



**NOTE ON THE FISCAL 2021
EXECUTIVE BUDGET FOR
NEW YORK CITY HEALTH + HOSPITALS
MAY 2020**

New York City Council

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Committee on Finance
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Committee on Hospitals

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Introduction

On April 16, 2020, the Administration released the Executive Financial Plan for Fiscal 2020-2024, with a proposed operating budget for the City of New York of \$89.3 billion in Fiscal 2021. The New York City Office of Management and Budget (OMB) has, as of May 29, 2020, declined to provide an updated cash plan for New York City Health + Hospitals (H+H), citing continuing uncertainty around the impact of ongoing COVID expenditures and forthcoming federal aid payments. This Budget Note reviews the following items pertinent to H+H's finances: Cash flow, response to the COVID pandemic, and related federal relief measures and state budget actions, as well as Executive Plan changes to the City's operating support and capital commitments.

Budget Overview

The City's contribution to H+H's operating budget, as of the Fiscal 2021 Executive Plan, is \$1.2 billion for Fiscal 2020—consisting of \$806.5 million in City funds, \$134.3 million in Intra City funds, \$1.3 million in State funds, and \$259.5 million in Federal funds. For Fiscal 2021, the City's operating support to H+H amounts to \$1.14 billion—comprised of \$1.06 billion in City funds and \$88.5 million in Intra City funds. (See **Appendices 1 and 2.**)

H+H's operating budget has consisted largely of third-party and other non-City revenues; the Fiscal 2021 Preliminary Budget included \$899.8 million in City support for Fiscal 2020,¹ about one-eighth of H+H's then-projected operating revenues (in lieu of corrective, i.e. Transformation Plan, actions) of \$7.7 billion in Fiscal 2020. Five-year financial plan projections of H+H's operating revenues from public and commercial payers, supplemental Medicaid payments, grants, and other non-City sources, as of the Fiscal 2021 Executive Budget, are not available from OMB.

H+H had approximately \$400 million, or 18 days, cash on hand as of the end of April 2020.² A projected ending cash balance of approximately \$288 million for the end of June 2020 was

¹ Note: City support totaling \$899.8 million (i.e. from City, State, Federal, and Intra City funds) for Fiscal 2020 reported in 819-H+H January Plan and Outyears-JANUARY PLAN 2021-Agy Files; City Services funding of \$899.1 million for Fiscal 2020 reported in NYC Health + Hospitals FY 2021 January Financial Plan (Cash Basis).

² Report to the Finance Committee of the Board of Directors, New York City Health + Hospitals, dated May 14, 2020, available at <https://hhinternet.blob.core.windows.net/uploads/2020/05/202005-finance.pdf>.

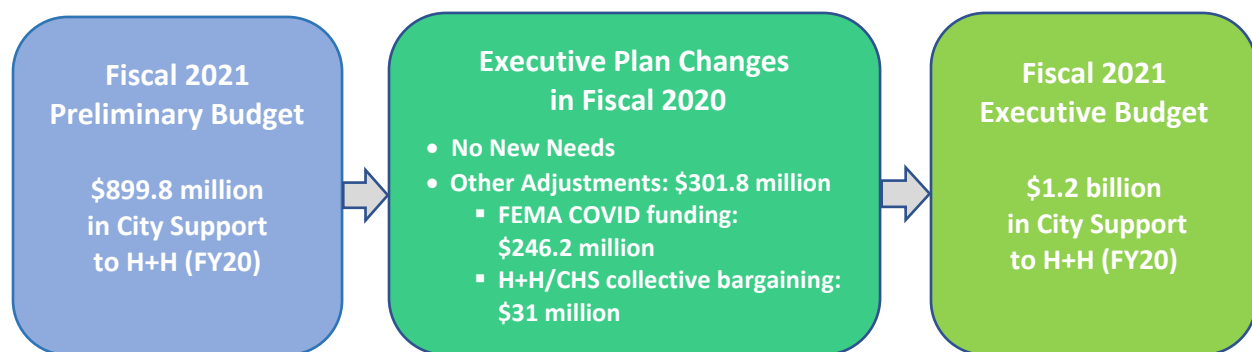
reported during discussions between OMB and the Council’s Finance Division in late April 2020;³ the impact of recent and anticipated federal relief payments to H+H in relation to COVID, however, have yet to be fully accounted for. (See **Federal and State Budget Actions.**)

