THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council
Christine C. Quinn

Hon. Maria del Carmen Arroyo, Chair, Health Committee

Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report

Health and Hospitals Corporation

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Agency 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. Its acute care hospitals serve as major teaching hospitals and it 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 approximately 1.3 million patients, 477,957 of which were uninsured patients. The number of uninsured patients treated at HHC facilities has risen 20.6 percent since 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.

Of all hospitals in New York City, HHC hospitals provide:

- 76 percent of all uninsured patient general clinic visits, and 45 percent of all uninsured patient ER visits
- 36 percent of NYC's acute psychiatric admissions
- 24 percent of city's trauma admissions
- 25 percent of NYC's newborn deliveries (22,601)
- 25 percent of NYC's AIDS admissions
- 26 percent of NYC's substance abuse admissions
- 18 percent of hospital admissions in New York City but 33 percent of uninsured admissions
- 1 million skilled nursing home days
- 1.2 million Emergency Department visits
- 5.1 million outpatient visits and nearly 2 million primary care visits
- Of the 17 safety net hospitals in New York City, 11 are HHC hospitals

This report provides a review of the Fiscal 2013 Preliminary Budget for the HHC. The first section presents a financial summary, including proposed funding shifts and reductions, relevant state budget actions and relevant Council Fiscal 2012 restorations and initiatives. Highlights of the Preliminary Mayor's Management Report for 2012 are presented in the Appendix.

Financial Summary

New York City Health & Hospitals Corporation
January 13 Financial Plan
(in millions)

	Actuals 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
RECEIPTS						
Third Party Receipts						
Medicaid Fee for Service	$1,395	$1,294	$1,280	$1,330	$1,357	$1,385
Upper Payment Limit	1,359	944	599	593	593	593
Disproportionate Share	165	1,022	697	643	643	643
Pools	452	437	437	416	416	416
Medicaid Managed Care	1,154	1,068	1,151	1,166	1,201	1,238
Medicare Fee for Service	624	609	555	523	501	488
Medicare Managed Care	339	356	333	315	299	283
Managed Care Other	363	366	360	360	360	360
Subtotal: Third Party Receipts	***$5,850***	***$6,095***	***$5,413***	***$5,347***	***$5,371***	***$5,406***
City Services						
Prisoner/Uniformed Services (Subsidy)	$53	$23	$23	$23	$23	$23
Prisoner/Uniform Services (HRA Intracity)	0	29	29	29	29	29
Other City Services	7	6	7	7	6	6
Unrestricted City Subsidy	0	22	15	15	15	15
Direct City Funded Programs	1	2	5	5	5	5
Child Health	0	0	3	3	3	3
Outpatient Pharmacy	0	1	1	1	1	1
HIV Transfer	1	1	1	1	1	1
WTC - Bellevue Site	1	0	0	0	0	0
Nursing Training Initiative (CEO)	1	1	1	0	0	0
Medical Malpractice Transfer	17	17	17	17	17	17
Sexual Assault Response Team (SART) Grant	1	1	0	0	0	0
DOHMH Intracities	74	68	60	60	60	60
Other Intracities	8	6	8	8	8	8
Prior Year Intracities	21	22	0	0	0	0
Subtotal: City Services	***$183***	***$198***	***$166***	***$165***	***$164***	***$164***
Grants	$124	$120	$128	$128	$128	$128
FDNY/EMS	178	184	190	197	204	212
Other/Miscellaneous Receipts	159	155	157	159	161	163
Subtotal: Grants & Other	***$461***	***$459***	***$475***	***$484***	***$493***	***$503***
TOTAL RECEIPTS	**$6,494**	**$6,753**	**$6,054**	**$5,995**	**$6,029**	**$6,074**
DISBURSEMENTS						
Personal Services	$2,526	$2,577	$2,607	$2,658	$2,691	$2,724
Fringe Benefits	1,107	1,221	1,255	1,315	1,398	1,479

New York City Health & Hospitals Corporation
January 13 Financial Plan
(in millions)

	Actuals 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Other Than Personal Services	1,478	1,545	1,592	1,642	1,690	1,740
Malpractice	122	246	136	136	136	136
Affiliations	855	876	902	929	957	986
Other City Services and Charges	1	1	1	1	1	1
Subtotal: Disbursements	**$6,089**	**$6,466**	**$6,493**	**$6,680**	**$6,874**	**$7,067**
HHC Debt Service	94	94	96	98	93	85
City Debt Service	113	144	165	153	143	142
Subtotal: Debt Service	**$207**	**$238**	**$261**	**$251**	**$236**	**$227**
TOTAL DISBURSEMENTS	**$6,295**	**$6,705**	**$6,754**	**$6,931**	**$7,110**	**$7,294**
Operating Receipts Over/(Under) Disbursements	$199	$48	($701)	($936)	($1,081)	($1,220)
Capital Receipts Over/(Under) Disbursements	($11)	($14)	$13	$5	$2	$2
Corrective Actions						
HHC Savings Initiatives/Cost Containment	$0	$28	$24	$21	$21	$21
Restructuring	0	72	197	240	240	240
City Share of DSH Preservation	0	0	0	37	46	46
State and Federal Actions	0	0	250	450	650	850
Subtotal: Corrective Actions	***$0***	***$100***	***$471***	***$748***	***$957***	***$1,157***
Opening Cash Balance	**$365**	**$553**	**$687**	**$471**	**$288**	**$166**
Closing Cash Balance	**$553**	**$687**	**$471**	**$288**	**$166**	**$104**

