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Report to the Committees on Finance, Health and Mental Health, Developmental Disability,
Alcoholism, Substance Abuse, & Disability Services
on the Fiscal Year 2016 Executive Budget for the

New York City Health and Hospitals Corporation

May 20, 2015

Executive Budget Summary

- **Expense Budget:** The New York City Health and Hospitals Corporation's (HHC or Corporation) Fiscal 2016 Executive Budget totals \$7.18 billion, of which \$233 million or four percent, is the operating subsidy provided by the City.
- **Projected Operating Deficit:** The Fiscal 2016 Executive Budget shows a projected operating deficit of \$618 million, down \$135 million from the Preliminary Budget. This net change is due to an increase of \$138 million in receipts, offset by an increase of \$3 million in disbursements.
 - Third party receipts, projected at \$5.7 billion for Fiscal 2016, increased by \$96 million from the Fiscal 2016 Preliminary Budget.
- **Closing Cash Balance:** As a result of changes in the Executive Budget, HHC anticipates a Fiscal 2016 closing cash balance of \$351 million, down \$422 million from the Preliminary Plan.
- **Executive Budget Changes:**
 - \$9.8 million reduction in Ebola Preparedness and Response funding in Fiscal 2015 to better align with actual spending;
 - \$2 million in new spending for mental health services at Family Justice Centers; and
 - \$17.4 million for Fiscal 2015 and \$13.5 million in Fiscal 2016 for collective bargaining settlements.
- **Ten-Year Capital Strategy:** The Department's Ten-Year Capital Strategy for Fiscal 2016-2025 totals approximately \$2.4 billion. Routine reconstruction projects receive the majority of the funding, totaling \$2 billion, of which \$1.56 billion is federal funds.

- **Capital Budget:** The Executive 2016 Capital Commitment Plan includes \$1.8 billion in Fiscal 2015-2019 for the HHC, of which \$316.7 million is earmarked for SANDY related projects.

Health and Hospitals Corporation Overview

This report presents a review of HHC's Fiscal 2016 Executive Budget. The section below presents an overview of the Corporation's budget and how it has changed during the course of Fiscal 2015, followed by a review of the significant budget actions introduced in the Fiscal 2016 Executive Budget. Major issues related to the Corporation's budget are then discussed. Analysis of HHC's Ten-Year Capital Strategy and highlights of the Capital Commitment Plan for the Fiscal 2016 Executive Budget follow the discussion of the expense budget. Appendices 1 and 2 report the changes made to the Fiscal 2015 and Fiscal 2016 Budgets since Adoption of the Fiscal 2015 Budget. For additional information on the HHC's budget and its various programs, please refer to the Fiscal 2016 Preliminary Budget Report for the Health and Hospitals Corporation at: www.council.nyc.gov/html/budget/2016/Pre/hhc.pdf

Financial Plan Summary New York City Health & Hospitals Corporation Fiscal 16 Executive Budget <i>Dollars in Thousands</i>						
	Actuals 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
RECEIPTS (Revenue)						
Third Party Receipts						
Medicaid Fee for Service	\$929	\$927	\$883	\$764	\$737	\$718
Medicaid Managed Care	1,187	1,244	1,340	1,411	1,458	1,493
Supplemental Medicaid	1,985	3,049	2,115	2,215	1,817	1,789
<i>Disproportionate Share (DSH)</i>	<u>1,780</u>	<u>1,253</u>	<u>1,497</u>	<u>1,482</u>	<u>1,187</u>	<u>1,196</u>
City	844	578	700	727	734	742
State	46	48	49	49	50	50
Federal	890	627	748	706	403	404
<i>Other Supplemental Medicaid</i>	<u>205</u>	<u>1,796</u>	<u>618</u>	<u>733</u>	<u>630</u>	<u>594</u>
City	96	892	336	419	386	364
State	7	5	6	6	6	6
Federal	103	898	276	308	238	223
Medicare Fee for Service	637	652	587	565	562	562
Medicare Advantage	420	433	402	399	401	401
Fully Integrated Duals Advantage	-	-	25	43	53	54
Commercial/Other Managed Care	372	368	368	368	368	368
Assessments	(19)	(25)	(25)	(25)	(25)	(25)
<i>Subtotal: Third Party Receipts</i>	\$5,511	\$6,648	\$5,695	\$5,739	\$5,372	\$5,362
City Services	191	372	233	284	306	313
Grants	214	283	174	92	92	92
FEMA Related Grants	187	46	47	-	-	-
FDNY/EMS	144	193	203	201	200	200
Other/Miscellaneous Receipts	201	207	210	213	216	220
<i>Subtotal: Grants & Other</i>	\$746	\$728	\$634	\$506	\$509	\$511
TOTAL RECEIPTS	\$6,447	\$7,748	\$6,562	\$6,529	\$6,187	\$6,186