Actual COVID expenditures at H+H of approximately \$127 million for contracted clinical and support staff; \$36 million on infrastructure and equipment (e.g. surge capacity space, hotels, ventilators); \$41 million on Personal Protective Equipment (PPE); and \$9 million on testing were reported to the Finance Committee of the hospital system’s Board of Directors on May 14, 2020.⁴

Executive Plan Changes

The Fiscal 2021 Executive Budget reflects other adjustments totaling \$301.8 million since the Preliminary Plan (and \$393.2 million since Adoption) at H+H for Fiscal 2020—including \$246.2 million in FEMA funding related to COVID and \$31 million for collective bargaining at H+H and CHS. For Fiscal 2021, the Executive Plan introduces \$87.1 million in other adjustments, driven primarily by \$76.9 million in collective bargaining costs at H+H and CHS. (See **Appendix 1.**)

No new needs have been reported for H+H since the City’s Fiscal 2020 Adopted Budget.



COVID-19 Response

The City’s public hospital system has been at the forefront of the response to COVID, providing acute care and telehealth services, operating community testing sites and isolation hotels, and—per Mayor Bill de Blasio’s announcement on May 8, 2020—conducting contact tracing. A total of 200,547 infections, 52,214 hospitalizations, and 16,848 confirmed deaths—with an additional 4,721 probable deaths—from COVID have been recorded throughout the five boroughs, according to City Health Department data as of May 31, 2020.⁵

H+H has discharged a total of 6,616 COVID patients as of May 31, 2020.⁶ To address the surge in COVID patient volume, the hospital system expanded its intensive care unit (ICU) capacity from

³ Conversation between OMB and the New York City Council Finance Division, April 23, 2020.

⁴ Higher figures for these categories were reported during a May 13, 2020, call between OMB and the Council’s Finance Division, but not published in the May 14, 2020, presentation to the Finance Committee of the Board of Directors at H+H. It is not unlikely that these figures have changed by the time of the preparation of this Budget Note, given the speed at which COVID expenditures have grown.

⁵ Cases, Hospitalizations and Deaths; COVID-19: Data; New York City Department of Health and Mental Hygiene (DOHMH), accessed May 31, 2020, available at <https://www1.nyc.gov/site/doh/covid/covid-19-data.page>.

⁶ NYC Health + Hospitals (@NYCHealthSystem), Twitter, posted June 1, 2020, available at <https://twitter.com/NYCHealthSystem/status/1267434976972324865/>.

320 to 1,500 beds, as well as added approximately 4,000 nurses; 500 doctors, physician assistants, and nurse practitioners; and several hundred other supplemental staff.⁷ Additionally, H+H has increasingly relied on telehealth visits—reportedly totaling approximately 120,000, according to the health system’s May 15, 2020, testimony before the New York City Council’s Committee on Hospitals and Committee on Health—to prevent unnecessary hospital utilization.⁸

With the City and the State on an apparent post-peak trajectory, the Administration has transitioned its focus toward contact tracing. While H+H’s operation of (and opening of new) community testing centers and its existing hotel isolation program have been cited as functions that contact tracing is intended to complement, the Administration’s decision to house the Test and Trace Corps within H+H—rather than preserving DOHMH’s established role in conducting contact tracing—has elicited concern from Council Members and health advocates.⁹

Federal and State Budget Actions

Federal provider relief funds and anticipated FEMA reimbursements are expected to cushion the impact of expenditures related to high COVID patient volume and associated loss of revenues from cancellations of elective procedures at H+H. The hospital system may be adversely affected by the expansive powers granted to Gov. Andrew Cuomo in the Enacted Budget for State Fiscal Year 2021, permitting broad spending cuts to address State shortfalls.