Background

Under a 1992 financial agreement signed with the City, HHC has the authority to develop a consolidated annual expense and revenue budget, which is then approved by HHC's Board of Directors and subsequently by the City. The agreement allows HHC to develop non-city funding sources for new programs and allows for the retention of any surpluses during a fiscal year. Additionally, the agreement provides for payment of the City's tax levy to HHC in a lump sum thereby indemnifying the Corporation against changes in the City's budget during a fiscal year.

HHC's internal financial plan (as shown above) is operated on a cash basis. Cash basis accounting allows for the recognition of income at the time it is actually received. This means that invoiced income is not counted as an asset until payment for the invoice is actually in hand. The same approach is applied to debits, in that any expenses incurred are not posted until they are paid (e.g.,

not making allowances for bad debt). HHC prefers this method because it provides a better real-time assessment of the Corporation's current cash flow.

Projected Operating Deficit (Fiscal 2012 through Fiscal 2016)

According to its January 2013 (cash) Financial Plan, HHC anticipates a Fiscal 2013 operating loss of $701 million. Based on current conditions, this deficit is projected to grow to $1.2 billion by Fiscal 2016. These substantial deficits are a function of the Corporation's declining revenue that falls short of supporting the Corporation's growing needs. There have been five consecutive years of state Medicaid rate cuts to HHC totaling approximately $500 million.

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 $471 million in savings. HHC has taken significant action to reduce its expenses and increase revenue, achieving more than $315 million in cost containment and restructuring since 2009. Corrective actions are currently listed below the line of HHC's Operating Budget because many of these initiatives are only in the preliminary stages of implementation. By Fiscal 2016, when these corrective actions have been fully implemented (and moved above the line), HHC expects to achieve an additional $1.2 billion in annual savings.

While these corrective actions should be effective in curtailing much of HHC's growing deficit, they are not a panacea for sustaining HHC's overall long-term financial health. Adverse budget actions at the City, State and federal levels each continue to threaten HHC's long-term financial solvency and long-term sustainability. HHC's cost containment and restructuring efforts can only do so much to compensate for these additional losses in government funding.

Receipts Highlights

Fiscal 2013 total revenue (or receipts) to HHC will decline by $700 million, or 10 percent, from Fiscal 2012. Third party receipts, which comprises 80 percent of the HHC's total operating revenue, declines by 11 percent. Third party receipts include, among other things, reimbursements from pools, Medicaid, Medicare, Upper Payment Limit (UPL) and Disproportionate Share Hospital (DSH) funding. DSH/UPL numbers are high in Fiscal 2012 due to the anticipated receipts from the prior years. Slated reductions in DSH payments via Healthcare reform become effective starting in 2014. Managed Care Other fluctuates from year to year based on variations in volume in HMOs and regulations for CHIP and FHP. Medicare Managed Care declines due to rate reductions stemming from Healthcare reform and the 2 percent reduction tied to the federal debt ceiling agreement.

City funds decline by 16 percent from Fiscal 2012 to Fiscal 2013. This decline is largely a function of a mandatory spend down of $4.5 million via HHC's PEG program and $12 million in Fiscal 2012 City Council restorations not baselined for Fiscal 2013, including funds for SART, Child Health Clinics, rapid HIV testing, developmental evaluation clinic funding, client transportation and a portion of HHC's unrestricted subsidy. The DOHMH's intra-city funding to HHC for correctional health is reduced by $5 million due to revised projections based on year-to-date cash actuals. These losses are partially offset by technical adjustments in direct city-funded programs, child health services and the DOHMH's intra-city funding to HHC for mental hygiene services.

Grants to the Health and Hospitals Corporation will increase as a result of HHC's recent application to the State to be reimbursed for other than personal services (OTPS) associated with the Medicaid administration and HHC anticipates an increase in future reimbursement based on that contract. The FDNY/EMS increase reflects a 4.5 percent inflator for each year based on Medicaid managed care growth.

