the art emergency department. In addition, the facilities at Woodhull Hospital are in dire need of renovation and moderation.
- **Baseline Transgender Healthcare Training at H+H.** The Council started a program to support TGNCNB population in 2019. The Council urged the City to baseline \$150,000 for training on healthcare services for transgender, gender non-confirming and non-binary individuals at Health and Hospitals.

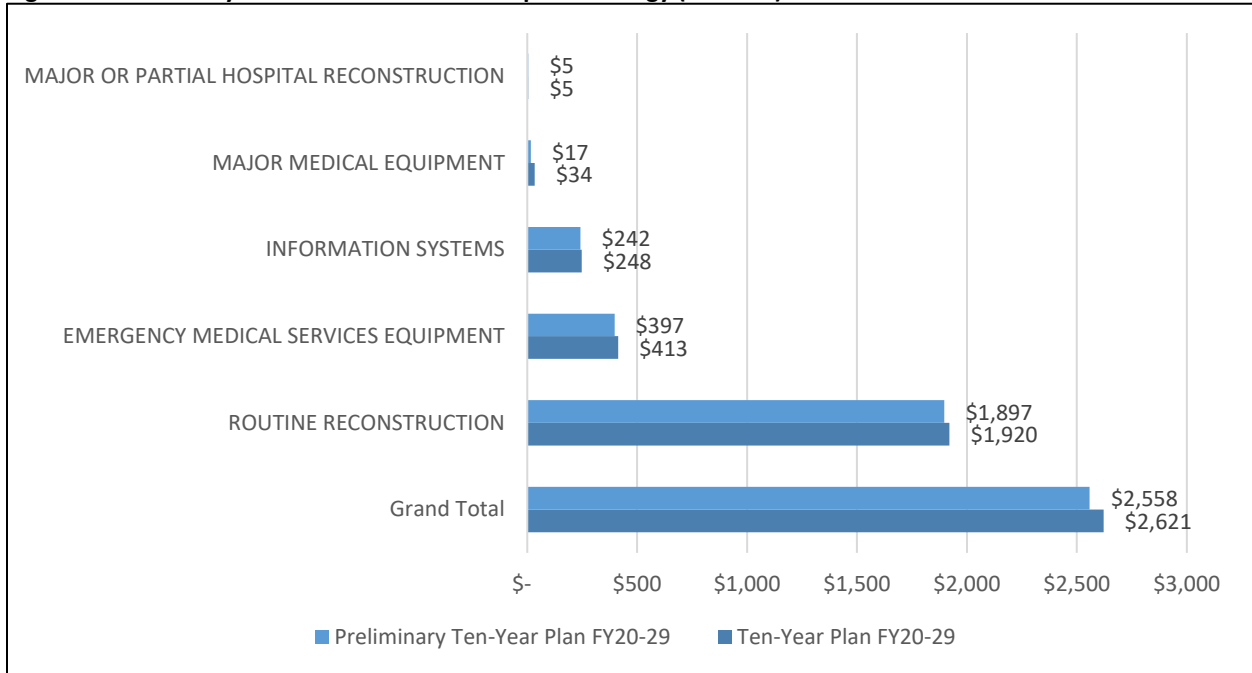
Capital Program

This section will provide an overview of the Executive Ten-Year Strategy, Commitment Plan and Capital Budget for H+H. Each one of these documents should support and be well integrated with one another to properly execute the City’s capital projects as well as meet its infrastructure goals. We will examine to what extent this is occurring, where improvements need to be made, and the overall feasibility of H+H’s capital program.