Federal Provider Relief and Other Major Actions¹⁰

Payments from HHS Provider Relief Fund

H+H has received \$117.7 million from the HHS provider relief fund’s \$50 billion general allocation,¹¹ and \$699 million from the \$12 billion COVID high-impact area allocation, as of May 14, 2020. Hospitals in New York State altogether garner approximately \$5 billion from the COVID high-impact area allocation, including an estimated \$3.3 billion for hospitals in New York City. (See **Appendix 3** for a breakdown of high-impact area allocation payments across each of H+H’s hospitals.)¹² A total of \$72.4 billion has been allocated nationally from the \$175 billion provider relief fund (\$100 billion from the CARES Act, \$75 billion from the Paycheck Protection Program and Health Care Enhancement Act), as of May 14, 2020.¹³

⁷ Report to the Board of Directors, New York City Health + Hospitals, dated April 30, 2020, available at <https://www.nychealthandhospitals.org/report-to-the-board-of-directors-apr-2020/>.

⁸ HEARING: NYC’s Plan for COVID-19 Testing and Contact Tracing; Committee on Hospitals, jointly with the Committee on Health; New York City Council; May 15, 2020.

⁹ *Ibid.*

¹⁰ The full impact of federal relief programs on H+H’s finances, as of May 14, 2020, is yet to be determined—including, but not limited to, the HHS provider relief fund’s allocation for COVID-related treatment of the uninsured, as well as the CARES Act’s suspension of the Medicare sequester and stipulation of a Medicare DRG add-on payment of 20% for COVID patients. The New York City Independent Budget Office (IBO) estimates the latter two measures may yield \$22.5 million and at least \$13.9 million to H+H, respectively; OMB and H+H have declined to provide estimates, as of May 14, 2020.

¹¹ Report to the Finance Committee of the Board of Directors, New York City Health + Hospitals, dated May 14, 2020, available at <https://hrinternet.blob.core.windows.net/uploads/2020/05/202005-finance.pdf>.

¹² “Provider Relief Fund COVID-19 High-Impact Payments,” Centers for Disease Control and Prevention, accessed May 19, 2020, available at <https://data.cdc.gov/Administrative/Provider-Relief-Fund-COVID-19-High-Impact-Payments/b58h-s9zx/data>.

¹³ Report to the Finance Committee of the Board of Directors, New York City Health + Hospitals, dated May 14, 2020, available at <https://hrinternet.blob.core.windows.net/uploads/2020/05/202005-finance.pdf>.

The distribution methodology associated with the release of the first \$30 billion from the \$50 billion general allocation—2019 Medicare fee-for-service (FFS) revenues¹⁴—drew criticism from members of the New York Congressional delegation, hospital industry leaders, and advocates for disadvantaging safety-net providers and failing to account for the intensity of the COVID pandemic in New York.¹⁵ HHS subsequently released a second-round tranche of \$20 billion from the general allocation to eligible providers, such that the \$50 billion general allocation altogether is meant to be distributed on the basis of 2018 gross receipts or program service revenues.¹⁶ Nonetheless, the use of retrospective revenues as a distribution basis has raised equity concerns, and the fund’s allocation to COVID high-impact areas reflects an effort to address those concerns.