In the longer-term, HHC anticipates its operating revenue will decline by approximately 10 percent over the next four fiscal years. HHC's financial plan projects an 11.3 percent decline in third party receipts through Fiscal 2016, which is mainly attributed to: (1) reduced discharges across the HHC network and the City, in general (there's a general citywide trend showing fewer people are utilizing inpatient services); and (2) ongoing Statewide efforts to move all Medicaid Fee For Service (FFS) beneficiaries into some form of managed care; and planned reductions in Medicare reimbursements, Upper Payment Limits (UPL), Disproportionate Share Hospital (DSH) payments, as prescribed by the Patient Protection and Affordable Care Act of 2010 (a.k.a. federal healthcare reform). In general, federal healthcare reform comprises several different moving parts, each with different implementation timelines and with most major reforms beginning implementation in 2014. Between now and 2014, it is possible aspects of healthcare reform law could change, altering the underlying assumptions currently incorporated into this financial plan.

Note: As a general rule, HHC only recognizes enacted legislative and budgetary actions. Thus, HHC's financial plan does not include the latest round of proposed federal cuts.

Disbursements Highlights

Disbursements remain relatively flat from Fiscal 2012 to Fiscal 2013. However, HHC expects total operating expenses to grow from $6.7 billion in Fiscal 2012 to $7.2 billion by Fiscal 2016, an increase of nearly $539 million, or 8 percent. Personal Services (PS) costs (salaries) and fringe benefits comprise a majority of HHC's operating expenses and, respectively, account for 38.6 percent and 18.6 percent of the overall share of HHC's operating expenses. Projected spending for PS will increase from $2.6 billion in Fiscal 2013 to $2.7 billion in Fiscal 2016. This projected increase of $117 million in PS expenses is based on the City's proposed collective bargaining pattern which increases by 3 percent from Fiscal 2013 to 2016.

Fringe benefits paid out will substantially increase between Fiscal 2013 and Fiscal 2016. Fringe benefits are expected to grow from $1.3 billion in Fiscal 2012 to $1.5 billion in Fiscal 2016, reflecting a 21 percent or $224 million overall increase. Much of the growth in fringe payments is attributed to considerable increases in pension and health insurance costs, which are expected to increase by 23 percent and 39 percent, respectively, from Fiscal 2012 to Fiscal 2016.

With regard to other estimated expenses, HHC applied a 3-percent inflator to its projections for OTPS projections and a 3-percent growth rate to its estimates for affiliations. These inflators are loosely based on a weighted average of inflation estimates for items such as the annual cost of prescription drugs, utilities and physicians' salaries.

Programs to Eliminate the Gap (PEG) and Other Adjustments

To achieve its City spending reduction target of $4.3 million in Fiscal 2013, HHC's Fiscal 2013 Preliminary Budget contains the following Programs to Eliminate the Gap (PEGs):

Reduction of Unrestricted City Subsidy

Background. This subsidy has been PEGed in previous budget cycles. If the Fiscal 2013 cut is implemented, HHC will have lost more than half of the Fiscal 2010 adopted value of the subsidy (from $32.3 million to $15.3 million).

Impact Estimate. Despite its multi-billion dollar operating budget, further reductions to this subsidy could very well impact HHC's bottom line. To absorb the loss of these funds, HHC will be forced to cut costs across its system, which could translate into service and/or headcount reductions.

Description. 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.

Rationale. The Administration gave HHC a PEG target; given its small PEGable base of $71 million, most of which funds mandated services, there was little else HHC could cut.

Eliminate Sexual Assault Response Team (SART) Program. This item was initially recommended for elimination in last year's budget to help HHC to meet its Fiscal 2012 PEG target. Through negotiations with the Administration, the City Council was able to restore SART for Fiscal 2012; however, this restoration does not exist in Fiscal 2013.

Fiscal 2013 reduction. $1.3 million in City tax levy.

Impact estimate. 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. HHC's acute care hospitals could risk losing their State designations as SAFE Centers of Excellence, and in turn, risk losing additional support.

Program description. 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.

SART Locations. SART is staffed by specially-trained forensic examiners and rape crisis counselors and is available at each of HHC's acute care hospitals:

- Manhattan: Bellevue Hospital Center, Harlem Hospital Center and Metropolitan Hospital Center
- Bronx: Jacobi Medical Center, Lincoln Medical and Mental Health Center, North Central Bronx Hospital
- Brooklyn: Coney Island Hospital, Kings County Hospital Center, Woodhull Medical and Mental Health Center

New Needs Spending

HHC Men's Health

Budgeted funding for Fiscal 2012-2015. $500,000 each year for FY12, FY13, FY14

- This is funded entirely by CTL; no private contributions

Program Components.

