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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

May 28, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- The Health and Hospitals Corporation's (HHC) budget for Fiscal 2014 totals \$7.15 billion.
 - \$187 million in City Tax-Levy (CTL) and Intra-city funding.
- The Executive Budget for Fiscal 2014 shows a projected operating deficit of \$617 million, down by \$57 million from the 2014 Preliminary Budget.
 - This \$57 million net change is driven by an increase of \$428 million in receipts, offset by a \$371 million increase in disbursements.
- The Executive Budget includes the restoration and baselining of \$1.3 million for the Sexual Assault Response Team (SART).
 - SART provides immediate state-of-the-art forensic and counseling services for sexual assault victims.
- The Executive Budget includes the following other adjustments:
 - \$800,000 reduction in the Nursing Career Ladder Program; and
 - \$1.7 million rental subsidy for lease costs associated with an office space in Fiscal 2014.
- Council Funding in Fiscal 2013: \$14.5 million (See Appendix 3)
- The Fiscal 2014 Program to Eliminate the Gap (PEG) includes \$248,000 for Mental Hygiene Services for substance abuse, work readiness programs and intensive care coordination services.
- HHC's May 2013 Capital Commitment Plan includes \$1.5 billion in Fiscal 2013-2017, with routine reconstruction and information systems accounting for the majority of the funding.
 - Of the \$1.5 billion proposed, approximately \$995 million or 66.2 percent is City-funded.

FINANCE DIVISION

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HEALTH AND HOSPITALS CORPORATION OVERVIEW

This report provides an overview of the Fiscal 2014 Budget for the Health and Hospitals Corporation (HHC), a review of the significant actions included in the Executive Budget and a summary of the Corporation's Capital Budget for Fiscal 2014-2019. HHC's budget for Fiscal 2014 is \$7.15 billion, most of which supports personal services (PS) spending. The changes to HHC's Fiscal 2013 and Fiscal 2014 budgets proposed in the November and Preliminary Financial Plans are listed in Appendix 2. For additional information on the Corporation's Budget and its various programs, please refer to the "HHC Fiscal 2014 Preliminary Report" available at the Council's website.

New York City Health & Hospitals Corporation 2014 Executive Budget <i>(in millions)</i>						
	Actuals 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
RECEIPTS						
<u>Third Party Receipts</u>						
Medicaid Fee for Service	\$1,213	\$1,067	\$1,077	\$1,157	\$1,199	\$1,223
Upper Payment Limit	677	229	1,153	578	590	590
Disproportionate Share	1,022	1,341	761	741	721	642
Pools	438	442	424	424	424	372
Medicaid Managed Care	1,097	1,140	1,242	1,230	1,265	1,301
Medicare Fee for Service	646	531	445	464	457	451
Medicare Managed Care	371	344	344	343	340	338
Managed Care Other	373	351	365	365	365	365
<i>Subtotal: Third Party Receipts</i>	\$5,839	\$5,446	\$5,810	\$5,302	\$5,362	\$5,282
<u>City Services</u>						
Prisoner/Uniformed Services (Subsidy)	\$23	\$20	\$20	\$20	\$20	\$20
Prisoner/Uniform Services (HRA Intracity)	29	33	33	33	33	33
Other City Services	8	9	7	7	7	7
Unrestricted City Subsidy	22	21	15	15	15	15
346 Bdway move - Lease Costs			2	3	3	3
Direct City Funded Programs	1	1	5	5	5	5
Child Health	0	0	3	3	3	3
Outpatient Pharmacy	1	1	1	1	1	1
HIV Transfer	1	1	1	1	1	1
Homeland Security Grant	0	1	0	0	0	0
Nursing Training Initiative (CEO)	1	1	0	0	0	0
Medical Services - Adult Shelters	0	1	0	0	0	0
Medical Malpractice Transfer	17	17	17	17	17	17
Sexual Assault Response Team (SART) Grant	1	1	1	1	1	1
DOHMH Intracities	70	71	64	64	64	64
DOHMH - Child Health Clinics	11	12	0	0	0	0
DOHMH - Correctional Health	31	33	25	25	25	25
DOHMH - Intracity for Public Health	3	0	0	0	0	0
DOHMH - Intracity for Mental Hygiene	25	26	38	38	38	38
Other Intracities	7	6	10	10	10	10
Prior Year Intracities	22	26	15	0	0	0
<i>Subtotal: City Services</i>	\$202	\$208	\$187	\$172	\$172	\$172