Delay of Medicaid Disproportionate Share Hospital (DSH) Cuts

H+H projects a restoration of approximately \$237 million in Fiscal 2021 from the delay of federal Medicaid DSH cuts to December 1, 2020, pursuant to Section 3813 of the CARES Act.¹⁷ These cuts were initially slated to take effect on May 23, 2020, with a previously estimated impact on H+H of \$580 million in Fiscal 2021.¹⁸ The reductions, originally stipulated in the Affordable Care Act (ACA), have been postponed on several earlier occasions.¹⁹

FEMA Reimbursements

On March 27, 2020, H+H filed an initial \$650 million request to FEMA for reimbursement of COVID-related expenditures, encompassing staffing, infrastructure and equipment, PPE, and testing. H+H has since revised its estimate to \$1.1 billion—primarily attributable to staffing expenses—according to discussions from the May 14, 2020, meeting of the Finance Committee of the hospital system’s Board of Directors. H+H received conceptual approval from FEMA for \$532 million, and reports that the system awaits State approval.²⁰

President Donald Trump issued a Major Disaster Declaration (MDD) for New York State on March 20, 2020, in response to the COVID pandemic—facilitating FEMA Category B – Emergency Protective Measures funding at a federal cost share of 75 percent.²¹ As of May 11, 2020, President Trump has yet to authorize FEMA to increase the federal cost share to 100 percent—despite agreeing to do so during an April 21, 2020, meeting with Gov. Cuomo.²²

¹⁴ “HHS to Begin Immediate Delivery of Initial \$30 Billion of CARES Act Provider Relief Funding,” U.S. Department of Health and Human Services (HHS), dated April 10, 2020, available at <https://www.hhs.gov/about/news/2020/04/10/hhs-to-begin-immediate-delivery-of-initial-30-billion-of-cares-act-provider-relief-funding.html>.

¹⁵ Letter from New York Congressional delegation to HHS Secretary Alex Azar and CMS Administrator Seema Verma, dated April 9, 2020, available at <https://www.gnyha.org/wp-content/uploads/2020/04/2020.04.09-PHSSEF-Letter.pdf>.

¹⁶ “CARES Act Provider Relief Fund: Frequently Asked Questions,” U.S. Department of Health and Human Services, modified May 29, 2020, available at <https://www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-fags.pdf>.

¹⁷ H.R. 748 - CARES Act, 116th Congress (2019-2020), signed into law on March 27, 2020, available at <https://www.congress.gov/bill/116th-congress/house-bill/748/text>.

¹⁸ Conversation between OMB and Council Finance Division, May 13, 2020.

¹⁹ “Medicaid Supplemental Payments,” Citizens Budget Commission, dated February 15, 2019, available at <https://cbcny.org/research/medicaid-supplemental-payments-0>.

²⁰ Report to the Finance Committee of the Board of Directors, New York City Health + Hospitals, dated May 14, 2020, available at <https://hhinternet.blob.core.windows.net/uploads/2020/05/202005-finance.pdf>.

²¹ “President Donald J. Trump Approves Major Disaster Declaration for New York,” Federal Emergency Management Agency (FEMA), dated March 20, 2020, available at <https://www.fema.gov/news-release/2020/03/20/president-donald-j-trump-approves-major-disaster-declaration-new-york>.

²² Letter from U.S. Rep. Carolyn B. Maloney (NY-12) to President Donald Trump, dated May 11, 2020, available at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/2020-05-11.CBM%20to%20Trump%20re%20%20NY%20Cost%20Sharing%20Waiver%201250.pdf>.