	Actuals 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
<u>DISBURSEMENTS (Expenses)</u>						
Personal Services	\$2,495	\$2,733	\$2,676	\$2,839	\$2,796	\$2,835
Fringe Benefits	1,327	1,410	1,341	1,360	1,375	1,432
Other Than Personal Services	1,631	1,918	1,784	1,826		1,912
Malpractice	-	233	136	136	136	136
Affiliations	935	969		1,028		1,091
Other City Services and Charges	1	1	1	1	1	1
Subtotal: Disbursements	\$6,389	\$7,264	\$6,937	\$7,190	\$7,235	\$7,406
HHC Debt Service	77	81	82	84	85	85
City Debt Service	-	301		169	163	173
Subtotal: Debt Service	\$77	\$382	\$243	\$253	\$248	\$258
TOTAL DISBURSEMENTS	\$6,467	\$7,647	\$7,180	\$7,443	\$7,483	\$7,664
Operating Receipts Over/(Under) Disbursements	(\$19)	\$101	(\$618)	(\$914)	(\$1,296)	(\$1,478)
Capital Receipts Over/(Under) Disbursements	(16)	33	(2)	(7)	(14)	26
<u>Corrective Actions</u>						
Restructuring	-	-	51	48	48	48
Additional HHC Actions	-	-	300	300	350	350
DSRIP		60	66	199	336	296
MetroPlus	-	15	58	94	130	160
State & Federal Actions				300	350	400
Subtotal: Corrective Actions	-	75	75	942	1,214	1,254
Opening Cash Balance	323	287	496	351	373	276
Closing Cash Balance	\$287	\$496	\$351	\$373	\$276	\$78

Source: Health and Hospitals Corporation

* Continuation from previous page.

The HHC's 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. The HHC prefers this method because it provides a real-time assessment of the Corporation's current cash flow.

The HHC has the authority to develop a consolidated annual expense and revenue budget, which is then approved by the HHC's Board of Directors and subsequently by the City as a result of a financial agreement reached with the City in 1992. The agreement provides for payment of the City's tax-levy portion to the HHC in a lump sum, thereby indemnifying the Corporation against changes in the City's budget during a fiscal year. The lump sum is shown in the "Receipts" section of the table as "City Services." The Fiscal 2016 Executive Budget includes \$232.5 million for HHC; HHC's entire Financial Plan is not part of the City's budget.

The City's Fiscal 2016 Executive Budget totals \$78.3 billion, \$3.3 billion more than the Fiscal 2015 Adopted Budget of \$75 billion. For HHC, the Fiscal 2016 Executive Budget totals \$7.2 billion. The HHC's Fiscal 2016 Executive Budget of \$7.2 billion, shown here as total disbursements, is \$3 million more than its Fiscal 2016 Preliminary Budget. The \$3 million increase is due to growth in Personal Services (PS) and fringe benefits of \$6.7 million and reductions in Other Than Personal Services (OTPS) and debt service of \$2.7 million and \$1.1 million, respectively.

Projected Operating Deficit

According to its Fiscal 2016 Executive Financial Plan, HHC anticipates a Fiscal 2016 operating loss of \$618 million. This is \$135 million less than the loss projected in the Fiscal 2016 Preliminary Budget. Based on current conditions, this deficit is projected to grow to \$1.5 billion by Fiscal 2019. The substantial operating deficit is a function of the Corporation's declining revenue versus its growing needs. Moreover, as a result of changes in the Executive Budget, HHC anticipates a Fiscal 2016 closing cash balance of \$351 million, down by \$422 million from the Preliminary Plan.

Major Executive Budget Changes

Revenues

The Fiscal 2016 total revenues (or receipts) to HHC will decline by \$1.19 million, or 18 percent, from Fiscal 2015 revenues of \$7.75 billion to \$6.56 billion. Third party receipts, which comprise 87 percent of the HHC's total operating revenues for Fiscal 2016, increase by \$96 million from the Fiscal 2016 Preliminary Budget. This increase is driven primarily by readjustments and the rolling over of receipts from Fiscal 2015 to Fiscal 2016. Below are changes in receipts from Preliminary to Executive Budgets.