- Provider Training. The HHC provider training program will be designed to educate and better prepare health care providers for the unique challenges of working with teens and will provide guidance on health promotion, prevention, and treatment of medical conditions among adolescents and young adults
    - Training topics may include, among other issues, learning and implementing the state of the art (and age-specific) clinical guidelines for adolescent health
    - Also includes a training module for how to better deal with young males.
    - The training will be targeted to physicians, nurses, nurse practitioners, physician assistants, midwives, social workers, psychologists, HIV/AIDS counselors, and health educators that provide healthcare services and education to adolescents
- Dedicated Clinical Services for Young Men.
    - HHC will identify opportunities for improvement in the provision of services and reproductive health education for young males
    - HHC will also carve out dedicated part-time hours for young males in five HHC clinics. Clinic hours may be expanded if this program attracts sufficient patients
- Peer Counseling, Outreach and Connection to Care.
    - HHC is developing a program to train counselors to enhance adolescents' knowledge and skills to avoid behavioral risks and live healthier lives
    - The counselors will do outreach in schools, health clinics, and community based settings, and we expect that these peer counselors to have similar backgrounds and experiences as the young patients

Geographic Availability.

- Provider training is available to HHC providers across the HHC system.

Timeline for Implementation. HHC is now hiring staff to run the programs, and HHC expects:

- Provider training to be operational by the end of FY12
- Dedicated clinic hours by or before April
- Peer counseling program should be operational by May-June

Fiscal 2012-2013 State Executive Budget Highlights

Fiscal 2012-2013 State Executive Budget Highlights

Exec Budget carries over "2-year" cuts implemented in the SFY11-12 budget, requesting authority to continue cuts into SFY12-13.

Reform NYS bedhold policy. This reform would have eliminated Nursing Home Medicaid reserved bed day reimbursement for all Medicaid recipients over 21 – the State shleved the proposal for SFY 2011-12, but is now leaving it up to the SDOH Commissioner to come up with the planned savings via regulations.

- HHC estimates an impact of NYS Bedhold policy of approximately $1 million, but the value could change depending on the regulations.

Revising DSH methodology. This proposal would revise the distribution of the Indigent Care Pool to comply with Federal funding priorities and thus minimize New York's cut to Federal Medicaid DSH payments.

- The New York Health Care Reform Act (HCRA) provides for $847 million to fund the Hospital Indigent Care. These funds are considered Medicaid Disproportionate Share Payments for hospitals and as such are eligible for federal matching funds.
    - There is a separate $60 million pool to cover indigent care at comprehensive diagnostic and treatment centers.
- HCRA sub-allocates the hospital indigent care pool funds to public hospitals, voluntary hospitals, and rural hospitals.
- Awards from such segregated amounts are based on specified methodologies; most funds are distributed on the basis of accounting losses reported by hospitals for uncollected receivables technically referred to as bad debt and charity care write-offs.
- The public hospitals share is currently capped at $139 million of the $847 million distributed annually across the state.
    - This cap is not adjusted for fluctuations in uninsured patient volume and utilization.
- The State's current distribution methodology is out of compliance with the federal government.
    - Until the State is in compliance, it will be at risk for losing substantial DSH funding beginning in 2014.
        - Marks the scheduled phase-in of DSH reductions.

Medicaid Redesign

In January 2011, Governor Cuomo appointed a 25-member team, known as the Medicaid Redesign Team, or MRT, and charged the Team with developing a package of reforms that would reduce the State's share of Medicaid spending in the amount of $2.3 billion in State Fiscal Year 2011-12 and by $3.3 billion for State Fiscal Year 2012-2013 – all without any imposing any restrictions to current eligibility. Headed by State Medicaid Director Jason Helgerson, the Team was comprised of healthcare industry leaders and experts, State elected officials, business and consumer leaders and other state officers with relevant expertise.

Phase 1 of the MRT provided for major rate reductions, utilization controls and structural changes including (1) mandatory enrollment into managed care, including long-term care; (2) population expansions through eliminating exemptions; and (3) "carving-in" services and coordinating delivery of previously "carved out" services.

Phase 2 of the MRT involved the creation of 10 different workgroups each comprised of various industry and consumer advocates, leaders and experts. These workgroups were asked to recommend initiatives that would help to operationalize many of the larger initiatives delineated in Phase 1. Final workgroup recommendations were submitted to the Governor in December 2011 for consideration into his Executive Budget for 2012-13.

The New York State Executive Budget for 2012-2013 introduces new Phase 2 initiatives and continues year two of State Medicaid redesign Phase 1. While HHC doesn't anticipate large impact from the new Phase 2 initiatives, it will continue to suffer another year of losses prescribed in Phase 1.