SFY21 State Enacted Budget

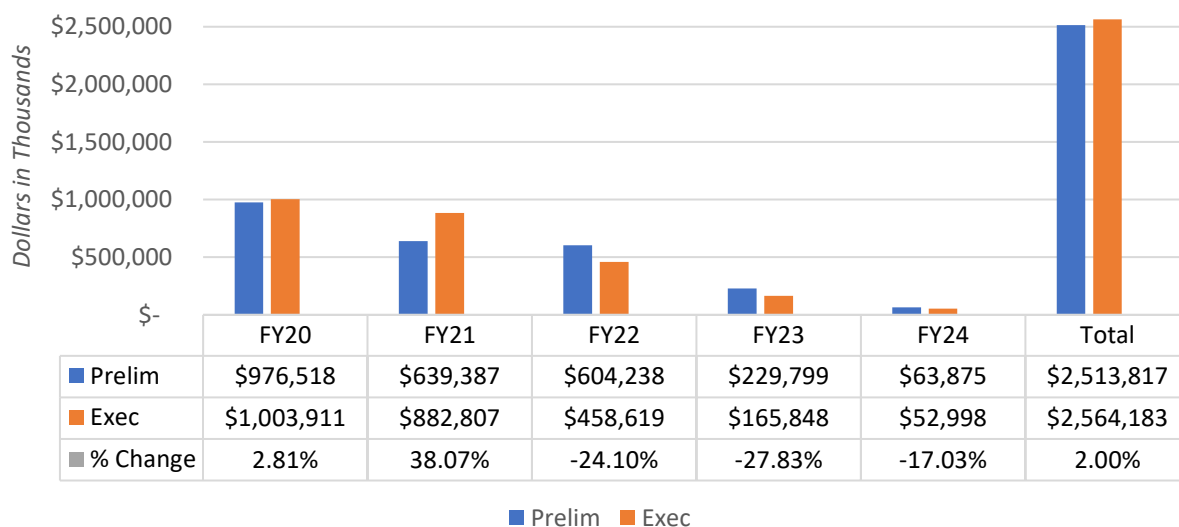
The Enacted Budget for State Fiscal Year 2021 allows Gov. Cuomo to periodically implement spending cuts in the event of a budget imbalance. H+H has expressed concern over the possibility of a 20 percent funding reduction broadly applied to hospitals, schools, and localities²³ in light of the State’s reported \$13.3 billion revenue shortfall.²⁴ Moreover, H+H expects to be negatively impacted by, *inter alia*, the Enacted Budget’s increase in the State’s across-the-board rate cut from 1 percent, effective in January, to 1.5 percent, and the elimination of the enhanced safety-net pool. The hospital system estimates yearly losses of more than \$100 million from the combination of various pre-budget and SFY21 Enacted Budget actions. It should be noted that H+H does support, and had advocated for, Upper Payment Limit (UPL) conversion (i.e. from lump-sum payment to rate increase) and the elimination of the “transition collar,” which allowed financially well-off hospitals to collect Indigent Care Pool (ICP) funds.²⁵

Capital Program

Executive Capital Commitment Plan for Fiscal 2020-2024

H+H’s Executive Capital Commitment Plan for Fiscal 2020-2024 includes \$2.56 billion in planned commitments in Fiscal 2020-2024 for H+H, a two percent increase—or \$50.4 million—since the Preliminary Commitment Plan. H+H’s planned commitments are approximately three percent of the City’s \$83.2 billion Executive Commitment Plan. (See **H+H FY20-FY24 Commitment Plan.**)

H+H FY20-FY24 Commitment Plan



²³ “New York Governor Andrew Cuomo says hospitals and schools face 20% cuts without coronavirus aid from D.C.,” CBS News, dated April 20, 2020, available at <https://www.cbsnews.com/news/andrew-cuomo-new-york-coronavirus-hospitals-schools-cuts-federal-aid/>.

²⁴ FY 2021 Enacted Budget Financial Plan, State of New York, available at <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>.

²⁵ Report to the Finance Committee of the Board of Directors, New York City Health + Hospitals, dated May 14, 2020, available at <https://hhinternet.blob.core.windows.net/uploads/2020/05/202005-finance.pdf>.

Executive Capital Commitment Plan Highlights: Fiscal 2020-2024

The Executive Capital Commitment Plan for H+H denotes increases of \$27.4 million in Fiscal 2020 and \$243.4 million in Fiscal 2021, followed by an aggregate decline of \$220.4 million for the three successive plan years, relative to the Preliminary Capital Commitment Plan. Major changes to H+H's Capital Commitment Plan for Fiscal 2021 are detailed below.