Fiscal 16 Executive Budget						
<u>Plan-Plan Comparison</u>						
Prelim-Exec (Dollars in Millions)						
	Fiscal Year 2015			Fiscal Year 2016		
<u>RECEIPTS</u>	<u>Prelim</u>	<u>Exec</u>	<u>Change</u>	<u>Prelim</u>	<u>Exec</u>	<u>Change</u>
<u>Third Party Receipts</u>						
Medicaid Fee for Service	\$909	\$927	\$18	\$705	\$883	\$179
Medicaid Managed Care	1,268	1,244	(24)	1,439	1,340	(100)
Disproportionate Share Payment	1,257	1,253	(3)	1,480	1,497	17
Other Supplemental Medicaid	1,999	1,796	(203)	663	618	(44)
Medicare Fee for Service	633	652	19	560	587	27
Medicare Advantage	416	433	17	385	402	17
Fully Integrated Duals Advantage (FIDA)	-	-	-	25	25	-
Commercial/Other Mged Care	368	368	-	368	368	-
Assessments	(25)	(25)	1	(25)	(25)	1
City Services	318	372	54	215	233	18
Grants	301	283	(18)	154	174	19
FEMA Related Grants	46	46	-	47	47	-
FDNY/EMS	219	193	(26)	200	203	3
Other/Miscellaneous Receipts	206	207	1	209	210	1
Total Receipts	\$7,914	\$7,748	(\$166)	\$6,424	\$6,562	\$138

Disbursements Highlights

HHC expects total operating expenses (or disbursements) to grow from \$7.2 billion in Fiscal 2016 to \$7.7 billion by Fiscal 2019, an increase of nearly \$485 million, or approximately seven percent. Projected disbursements in Fiscal 2016 have increased by a net of \$47.4 million since the Preliminary Plan. This increase is due largely to readjustments and re-estimates. Outlined below are the changes in disbursements since the Preliminary Plan.

Fiscal 16 Executive Budget						
<u>Plan-Plan Comparison</u>						
Prelim-Exec (Dollars in Millions)						
	Fiscal Year 2015			Fiscal Year 2016		
<u>DISBURSEMENTS</u>	<u>Prelim</u>	<u>Exec</u>	<u>Change</u>	<u>Prelim</u>	<u>Exec</u>	<u>Change</u>
Personal Services	\$2,692	\$2,733	\$41	\$2,670	\$2,676	\$6
Fringe Benefits	1,363	1,410	46	1,340	1,341	1
Other Than Personal Services	1,915	1,918	3	1,787	1,784	(3)
Malpractice Settlements	244	233	(12)	136	136	-
Affiliation Contracts	969	969	-	998	998	-
Other City Services and Charges	1	1	-	1	1	-
Debt Service	386	382	(3)	244	243	(1)
Total Disbursements	\$7,571	\$7,647	\$75	\$7,177	\$7,180	\$3

State Budget Adopted

- The 2015-2016 State Budget includes technical modifications to the way the State distributes the Upper Payment Limit (UPL) as required by the Centers for Medicare and Medicaid Services (CMS). With these changes in place, HHC expects to receive more than \$1 billion in outstanding payments for services provided from 2011 to 2014.
- The State Budget extended for three years the methodology for distributing Charity Care funding. However, despite this extension, the State Department of Health (SDOH) cannot make further amendments without legislative approval. In order to avoid further financial strains, HHC will need to seek modifications in the next two State Budget cycles to protect the Corporation from absorbing an unreasonable amount of federal disproportionate share (DSH) funding cuts.
- The State Budget extends through March 31, 2017 authorization for both the Medicaid global spending cap and the “super-powers” granted to the Commissioner of Health to reduce spending if expenditures exceed projections.
- The global cap, which is the limit on Medicaid, limits growth in Department of Health (DOH) State Funds Medicaid spending to the ten-year rolling average of the medical component of the Consumer Price Index. As a result, the global spending cap is increased from \$17.1 billion in SFY 2014-15 to \$17.9 billion in SFY 2015-16 and \$18.7 billion in SFY 2016-17.
- The State Budget includes an appropriation totaling \$567 million (inclusive of federal funds) for the Vital Access Provider (VAP) program. Within the amount appropriated, \$245 million is allocated for financially distressed safety net hospitals; however, public hospitals are not eligible for new VAP funding that is available for struggling voluntary Safety Net hospitals. This is a result of the State’s concern that there was not enough funding available in this allocation. According to HHC, the State is committed to working with HHC to find other ways to assist the Corporation without expanding its existing funding.