The following chart estimates the cumulative State Medicaid redesign impact to HHC starting in City Fiscal Year (CFY) 2011 through CFY 2015:

New York City Health and Hospitals Corporation
New York State Medicaid Redesign Impact Estimates*

		Total Impact to HHC *(in thousands)*		
Proposal #	**Proposal Description**	**TOTAL HHC**	**HHC Facilities**	**MetroPlus**
	Rate Reductions			
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
	Subtotal, Rate Reductions	**($141,741)**	**($80,117)**	**($61,624)**
	Structural Reforms			
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
83	SBIRT	(298)	(298)	0

New York City Health and Hospitals Corporation
New York State Medicaid Redesign Impact Estimates*

Proposal #	Proposal Description	Total Impact to HHC (in thousands) TOTAL HHC	HHC Facilities	MetroPlus
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
	Subtotal, Programmatic Reforms	**($32,761)**	**($9,561)**	**($23,200)**
	TOTAL IMPACT	**($174,502)**	**($89,678)**	**($84,824)**

**Impact estimates contingent upon full MRT implementation*.

State Medicaid Redesign Impact Estimate: Upon full implementation of State Medicaid redesign, HHC anticipates a total reduction of $174.5 million in Medicaid receipts. A few things to keep in mind:

Highlights – Rate Reductions. 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.

- Trend factor elimination: Eliminates 1.7 percent inflator for increasing provider costs
  - Is effective from April 1, 2011 through March 31, 2012 and will likely be renewed for SFY 2012-13.
  - This is the fourth consecutive year health care sectors have not received a trend increase.
- 2 percent across the board rate cut: Affects managed care providers and all institutional providers, including hospitals, nursing homes and clinics.
  - Prospective implementation – was first applied in November 2011 but is effective as of April 1, 2011 and will remain in effect until March 31, 2013.
  - For exempted providers, consult the MRT website: http://www.health.ny.gov/health_care/medicaid/redesign/
- Remove Physician Component from Ambulatory Patient Group (APG) Base Rates: Eliminates double funding for physician cost, which was previously built into the rate computation for hospital clinic and emergency department services under the APG methodology.
  - All hospital physician services were carved out of APGs on February 1, 2010 and then became billable separately against the Medicaid physician's fee schedule.
  - The providers now submit a clinic claim against the APG base rates and another claim against the physician's fee schedule.

Highlights – Structural Reforms

- HMO profit reduction: Reduces required managed care plan (MCP) profits from 3 percent to 1 percent.
    - Applies to MetroPlus, Medicaid managed care and Family Health Plus.
    - Among other things, the profit component is intended to help health care networks recover against adverse events.
- Elimination of direct marketing by Medicaid managed care plans: The State gave the rationale that the penetration rate of eligible is already high and that mandatory enrollment reduces the need for direct marketing.
    - Affects MetroPlus.
- Behavioral health utilization limits: Lower rates at two outlier threshold levels based on the number of clinic visits a given patient receives during a 12 month period.
- Limits on occupational therapy, physical therapy and speech therapy:
    - Limits set to a maximum of 20 visits each in a 12 month period.
    - This initiative excludes Early Intervention services.
- Malpractice – Last year, the State created a Medical Indemnity Fund:
    - Intended to reduce medical malpractice premiums by 20 percent by making health care costs a "known" versus an "unknown."
    - Is paid for by a surcharge on institutions, termed a "quality contribution."
- Inappropriate Use of Services: Institutes financial disincentives to reduce inappropriate use of cesarean deliveries.
    - Limits Medicaid payments for c-sections to the average Medicaid payment for a vaginal delivery
    - All claims can be subject to appeal.
- Bedhold: Nursing homes will no longer be paid for days that residents are temporarily hospitalized ("bedhold") unless 50 percent of all residents who have Medicare are in a Medicare Advantage plan.
    - Federal policy allows, but does not require, a state to provide reimbursement to reserve the bed of a Medicaid recipient residing in a nursing home or residential treatment facility (RTF) during a period of temporary hospitalization or leave of absence.
- Home Care Worker Wage Parity: Mandates home care worker wage parity for home care aides working for Certified Health Home Agencies (CHHAs), Long Term Home Health Care Plans (LTHHCPs) and Managed Long Term Care (MLTC) plans.
    - Requires as a condition of provider enrollment in the Medicaid program that all CHHAs, LTHHCPs, and MLTC comply with any local living wage law within a geographic area in which they serve Medicaid recipients.
    - This requirement will be to attain local living wage level over a 3-year period.
    - Applies to Nassau, Suffolk and Westchester counties and to cities with a population of one million or more.

Enforcement of State Medicaid Spending Cap. The State's Executive Budget for 2012-13 includes a cap of $15.9 billion on Department of Health Medicaid State expenditures.