- **Coney Island Hospital – Campus Design and Construction Management.** The Executive Capital Commitment Plan includes \$183.5 million in Fiscal 2021, an increase of \$112.5 million from the amount reflected in the Preliminary Commitment Plan (\$71 million).
- **Miscellaneous Construction Projects.** The Executive Capital Commitment Plan includes \$128.8 million in Fiscal 2021, an increase of \$48.8 million from the Preliminary Capital Commitment Plan (\$80 million).
- **Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Match.** The Executive Capital Commitment Plan includes \$56.5 million in Fiscal 2021, an increase of \$33.5 million from the Preliminary Capital Commitment Plan (\$23 million).
- **Integrated Clinical Information System (ICIS) Program – EMR Upgrade.** The Executive Capital Commitment Plan includes \$25 million in Fiscal 2021, an increase of \$15 million from the Preliminary Capital Commitment Plan (\$10 million).

Appendix 1: H+H – Fiscal 2021 Budget Actions since Fiscal 2020 Adoption

<i>Dollars in Thousands</i>	FY 2020			FY 2021		
	CITY	NON-CITY	TOTAL	CITY	NON-CITY	TOTAL
As of Adopted 2020 Budget			\$808,405			\$1,050,743
Total, Other Adjustments (Nov 2020 and Prelim 2021)	\$54,349	\$37,094	\$91,443	\$8,513	(\$1,642)	\$6,871
As of Prelim 2021 Budget			\$899,848			\$1,057,614
Other Adjustments (Exec 2021)						
CHS Collective Bargaining	\$1,424	\$0	\$1,424	\$2,060	\$0	\$2,060
Funding Adjustment (H+H and DOHMH)	0	0	0	(2,495)	0	(2,495)
H+H Collective Bargaining	29,597	0	29,597	74,839	0	74,839
H+H DOHMH Mental Hygiene Funding Adjustment Part 2	0	0	0	9,184	0	9,184
OEO Funding Adjustment	0	0	0	396	0	396
FY20_2400_Bell	0	880	880	0	0	0
FY20HHCMEDCONS	0	2,995	2,995	0	0	0
H+H DOHMH Mental Hygiene Funding Adjustment Part 1	0	0	0	0	(960)	(960)
H+H DOHMH Transfer	0	0	0	0	3,523	3,523
IC W/ H+H	0	0	0	0	0	0
IC W/ H+H	0	(95)	(95)	0	0	0
IC W/ H+H - AOT Physicians	0	536	536	0	536	536
IC W/ H+H - CME/CNE Joint Spon	0	1	1	0	0	0
IC W/ H+H - Hip Hop H.E.A.L.S	0	300	300	0	0	0
IC W/ H+H - Pharmaceuticals	0	76	76	0	0	0
IC W/ H+H - Pharmaceuticals	0	170	170	0	0	0
IC W/ H+H - Pharmaceuticals	0	103	103	0	0	0
IC W/ H+H - SBHC	0	245	245	0	0	0
IC W/ H+H - SBHC Bushwick HS	0	341	341	0	0	0
IC W/ H+H - Simulation Center	0	170	170	0	0	0
IC W/ H+H - Winston Temps	0	28	28	0	0	0
IC W/ H+H - Winston Temps	0	306	306	0	0	0
IC W/H+H - LIC Factory	0	1,874	1,874	0	0	0
IC W/H+H - Patient Navigators	0	423	423	0	0	0
IC W/H+H-AOT	0	233	233	0	0	0
IC W/H+H-Pharmaceutical	0	309	309	0	0	0
IC W/H+H-Pharmaceuticals	0	0	0	0	0	0
IC WH+H - Pharmaceutical	0	286	286	0	0	0
NARCAN (10/1/2019- 12/31/2019)	0	51	51	0	0	0
NYCEM - HHC Intracity Mod	0	15,000	15,000	0	0	0
Budget Code Adjustment	0	246,244	246,244	0	0	0
Budget Code Adjustment	0	(246,244)	(246,244)	0	0	0
FEMA - Contracting	0	246,244	246,244	0	0	0
FEMA Cat E Coney	0	260	260	0	0	0
H+H FEMA DAC Agreement	0	4,643	4,643	0	0	0
HHFEMADAC202	0	(4,643)	(4,643)	0	0	0
Total, Other Adjustments (Exec 2021)	\$31,021	\$270,737	\$301,758	\$83,984	\$3,100	\$87,084
As of Exec 2021 Budget			\$1,201,606			\$1,144,698