Executive Budget Highlights

Preliminary Budget Response. The Council's Fiscal 2016 Preliminary Budget Response called for two budgetary changes for HHC: increase the HHC's unrestricted operating subsidy and to allocate capital funding for HHC's Women with Disability Capital Project. The Administration did not include any of these recommendations in the Fiscal 2016 Executive Budget.

Corrective Actions – Cost Containment Plan

Given its projected Fiscal 2016 operating loss of \$618 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 \$309 million in savings, as shown in the table below.

Initiative (dollars in millions)	FY16	FY17	FY18	FY19
Lab Transformation and Pharmacy <i>Core Lab of NY (CLNY), 340B</i>	(\$12)	(\$12)	(\$12)	(\$12)
FQHC Look-Alike Status <i>Enhanced Reimbursement</i>	(30)	(30)	(30)	(30)
Dialysis Outsourcing <i>Less Nursing-heavy model</i>	(20)	(20)	(20)	(20)
Revenue Collection <i>Documentation and coding</i>	(72)	(72)	(72)	(72)
Supply Chain Efficiencies <i>Centralized procurement</i>	(75)	(75)	(75)	(75)
1,000 Global FTE Reduction <i>FT/O/ Temp/ Hourly/ Affiliates</i>	(100)	(100)	(100)	(100)
TOTAL	(\$309)	(\$309)	(\$309)	(\$309)

HHC has taken significant action to reduce its expenses and increase revenue, achieving more than \$480 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 still in the development stage.

Lab Transformation and Pharmacy (\$12 million)

- Lab Transformation (\$9 million)

The Corporation has engaged in a complete transformation of all laboratory services. Through a partnership with North Shore – Long Island Jewish, (NSLIJ), a joint consolidated core laboratory will be created, that will function as a state-of-the-art core laboratory for both health care systems. Slated to be operational by 2018, the Core Lab of New York (CLNY) will process 10-15 million samples in its first year. By aggregating the testing volume, the new laboratory will be able to take advantage of economies of scale, yielding significantly lower cost per test for other systems. It will also maximize efficiency and improve on the current standard of care. To allow for the alignment of the two laboratory systems through the joint consolidated core, in March 2014, HHC began implementation of the Cerner Lab Information System.

Additionally, HHC has begun internal efforts to further the savings potential of this initiative. With the new joint consolidated core in operation, HHC laboratories can be right-sized, allowing each hospital to operate a smaller, more efficient Rapid Response Lab. The standardization of policies, procedures and equipment will also continue to reduce costs while improving the delivery of care. As of November 2014, the entire HHC system has opted for a more cost effective solution for reference testing, by transition reference testing to NSLIJ.

Through Fiscal 2015, HHC's Laboratory Transformation initiative has already achieved savings of \$29 million. Once operational, CLNY is projected to save an additional \$9 million, allowing HHC to meet or exceed its goal.

- **Pharmacy (\$3 million)**

The Health Resources and Service Administration (HRSA), an agency of the U.S. Department of Health and Human Services, has updated the 340B guidelines on the contract pharmacy program by allowing HHC multiple contracts with a single hospital.

This guideline benefits HHC's DSH hospitals, by affording them an opportunity to dispense 340B-discounted drugs through more contract pharmacies over larger service areas. This will enhance access to affordable drugs for covered entity patients. The ability to serve more patients by contracting with more pharmacies should generate increased revenue for the DSH hospital if a significant portion of the hospital's patient population has prescription drug coverage other than Medicaid. Since patients are more likely to take their 340B-eligible prescriptions to the covered entity's contract pharmacies, a larger share of the revenue paid for those prescriptions will be passed back to the DSH hospital rather than pocketed by the pharmacies filling the prescriptions.

HHC has expanded their partnerships with Community Pharmacies, Rite Aid, Walgreens, Duane-Reade and soon CVS Pharmacies in 340B-Contract Pharmacy arrangement. Through Fiscal 2015, HHC has achieved approximately \$4 million in savings. In Fiscal 2015 HHC is projecting additional savings of \$3 million to reach their overall goal of \$7 million.