- Description:
  - Controls State Medicaid spending growth to no greater than the 10 year average. rate for the long term medical component of the CPI (which is currently at 4 percent).
  - SDOH and Division of Budget monitor monthly spending and have the authority to develop Medicaid Savings Allocation Plans (SAPs) if projected spending exceeds cap.
  - Intended to bring spending in line or below the cap and will likely prescribe:
    - Modification/suspension of reimbursements (e.g., rate reductions).
    - Modification of program benefits (e.g., utilization controls).
  - Once developed, such plans will be provided to the Legislature at least 30 days prior to implementation.
  - Plans will be subject to negotiation by Legislature and approval by the Centers for Medicaid and Medicare Services (CMS).
- Update (as of January 2012):
  - Total State Medicaid expenditures remain just under the Medicaid Global Spending Cap through January at $84 million or less than 0.6 percent below projections.
  - Since April 2011, enrollment in the Medicaid program has grown by nearly 123,000 enrollees (or 2.5 percent).
  - This enrollment growth will drive additional spending which, if unabated, could place more pressure on the global cap.

Council Initiatives and Funding

City Council funding provides a portion of HHC's annual City-funds operating budget. In Fiscal 2012, the Council provided nearly $12 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 Preliminary Budget.

FY 2012 Council Changes at Adoption	
Dollars in Thousands	
HHC direct allocations	
HHC Developmental Evaluation Clinic Funding	$1,817
HHC Client Transportation	78
HHC Unrestricted Operating Subsidy	3,000
Subtotal, HHC direct allocations	**$4,895**
HHC (via DOHMH pass through)	
Child Health Clinics (HHC pass-through)*	$5,000
Rapid HIV Testing (HHC pass-through)*	2,000
Subtotal, HHC (via DOHMH pass through)	**$7,000**
TOTAL, HHC	**$11,895**

* City tax levy dollars for these services may be eligible for a state match

- **HHC Developmental Evaluation Clinic Funding**: This allocation represents funding to restore the Developmental Evaluation Clinics (DECs) located at HHC's (1) Morrisania Diagnostic and Treatment Center; (2) Renaissance Health Care Network Diagnostic and Treatment Center; (3) Kings County Hospital; and (4) Queens Hospital Center. HHC's DECs offer evaluation, diagnosis and targeted treatment for children with cerebral palsy, developmental disabilities and neurological impairments that limit intellectual, academic and communication potential.
- **HHC Client Transportation**. This allocation represents funding to preserve a program that pays for client transportation to and from visits to HHC clinics.
- **HHC Unrestricted Operating Subsidy**. 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.
- **Child Health Clinics**. This allocation represents funding for Child Health Clinics. This action ensures that child health clinics will remain open, and provide enhanced levels of access and quality care. HHC child health clinics provide the medical attention children need to stay healthy, including immunizations, physicals and treatment for just about everything from the common cold to more serious conditions, like asthma. Families also have access to specialists outside of the center, including a wide range of pediatric subspecialists.

- **Rapid HIV Testing**. This allocation funding to expand HHC's HIV rapid testing and counseling services on a routine basis at inpatient units and select outpatient settings at public hospitals and clinics.

Capital Program

Capital Budget Summary

The February 2012 Capital Commitment Plan includes $720 million in Fiscal 2012-2015 for HHC (including City and Non-City funds). This represents 2.1 percent of the City's total $35.07 billion Preliminary Plan for Fiscal 2012-2015. The Corporation's Preliminary Commitment Plan for Fiscal 2012-2015 is 13 percent more than the $634 million scheduled in the September Commitment Plan, an increase of $85.6 million.

The majority of capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal Year 2011, HHC committed $147 million or 65 percent of its annual capital plan. Therefore, it is assumed that a portion of HHC's Fiscal 2012 Capital Plan will be rolled into Fiscal 2013, thus increasing the size of the Fiscal 2013-2016 Capital Plan. Since adoption last June, the total Capital Commitment Plan for Fiscal 2013 has decreased from $188 million to $117 million, a decrease of $70.8 million or 37.7 percent.