Ten-Year Capital Strategy Fiscal 2020-2029

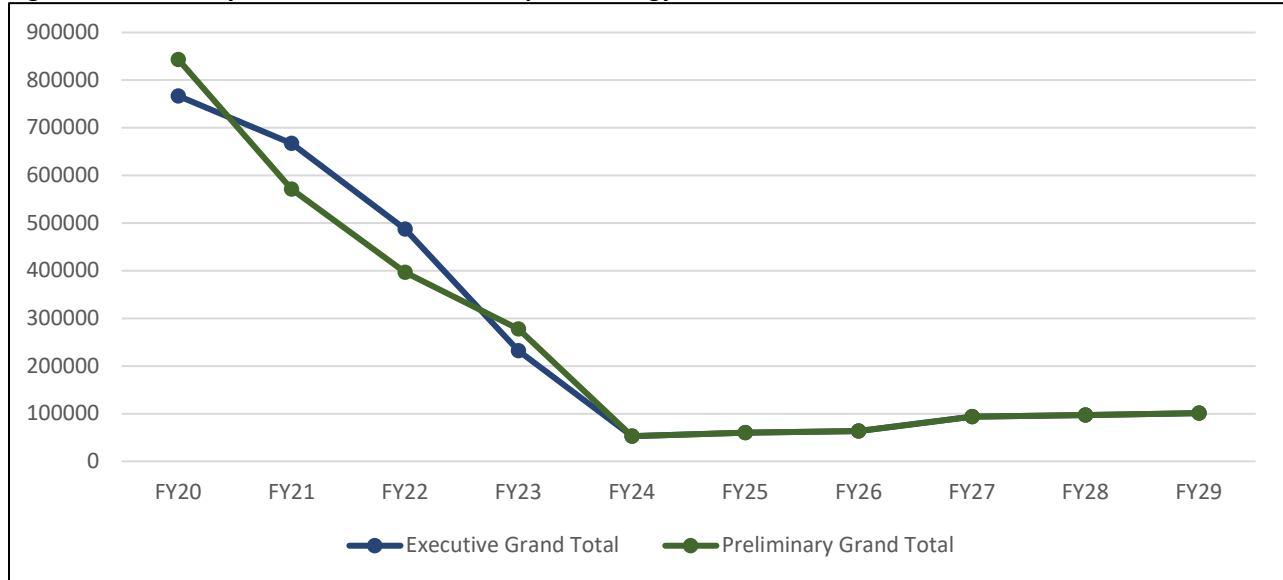
The City’s Ten-Year Strategy totals \$116.9 billion, which is \$21.1 billion larger than the \$95.8 billion Fiscal 2018-2028 Ten-Year Strategy. H+H Ten-Year Capital Strategy totals \$2.6 billion, or two percent of the City’s total Ten-Year Strategy. H+H’s Ten-Year Strategy is broken down into five of categories outlined in the chart below.

Figure 3: Preliminary vs. Executive Ten-Year Capital Strategy (Millions)



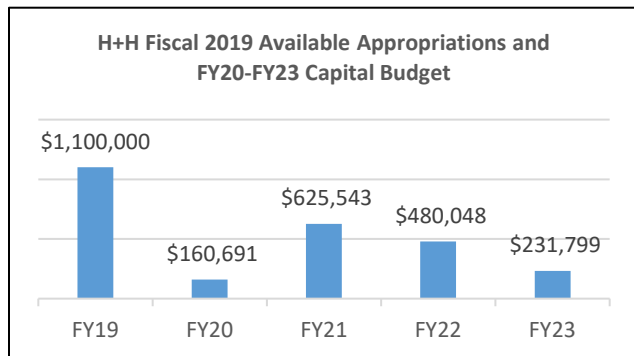
As outlined in the Council’s Fiscal 2020 Preliminary Budget Response, the Fiscal 2020-2029 Preliminary Ten-Year Capital Strategy presented by the Administration was not true to its name and many of the Ten-Year Strategy categories have a dramatic decline in planned spending, or no spending, in the second half of the plan. The Ten-Year Capital Strategy presented as part of the Fiscal 2020 Executive Budget still fails to address planning in the outyears for many city agencies, including H+H. For example, only two of H+H’s five categories have funding beyond Fiscal 2023. It is certain that there will be a need for improvements to major medical equipment, information systems, and major or partial Hospital Reconstruction in Fiscal 2024 and beyond. The funding timeline is outlined in the chart below.