Federally Qualified Health Center (FQHC) Look-Alike Status (\$30 million)

In January 2015, the HRSA, issued HHC's approval for Federally Qualified Health Center (FQHC) Look-Alike Status for Gotham Health, a non-profit entity formed to reorganize 38 HHC healthcare delivery sites that for decades have provided primary, preventive and supplemental health care to medically underserved communities in Brooklyn, the Bronx and Manhattan. With the certification period commencing February 1, 2015, FQHC and those with Look-Alike status qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits.

The following are HHC's next steps.

- Enroll Gotham's 38 Diagnostic & Treatment Centers (DTCs) and DTC extension sites in the Medicare program as an FQHC provider.
- Obtain Medicaid reimbursement rates from SDOH, and Medicare reimbursement rates from CMS.
- Obtain Medicaid Wrap-around rates from SDOH
- Modify HHC's Siemens billing system to accommodate FQHC billing codes

HHC has engaged consulting group, Cohn Reznick, a firm that specializes in FQHC finances, to prepare a work plan and timeline for final approval.

- Based on analysis of HHC's financial records, it is estimated that the Corporation's average Medicaid rate as an FQHC will be \$218.13 per visit for Fiscal 2016.
- One example of potential opportunities is investigating reimbursement for staff time for patient transportation. Currently, Gotham provides patients that travel a longer distance a MetroCard. While Medicaid already funds the cost of the MetroCard, the staff's time to

distribute and manage the process is not reimbursed. This single opportunity if realized would net HHC as much as \$512,000/yr.

- Given the size of its FQHC, it is expected that HHC will receive final rate authorization and the ability to bill as an FQHC in September 2015.
- HHC is entitled to retroactive payments from Medicaid commencing from the certification period, February 2015 and from Medicare from the date of enrollment in Medicare as an FQHC provider. HHC's Fiscal 2016 revenue target for this initiative is \$30 million.

Dialysis Outsourcing (\$20 million)

HHC is currently in the process of re-evaluating whether to proceed with the initiative to outsource dialysis. The City Council, Public Advocate Leticia James and New York State Nurses Association (NYSNA) have raised questions regarding the quality of care provided by the vendor. As a result, HHC and NYSNA are working jointly to select an outside nephrologist to review the quality of care outcomes of the vendor as compared to existing HHC services.

On February 12th, 2015, the New York State Public Health and Health Planning Council voted against the pending Certificate of Need application of Big Apple dialysis service and decided to reconsider it in a future meeting. In preparation for that meeting, the Planning Council has asked the NYS Department of Health to provide further information and analysis. HHC is awaiting the State's further deliberations, but continue to stress that access and quality are their primary goals.

Revenue Collection (\$72 million)

- *Inpatient Documentation and Coding Case Mix Index (CMI) Improvement (\$10 million)*
Case Mix Index (CMI) indicates the complexity of a patient's services and treatment. In general, the higher the CMI, the more resources a patient requires during an inpatient stay. By concentrating on improvements in CMI charge capture, HHC seeks to ensure that CMI accurately reflects the complexity and severity of its patients' illnesses. Increased revenue capture from these efforts is a measure of CMI compared to improvement over a base period of Fiscal 2011. The CMI revenue improvement target for Fiscal 2016 is an additional \$10 million.
- *Secondary Diagnosis Capture (\$7 million)*
HHC's success in physician documentation of secondary diagnoses during patient inpatient stays and in coders identifying these secondary diagnoses can be measured with HHC claims data contained in the Advisory Board Company's ICD-10 Compass analytic tool.

Through this initiative, Physician Champions will be designated at each of HHC's facilities to serve as peer educators and will share HHC provider-specific documentation performance data with their peers, by specialty, to educate on opportunities for improved documentation in the twelve targeted secondary diagnoses. The Fiscal 2016 revenue target for this initiative is \$7 million.

- **Medicare Hierarchical Condition Categories (HCC) Risk Score Improvement (\$20 million)**
Hierarchical Condition Categories (HCC) scores are used by the Centers for Medicare and Medicaid Services (CMS) to measure the historical and chronic disease burden of Medicare patients, and to predict the cost of treatment for patients in the coming year. HCC scores are a factor in CMS' premium rate setting methodology for Medicare managed care plans to predict the cost of their members' healthcare resources.