2012-2015 Commitment Plan: Adopted and Preliminary Budget

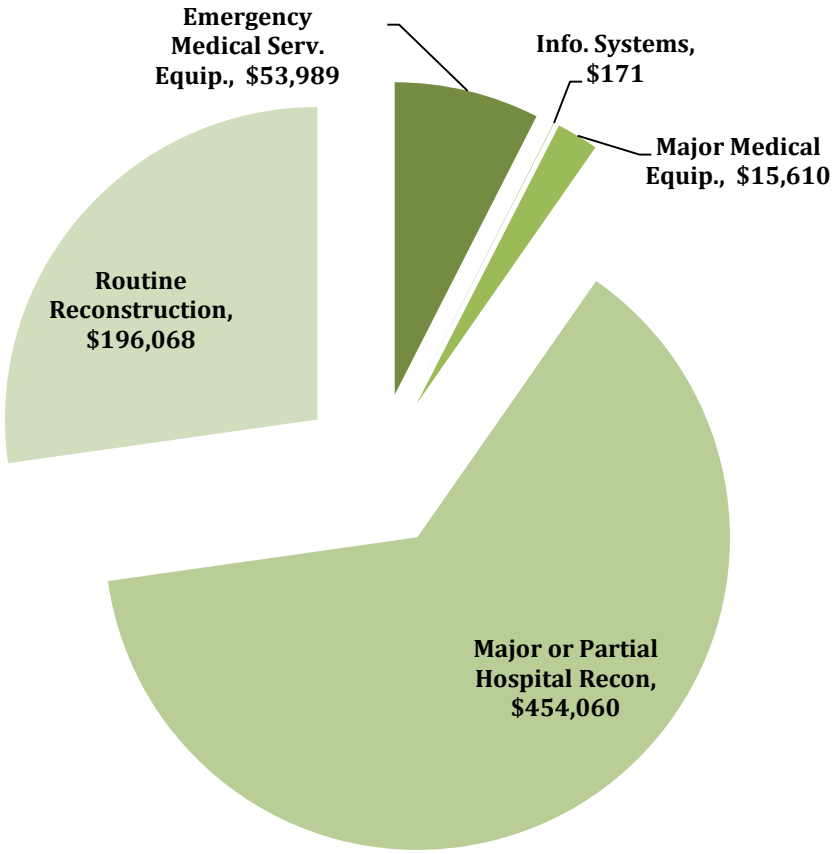
Dollars in Thousands

	FY12	FY13	FY14	FY15	Total
Adopted					
Total Capital Plan	$375,457	$187,825	$53,415	$17,595	**$634,292**
Prelim					
Total Capital Plan	$554,163	$117,072	$31,068	$17,595	**$719,898**
Change					
Level	$178,706	($70,753)	($22,347)	$0	**$85,606**
Percentage	47.60%	-37.67%	-41.84%	0.00%	**13.50%**

Health and Hospitals Corporation

Preliminary Capital Commitment Plan by Ten Year Plan Category

(All Funds in 000's)



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.

Preliminary Budget Highlights

Major Capital projects in the agency's Fiscal 2012 February Capital Plan for Fiscal 2011-2014 include the ongoing modernization of Harlem Hospital Center and Gouverneur Healthcare Services, as well as a new project at North General.

Harlem Hospital Center

Since Fiscal 2005, the City has committed a total of $305.7 million towards HHC's Harlem Hospital Center modernization project. This campus-wide effort began in the fall of 2005 and it involves the construction of a new Diagnostic, Treatment, Emergency and Critical Care Pavilion of approximately 195,000 square feet (Phase 1) and the build out of the emergency department (Phase 2).

Originally, this plan had included a project to renovate the Martin Luther King (MLK) Pavilion and then to connect the MLK Pavilion to both the newly constructed pavilion and the Ron Brown Ambulatory Care Pavilion. However, construction of the MLK pavilion has been put on hold as a result of budget cuts. Construction for the entire modernization project began in the fall of 2005. HHC reports that Phase 1 is 90 percent complete and is scheduled for completion in the summer of 2012. Phase 2 is in the process of bidding contracts and is scheduled for completion by March 2013.

Gouverneur Healthcare Services

Since Fiscal 2005, the City has committed $205.4 million to Gouverneur Healthcare Services for an ongoing major modernization and expansion project. This modernization includes the construction of a new 108,000 square foot ambulatory care pavilion and long-term care bed tower and the renovation of the existing building.

Gouverneur Healthcare Services, a long-term care nursing facility and the largest City-run community health center, began construction in September 2008 on a five-year modernization project that will expand primary and preventive care services, transform the clinical and residential environments, and create a larger, modern, 295-bed nursing facility to serve the Lower East Side and Chinatown community. Completion is expected by January 2014 and occupancy is expected by March 2014.

North General

A total of $263.6 million is included in the City's Plan for the consolidation and relocation of the Coler-Goldwater nursing home to North General Hospital in Harlem. The Coler-Goldwater Specialty Hospital and Nursing Facility is comprised of two campuses, the Coler campus on the north end and Goldwater campus on the south end. This project is four-fold. HHC will:

1. Renovate the existing North General Hospital in Harlem (by October 2013) and transition 201 Coler-Goldwater patients to the newly renovated site (by November 2013);
2. Construct a new 164-bed nursing facility on North General site;
3. Decant (removing all patients and programs from the facility) HHC's Goldwater site on Roosevelt Island south to prepare for use by Cornell University. Cornell will be responsible for the demolition of the physical plant and construct a 2 million square-foot applied science and engineering campus; and

4. Consolidate Roosevelt Island operations on its Coler site. The City has given Coler an additional $51 million to meet code requirements and replace essential building systems (e.g., sprinkler).