Appendix 2: H+H – Financial Summary (i.e. City Support to Operating Budget)

Dollars in Thousands		Funding	2018 Actuals	2019 Actuals	2020 Adopted	Executive Plan		*Difference 2021 - 2020
						2020	2021	
City Funds	City Funds				\$721,114	\$806,485	\$1,056,246	\$335,132
	CITY, TOTAL				\$721,114	\$806,485	\$1,056,246	\$335,132
State	MEDICAL ASSISTANCE ADMINISTRAT				-	\$1,328	-	-
	STATE, TOTAL				-	\$1,328	-	-
Federal	FEMA PA COVID-19 EMERGENCY PRO				-	\$246,244	-	-
	FEMA SANDY E BUILDINGS AND EQU				-	\$11,622	-	-
	MEDICAL ASSISTANCE PROGRAM				-	\$1,328	-	-
	Urban Areas Security Initiative				\$297	\$297	-	(\$297)
	FEDERAL, TOTAL				\$297	\$259,492	-	(\$297)
Intra City	HEALTH SERVICES/FEES				\$83,901	\$127,275	\$85,359	\$1,458
	Intra City				\$3,053	\$3,140	\$3,053	-
	Intra-City Rentals				\$40	\$1,914	\$40	-
	Other Services/Fees				-	\$1,972	-	-
	INTRA CITY, TOTAL				\$86,994	\$134,302	\$88,452	\$1,458
TOTAL			\$872,024	\$1,034,601	\$808,405	\$1,201,606	\$1,144,698	\$336,293

*The difference of Fiscal 2020 Adopted Budget compared to Fiscal 2021 Executive Budget.

Appendix 3: H+H – COVID High-Impact Area Allocations from HHS Provider Relief Fund²⁶

Hospital	Borough	Amount Reported
NYC Health and Hospitals - Bellevue	Manhattan	\$86,705,276
NYC Health and Hospitals - Coney Island	Brooklyn	\$66,231,250
NYC Health and Hospitals - Elmhurst	Queens	\$111,346,403
NYC Health and Hospitals - Harlem	Manhattan	\$42,296,604
NYC Health and Hospitals - Jacobi	Bronx	\$75,309,433
NYC Health and Hospitals - Kings County	Brooklyn	\$78,931,188
NYC Health and Hospitals - Lincoln	Bronx	\$76,138,988
NYC Health and Hospitals - Metropolitan	Manhattan	\$28,539,057
NYC Health and Hospitals - North Central Bronx	Bronx	\$27,517,019
NYC Health and Hospitals - Queens	Queens	\$66,414,764
NYC Health and Hospitals - Woodhull	Brooklyn	\$39,900,635
H+H, High-Impact Area Allocation		\$699,330,616
NYS, High-Impact Area Allocation		\$5,026,344,742
U.S., High-Impact Area Allocation		\$12,000,000,000

²⁶ "Provider Relief Fund COVID-19 High-Impact Payments," Centers for Disease Control and Prevention, accessed May 19, 2020, available at <https://data.cdc.gov/Administrative/Provider-Relief-Fund-COVID-19-High-Impact-Payments/b58h-s9zx/data>.