Through its partnerships with MetroPlus and Healthfirst, HHC is engaged in a HCC risk score initiative to improve providers' documentation and coding of patients' chronic conditions. The program involves medical record reviews, outreach to patients regarding upcoming appointments, and targeted education for HHC's providers about improvement opportunities in the documentation of their Medicare patients' chronic conditions. Resulting changes in the HCC risk scores of HHC's MetroPlus and Healthfirst Medicare patients are submitted to CMS throughout the year to modify CMS' premium rate-setting calculations. The Fiscal 2016 revenue target for this initiative is \$20 million.

- **3M Savings (\$1 million)**
During Fiscal 2015, HHC will move to an enterprise-wide installation of its medical records coding platform, which is owned by 3M. Currently, HHC maintains over twenty individual instances of the 3M coding platform. Projected savings of \$1 million will be generated through consolidation of twenty servers to three, reducing support and maintenance costs, and streamlining medical records coder interaction with 3M.
- **Denials Management (\$34 million)**
A number of initiatives focused on revenue recovery of payer denials are underway. The Fiscal 2016 revenue target for these initiatives is \$34 million, and includes:
 - Implementation of a Corporate-wide standard work for External Appeal submission to the New York State Department of Financial Services led by Finance's Physician Advisor in collaboration with interdisciplinary facility staff inclusive of Finance, Utilization Management, Physician Advisors and Admitting to address inappropriate denials by managed care payers.
 - HHC's participation in a national settlement program offered by CMS for Medicare Recovery Audit Contractor (RAC) denials which are currently pending appeal.
 - Creation of a training academy for facility front-end financial services staff to improve the accuracy and capture of patient demographic information during the patient registration process, including insurance status.

Supply Chain Efficiencies (\$75 million)

HHC has been re-designing its supply chain services to improve quality and save costs; initially by centralizing the management of several large, core services, such as biomedical engineering and food and nutrition, and more recently transforming supply chain services into a centralized division. Facility-based contracting has been discontinued; and standard work is being implemented across the corporation.

HHC plans to find savings and revenue opportunities by 1) re-negotiating existing contracts utilizing corporate versus facility-specific spend; 2) using value analysis decisions driving transformation and standardization to reduce cost and waste; and 3) through fully utilizing

governmental-approved pharmaceutical purchases as permitted for Disproportionate Share Hospitals. Supply Chain savings are projected at \$75 million in Fiscal 2016.

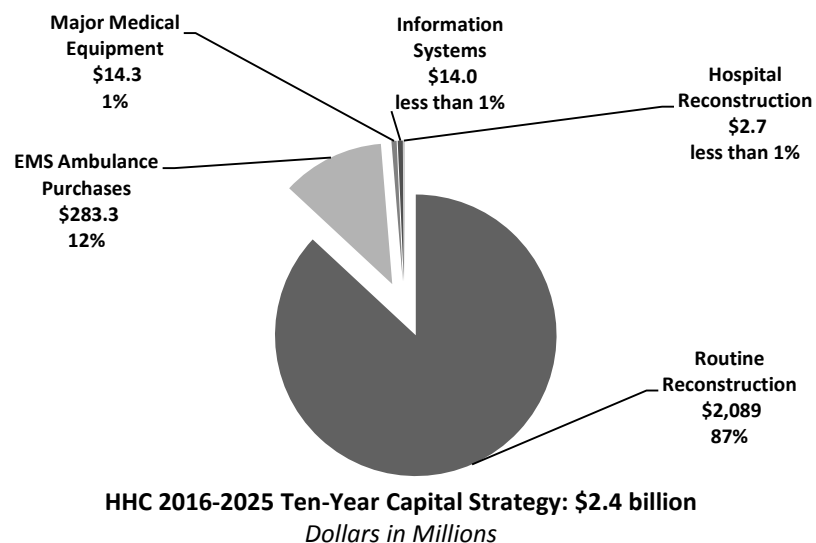
HHC plans to reduce its headcount by 1,000 FTE positions over the next 18 months. The Corporation's Finance team has embarked upon a productivity benchmarking effort to allocate the staff reduction to facilities primarily based on workload. The monitoring of headcount will include all FTEs, including HHC and affiliation staff, and temporary, overtime and hourly employees in order to get a comprehensive picture of total personnel resources. Employees will be benchmarked using workload to produce a productivity measure. Target reductions will be based on how facilities perform against this productivity measure. Central Office will receive a commensurate reduction. This headcount reduction is targeted to save \$100 million in Fiscal 2016.