Appendix A: Budget Actions in the November and February Plans

Dollars in Thousands	FY 2012 City	FY 2012 Non-City	FY 2012 Total	FY 2013 City	FY 2013 Non-City	FY 2013 Total
Agency Budget as of June 2011 Plan	**78,538**	**103,298**	**181,836**	**71,117**	**92,363**	**163,480**
Program to Eliminate the Gap (PEGs)						
Reduction to HHC's Unrestricted Subsidy	($1,545)	$0	($1,545)	($4,265)	$0	($4,265)
Council Restoration of Unrestricted City Subsidy	1,545	0	1,545	0	0	0
TOTAL, PEGs	**$0**	**$0**	**$0**	**($4,265)**	**$0**	**($4,265)**
New Needs						
Young Men's Initiative: HHC Men's Health	$0	$0	$0	$500	$0	$500
TOTAL, New Needs	**$0**	**$0**	**$0**	**$500**	**$0**	**$500**
Other Adjustments						
CTL Transfer - HHC to DOHMH	$0	$5,122	$5,122	$0	$0	$0
CEO: HHC Career Ladder Program	0	0	0	1,005	0	1,005
FEMA Reimbursement to HHC	0	13	13	0	0	0
HHC - Chronic Disease Smoking	0	100	100	0	0	0
HHC - SAMHSA Emergency Response	0	492	492	0	0	0
HHC CTL Takedown for IC	(3,278)	0	(3,278)	0	0	0
Homeland Security Grants	0	175	175	0	0	0
IC W/ HHC	0	3,605	3,605	0	3,605	3,605
IC W/ HHC - AOT	0	(300)	(300)	0	0	0
IC W/ HHC - Article VI Max	0	3,122	3,122	0	0	0
IC W/ HHC - CB	0	(5)	(5)	0	(5)	(5)
IC W/ HHC - Harlem Hospital	0	1,457	1,457	0	0	0
IC W/ HHC - Metropolitan	0	82	82	0	0	0
IC W/ HHC - Patient Navigator	0	40	40	0	0	0
IC W/ HHC - Prophylaxis	0	10	10	0	0	0
IC W/ HHC - Queens Hospital	0	226	226	0	0	0
IC W/ HHC - Stop DWI	0	49	49	0	0	0
IC W/ HHC - Winston Temps	0	98	98	0	0	0
IC W/ HHC- AOT	0	2,895	2,895	0	0	0
IC W/ HHC -HIV Rapid Testing	0	(3,125)	(3,125)	0	0	0
IC W/ HHC-Correctional Health	0	2,567	2,567	0	401	401
IC W/ HHC-Correctional Services	0	75	75	0	0	0
IC W/ HHC-HIV Rapid Test Kits	0	3,125	3,125	0	0	0
OASAS State Aid Letters	0	(99)	(99)	0	(99)	(99)
Other	0	3,101	3,101	0	1,179	1,179
TOTAL, Other Adjustments	**($3,278)**	**$22,826**	**$19,548**	**$1,005**	**$5,081**	**$6,086**
TOTAL, All Changes	**($3,278)**	**$22,826**	**$19,548**	**($2,760)**	**$5,081**	**$2,321**
Agency Budget as of February 2012 Plan	**$75,260**	**$126,124**	**$201,384**	**$68,354**	**$97,448**	**$165,802**

Appendix B: Fiscal 2012 Mayor's Management Report Performance Measures

	FY09	FY10	FY11	FY 12 4-Month Actual	Target FY 12
Percentage of prenatal patients retained in care through delivery	89.2%	86.5%	86.4%	89.1%	90.0%
Percent of eligible women aged 40-70 receiving a mammogram screening from HHC	71.0%	72.8%	72.0%	72.1%	70.0%
Percent of HIV patients using dedicated HIV clinics	99.3%	99.2%	99.2%	99.4%	99.0%
Percent of two-year olds immunized	97.0%	96.5%	97.0%	NA	98.0%
General care average length of stay (days)	4.6	4.6	4.6	4.6	4.7
Emergency room revisits for adult asthma patients (%)	4.7%	5.1%	5.1%	5.8%	5.0%
Emergency room revisits for pediatric asthma patients (%)	3.3%	3.2%	2.7%	2.7%	3.2%
Percent of adult patients discharged with a principal psychiatry diagnosis who are readmitted within 15 days	5.2%	5.1%	4.8%	5.5%	5.0%
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Adult medicine	60.0	59.0	61.0	69.0	60.0
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Pediatric medicine	61.0	58.0	60.0	66.0	60.0
Average time spent by patient for a primary care visit at hospitals and diagnostic and treatment centers (minutes) - Women's health	60.0	61.0	61.0	71.0	60.0
Uninsured patients served	452,576	477,957	NA	NA	NA
Total Medicaid Managed Care, Child Health Plus and Family Health Plus enrollees	436,526	474,118	498,324	502,688	450,000
MetroPlus Medicaid, Child Health Plus and Family Health Plus enrollees	355,172	383,797	401,967	404,778	370,000
Net days of revenue for Accounts Receivable	56.3	55.5	52.3	50.3	56.0