New York City Health & Hospitals Corporation 2014 Executive Budget <i>(in millions)</i>						
	Actuals 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Grants	\$103	\$170	\$181	\$125	\$125	\$125
FEMA Related Grants	0	100	0	0	0	0
FDNY/EMS	179	172	188	194	201	208
Other/Miscellaneous Receipts	160	204	168	170	172	175
Subtotal: Grants & Other	\$441	\$646	\$536	\$489	\$498	\$507
TOTAL RECEIPTS	\$6,482	\$6,300	\$6,533	\$5,963	\$6,032	\$5,961
DISBURSEMENTS						
Personal Services	\$2,493	\$2,487	\$2,490	\$2,522	\$2,554	\$2,587
Fringe Benefits	1239	1240	1351	1389	1460	1536
Other Than Personal Services	1548	1525	1718	1648	1695	1737
Malpractice	148	114	252	136	136	136
Affiliations	889	923	951	979	1009	1039
Other City Services and Charges	1	1	1	1	1	1
Subtotal: Disbursements	\$6,318	\$6,290	\$6,763	\$6,676	\$6,855	\$7,036
HHC Debt Service	92	96	77	84	84	85
City Debt Service	144	0	310	144	148	155
Subtotal: Debt Service	236	96	388	228	232	240
TOTAL DISBURSEMENTS	\$6,555	\$6,386	\$7,150	\$6,903	\$7,087	\$7,277
Operating Receipts Over/(Under) Disbursements	(\$73)	(\$86)	(\$617)	(\$940)	(\$1,055)	(\$1,316)
Capital Receipts Over/(Under) Disbursements	(\$19)	(\$18)	\$45	(\$7)	\$31	\$0
Corrective Actions						
HHC Savings Initiatives/Cost Containment	0	0	\$11	\$11	\$11	\$11
Additional HHC Actions			100	300	300	300
Restructuring	0	0	82	79	75	72
City Share of DSH Preservation	0	0	24	24	24	69
State and Federal Actions/Other	0	0	658	552	500	498
Subtotal: Corrective Actions	0	0	\$874	\$965	\$910	\$950
Opening Cash Balance	\$553	\$461	\$358	\$661	\$679	\$564
Closing Cash Balance	\$461	\$358	\$661	\$679	\$564	\$199

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NEW IN THE EXECUTIVE BUDGET

HHC's projected operating deficit for Fiscal 2014 decreased by \$57 million to \$617 million, as compared to the projected deficit of \$674 million in the Fiscal 2014 Preliminary Budget. This net change is due to an increase of \$428 million in receipts, offset by an increase of \$371 million in disbursements. There are some other adjustments in the Executive Plan that are outlined below.

- **Restoration and Baseline of Sexual Assault Response Team (SART).** The Executive Budget restored \$1.3 million in Fiscal 2014 and in the outyears for SART, which provides immediate state-of-the-art forensic and counseling services for sexual assault victims.
- **Nursing Career Ladder Program.** The Executive Budget includes a reduction of \$800,000 in Fiscal 2014 to the Nurse Career Ladder Program, which provides scholarships for income-eligible New York City residents to attend nurse training programs leading to employment at an HHC facility.
- **Rental Subsidy.** The Executive Budget includes a \$1.7 million rental subsidy for lease costs associated with office space in Fiscal 2014.