Figure 4: Preliminary vs. Executive Ten-Year Capital Strategy Timeline



Fiscal 2020 Executive Capital Budget and Commitment Plan for Fiscal 2019-2023

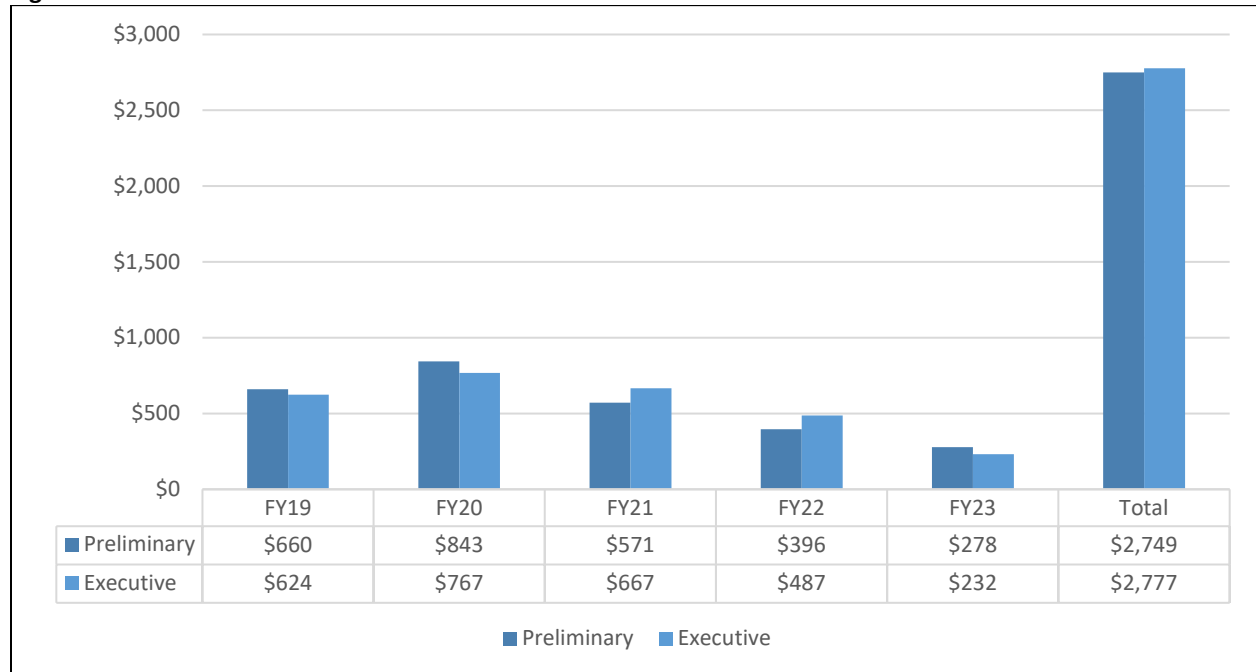
The Capital Budget provides the estimated need for new appropriations for Fiscal 2020 along with projections for the subsequent three-year capital program. Appropriations represent the legal authority to spend capital dollars and are what the Council votes on at budget adoption. The Commitment Plan, which is a five-year spending plan, is the plan to spend those appropriations. The Capital Budget is significantly less than the Capital Commitment Plan because it does not include the current appropriations for Fiscal 2019 or the amount of funding that may be re-appropriated or rolled into Fiscal 2020 in the Adopted Budget. This section will provide an overview of the Capital Budget and Commitment Plan for H+H.



Capital Budget Appropriations for Fiscal 2019 total \$1.1 billion. The Fiscal 2020-2023 Executive Capital Budget proposes \$1.5 billion in new appropriations for H+H, including \$160.7 million in Fiscal 2020. A significant portion of Fiscal 2019 appropriations will be reauthorized at budget adoption and increase the size of the Fiscal 2020 capital budget.

H+H’s Fiscal 2019 Executive Capital Commitment Plan for Fiscal 2019-2023 increased by \$28 million over the Fiscal 2019 Preliminary Plan– from \$2.75 billion to \$2.78 billion. The change is largely attributable to a \$25.6 million total increase in Hospitals Improvements. H+H Fiscal 2020 Executive Capital Commitment Plan includes \$2.78 billion in Fiscal 2019-2023. This represents three percent of the City’s total \$86.2 billion Capital Commitment Plan for Fiscal 2020-2023.

Figure 5: H+H FY19-FY23 Commitment Plan



Fiscal 2020 Executive Capital Commitment Plan

The top three capital commitments for Fiscal 2020 are Elmhurst Hospital Center, Emergency Medical Services Equipment and Hospitals, Improvements. All three of these projects are listed as lump sums and don't provide transparency to the monitor the actual work. \$1.4 billion of H+H's total \$2.8 billion Commitment Plan, or nearly 50%, is in lump sum project ID's. The Council cannot successfully monitor the progress of H+H Capital projects without further transparency.