HHC Capital Program

Ten-Year Capital Strategy

The Ten-Year Capital Strategy (the Strategy) is created every other year, as prescribed by the City's Charter, and represents the Administration's priorities for maintaining the City's core infrastructure, moving the City's infrastructure towards a state of good repair and meeting legal mandates. The Strategy is broken out into unique Ten-Year Plan Categories for each City agency which describe the different types of work being done. The Strategy also plays a key role in establishing the planned capital commitments for the City's four-year Executive Capital Commitment Plan, which is a subset of this long term strategic document.

The Ten-Year Capital Strategy released by the Mayor on May 7, 2015 totals \$83.8 billion (all funds) an increase of \$16.1 billion or 23.8 percent from the Preliminary Ten-Year Capital Strategy total of \$67.7 billion. The HHC's Ten-Year Capital Strategy for Fiscal 2016-2025 totals approximately \$2.4 billion, with routine reconstruction receiving the majority of the funding, totaling \$2 billion. The HHC's capital projects are divided into five categories as illustrated by the chart on the right. Each of these categories and their budgets are discussed below.



HHC Fiscal 2016-2025 Ten-Year Capital Strategy											
<i>Dollars in Thousands</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Routine Reconstruction	\$287,772	\$285,834	\$480,178	\$337,855	\$261,403	\$167,367	\$103,684	\$62,489	\$48,856	\$53,582	\$2,089,020
EMS Ambulance Purchases	25,386	25,386	26,147	26,931	27,740	28,572	29,429	30,312	31,221	32,158	283,282
Major Medical Equipment	10,962	3,317	-	65	-	-	-	-	-	-	14,344
Information Systems	14,044	-	-	-	-	-	-	-	-	-	14,044
Hospital Reconstruction	2,661	-	-	-	-	-	-	-	-	-	2,661
Total	\$340,825	\$314,537	\$506,325	\$364,851	\$289,143	\$195,939	\$133,113	\$92,801	\$80,077	\$85,740	\$2,403,351

Source: Office of Management and Budget (OMB) Executive Ten-Year Capital Strategy Fiscal Years 2016-2025

Routine Reconstruction. The Ten-Year Capital Strategy includes \$1.6 billion in federal funding for reconstruction and mitigation work associated with Hurricane Sandy storm damage, and an additional \$97.0 million in 2015. HHC's other major reconstruction projects include \$519.6 million associated with Corporate-wide infrastructure projects and equipment purchases, and \$17.9 million for the construction of an EMS station at Harlem Hospital.

Ambulance Purchases. The Ten-Year Capital Strategy provides \$283.3 million for the purchase of FDNY/EMS ambulances, with an additional \$25.6 million in 2015.

Capital Commitment Plan

The Fiscal 2016 Executive Budget Capital Commitment Plan includes \$1.83 billion in Fiscal 2015-2019 for HHC (including City and Non-City funds). This represents approximately three percent of the City's total \$57.4 billion Executive Plan for Fiscal 2015-2019. HHC's Executive Commitment Plan for Fiscal 2015-2019 is two percent greater than the \$1.78 billion scheduled in the Preliminary Commitment Plan, an increase of \$44 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 2014, the HHC committed \$242 million, or about 77 percent, of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2015 Capital Plan will be rolled into Fiscal 2016, thus increasing the size of the Fiscal 2016-2019 Capital Plan. As reflected in the chart below, the Fiscal 2016 Executive Budget rolled \$188 million and \$477.8 million from Fiscal 2015 and 2016, respectively.

HHC 2015-2019 Capital Commitment Plan						
<i>Dollars in Thousands</i>	2015	2016	2017	2018	2019	Total
Preliminary Plan	\$490,127	\$818,623	\$186,809	\$134,262	\$154,511	\$1,784,332
Executive Plan	302,097	340,825	314,537	506,325	364,852	1,828,636
Change	(188,030)	(477,798)	127,728	372,063	210,341	44,304
Percentage Change	(38%)	(58%)	68%	277%	136%	2%

Source: OMB Fiscal 2016 Executive Capital Commitment Plan

Executive Budget Highlights

EHC-Renovation of Adult ER. The Corporation's Capital Commitment Plan includes \$11.1 million for the Elmhurst Adult Emergency Department.