Appendix 1: Fiscal 2020 Budget Actions since Fiscal 2019 Adoption

<i>Dollars in Thousands</i>	FY 2019			FY 2020		
	City	Non-City	Total	City	Non-City	Total
H+H Budget as of the Adopted 2019 Plan	\$628,148	\$71,310	\$699,460	\$830,279	\$89,177	\$919,455
New Needs						
NYC Care	\$0	\$0	\$0	\$25,000	\$0	\$25,000
Subtotal, New Needs	\$0	\$0	\$0	\$25,000	\$0	\$25,000
Other Adjustments - Prelim. 2020						
DOHMH - INTRACITY	\$0	(\$1,187)	(\$1,187)	0	(\$1,350)	(\$1,350)
DGS INTRA CITY	5	0	5	10	0	10
DOH-HHC AIDS	0	3,736	3,736	0	0	0
HHC Collective Bargaining	0	0	0	55,706	0	55,706
INTRA CITY RENT	0	(27)	(27)	0	(45)	(45)
plaNYC Energy	0	345	345	0	0	0
UASI FFY17	0	(97)	(97)	0	97	97
DV Forensic Training Rollover	0	125	125	0	0	0
Energy Analyst	0	62	62	0	0	0
Energy Managers	0	191	191	0	0	0
FFY15UAS1	0	928	928	0	0	0
H+H DOHMH Transfer	(2,495)	3,898	1,403	0	0	0
IC - Asthma Center	0	313	313	0	0	0
IC - Jacobi Med Center	0	12	12	0	0	0
IC - Pharmaceuticals	0	2,260	2,260	0	0	0
IC - Reach Out & Read	0	155	155	0	0	0
IC - Winston Temp	0	1,609	1,609	0	0	0
IC - Immunization Clinic	0	455	455	0	0	0
IC - Pharmaceuticals	0	680	680	0	0	0
IC - Winston Temps	0	525	525	0	0	0
IC - Pharmaceuticals	0	6,380	6,380	0	0	0
OASAS State Aid Letter	0	(588)	(588)	0	(588)	(588)
OMH State Aid Letter	0	777	777	0	0	0
Transfer for CHS Services	18	0	18	0	0	0
Subtotal, Other Adjustments	(\$2,472)	\$20,555	\$18,082	\$55,715	(\$1,886)	\$53,830
TOTAL, All Changes Prelim. 2020	(\$2,472)	\$20,555	\$18,082	\$80,715	(\$1,886)	\$78,830
H+H Budget as of the Preliminary 2020 Plan	\$625,676	\$91,865	\$ 717,542	\$910,994	\$87,291	\$998,285
Other Adjustments - Exec. 2020						
CHS Collective Bargaining	\$1,646	0	\$1,646	\$2,820	0	\$2,820
Collective Bargaining	0	0	0	\$433	0	\$433
Cure Violence Transfer	(\$14)	0	(\$14)	(\$525)	0	(\$525)
FEMA 21919 Coney Island	0	\$76	\$76	0	0	0
FY19 HHC Winston Temps	\$712	\$712	\$1,425	0	0	0
IC - AOT Physician Serv	0	\$370	\$370	0	0	0
IC - CME / CNE	0	\$1	\$1	0	0	0
IC - Pharmaceuticals	0	\$120	\$120	0	0	0
IC - Temps / Pharm	0	\$65	\$65	0	0	0
IC - Winston Temp	0	(\$3)	(\$3)	0	0	0
IC - Immunization Clinic	0	(\$285)	(\$285)	0	0	0
IC - HIV Testing	0	\$3,125	\$3,125	0	0	0
IC - SBHC	0	\$245	\$245	0	0	0
IC - Pharmaceuticals	0	\$1,062	\$1,062	0	0	0
NARCAN (10/2018-12/2018)	0	\$33	\$33	0	0	0
Subtotal, Other Adjustments	\$2,345	\$5,522	\$7,867	\$2,728	0	\$2,728
TOTAL, All Changes - Exec. 2020	\$2,345	\$5,522	\$7,867	\$2,728	0	\$2,728
H+H Budget as of the Executive 2020 Plan	\$628,021	\$97,387	\$725,409	\$913,722	\$87,291	\$1,001,013