ICIS Program-EMR Upgrade. The Executive Capital Commitment Plan includes \$81.78 million for the Integrated Clinical Information System (ICIS) Program. The ICIS is a multi-year initiative that will introduce a fully functional, fully integrated electronic medical record (EMR) throughout New York's public hospital network. With ICIS, every aspect of patient care, from an order for a pint of blood to the full record of a patient's stay in a long-term care facility, is electronically captured and stored, and instantly accessible whenever it's needed. HHC has been planning this project for several years.

Appendix 1: HHC Fiscal 2016 Executive Budget Actions

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
HHC Budget as of the Fiscal 2016 Preliminary Plan	\$154,245	\$139,640	\$293,885	\$149,881	\$64,812	\$214,693
New Needs						
Ebola Preparedness & Response	\$3,586	(\$13,457)	(\$9,872)	\$0	\$0	\$0
Family Justice Center - Mental Health	0	0	0	0	2,001	2,001
Subtotal New Needs	\$3,586	(\$13,457)	(\$9,872)	\$0	\$2,001	\$2,001
Other Adjustments						
Collective Bargaining	\$17,359	\$0	\$17,359	\$13,498	\$0	\$13,498
City Council Member Items	25	0	25	0	0	0
IC W/ HHC - Assisted Outpatient Treatment	0	2,033	2,033	0	2,951	2,951
IC W/ HHC - Correctional Health	0	5,299	5,299	0	0	0
IC W/ HHC - Social Worker	0	500	500	0	0	0
IC W/ HHC - Winston Temps	0	1,197	1,197	0	(675)	(675)
Other Intra City Transfers	0	67	67	0	0	0
Subtotal Other Adjustments	\$17,384	\$9,096	\$26,481	\$13,498	\$2,276	\$15,774
TOTAL All Changes	\$20,970	(\$4,361)	\$16,609	\$13,498	\$4,277	\$17,775
HHC Budget as of the Fiscal 2016 Executive Plan	\$175,215	\$135,279	\$310,494	\$163,379	\$69,089	\$232,468

Appendix 2: HHC Budget Actions since Fiscal 2015 Adoption

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
HHC Budget as of the Fiscal 2015 Adopted Plan	\$81,149	\$98,089	\$179,238	\$81,094	\$98,089	\$179,183
New Needs						
Ebola Preparedness & Response	\$3,586	\$6,781	\$10,367	\$0	\$0	\$0
Family Justice Center - Mental Health	0	0	0	0	2,001	2,001
Subtotal New Needs	\$3,586	\$6,781	\$10,367	\$0	\$2,001	\$2,001
Other Adjustments						
Anti- Gun Violence HHC Transfer	\$0	\$1,691	\$1,691	\$0	\$0	\$0
City Council Member Items	25	0	25	0	0	0
Collective Bargaining	\$72,517	\$0	72,517	\$56,381	\$0	56,381
FEMA Funds - Bellevue Cat E	0	23,504	23,504	0	0	0
FEMA Funds - Vehicles	0	165	165	0	0	0
FEMA Funds - Cat B	0	9,521	9,521	0	0	0
IC W/ HHC - Assisted Outpatient Treatment	0	2,033	2,033	0	2,951	2,951
IC W/ HHC - Correctional Health	0	8,715	8,715	0	16	16
IC W/ HHC - Social Worker	0	500	500	0	0	0
IC W/ HHC - Winston Temps	0	2,678	2,678	0	(675)	(675)
Intra City - Cure Violence	0	3,340	3,340	0	0	0
Intra City - HIV Testing Program	0	3,125	3,125	0	0	0
MA for Inmates takedown	0	(32,739)	(32,739)	0	(32,739)	(32,739)
Member Item Reallocation	5	0	5	0	0	0
Office of Mental Health State Aid	0	(306)	(306)	0	(306)	(306)
Other Adjustments	(2,578)	7,284	4,706	0	0	0
Other Intra City Transfers	0	898	898	0	(248)	(248)
PS Adjustments	20,511	0	20,511	25,904	0	25,904
Subtotal Other Adjustments	\$90,480	\$30,409	\$120,889	\$82,285	(\$31,001)	\$51,284
TOTAL All Changes	\$94,066	\$37,190	\$131,256	\$82,285	(\$29,000)	\$53,285
HHC Budget as of the Fiscal 2016 Executive Plan	\$175,215	\$135,279	\$310,494	\$163,379	\$69,089	\$232,468