EXECUTIVE BUDGET HIGHLIGHTS

PROJECTED OPERATING DEFICIT (FISCAL 2013 THROUGH FISCAL 2017)

According to its Fiscal 2014 Executive Financial Plan, HHC anticipates a Fiscal 2014 operating loss of \$617 million, reduced by \$57 million from the Fiscal 2014 Preliminary Financial Plan. Based on current conditions, this deficit is projected to grow to \$1.3 billion by Fiscal 2017. These substantial deficits are a function of the Corporation's declining revenue that falls short of supporting the Corporation's growing needs.

RECEIPTS HIGHLIGHTS

The Fiscal 2014 total revenues (or receipts) to HHC will decline by \$233 million, or 3.7 percent, from Fiscal 2013 revenues of \$6.5 billion. Third party receipts, which comprises 89 percent of the HHC's total operating revenues, increase by \$428 million from the Fiscal 2014 Preliminary Budget. The Executive Plan contains several adjustments of receipts since the Preliminary Plan which are outlined below.

- **Medicaid Fee for Service.** The Executive Budget reflects a decrease of \$84 million in Fiscal 2014 attributable to new State budget cuts, an increase in Medicaid Redesign Team (MRT) rate impact, and appeals and settlements.
- **Upper Payment Limit (UPL) Payments.** The Executive Budget reflects an increase of \$530 million in Fiscal 2014 which is a rollover of funds from Fiscal 2013 due to the timing of inpatient and outpatient UPL payments.
- **Disproportionate Share Hospital (DSH) Funding.** The Executive Budget reflects an increase of \$523 million in DSH funding from the State in Fiscal 2014, which is reflected in Fiscal 2013.
- **Medicare Fee for Service.** The Executive Budget reflects a net decrease of \$104 million in Fiscal 2014 due to the American Tax Payer Relief Act, assumptions on DSH payments, and appeals and settlements.

DISBURSEMENTS HIGHLIGHTS

HHC expects total operating expenses to grow from \$6.4 billion in Fiscal 2013 to \$7.2 billion by Fiscal 2017, an increase of nearly \$765 million, or twelve percent. Projected disbursements in Fiscal 2014 have increased by a net of \$371 million. This increase is due largely to rolling over disbursements from Fiscal 2013 to Fiscal 2014. The Executive Plan contains several changes in disbursements since the Preliminary Plan which are outlined below.

- **Other Than Personal Services.** The Executive Budget reflects a rollover of \$114 million from Fiscal 2013 to Fiscal 2014 for FDNY/EMS (\$106 million) and other payments.
- **Malpractice Settlements.** The Executive Budget reflects a rollover of \$116 million in medical malpractice payments from Fiscal 2013 to Fiscal 2014.
- **Debt Service.** The Executive Budget reflects a net increase of \$136 million due to a rollover of \$155 million in debt service payments from Fiscal 2013 to Fiscal 2014, offset by adjustments for new bonds and re-financing.

CAPITAL PROGRAM

The Executive 2013 Capital Commitment Plan includes \$1.5 billion in Fiscal 2013-2017 for the Health and Hospital Corporation (including City and Non-City funds). This represents 3.4 percent of the City's total \$44.5 billion Executive Plan for Fiscal 2013-2017. The agency's Executive Commitment Plan for Fiscal 2013-2017 is less than one percent more than the \$1.4 billion scheduled in the Preliminary Commitment Plan, an increase of \$9.5 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 2012, HHC committed \$273 million or 49 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014. Since adoption last June, the City's total Capital Commitment Plan for Fiscal 2013 has decreased from \$17.9 billion in the September Capital Commitment Plan to \$16.6 billion in the Executive Capital Commitment Plan, a decrease of \$1.3 billion or 7.3 percent.

2013-2017 Commitment Plan: Executive Budget and Preliminary Budget

Dollars in Thousands

	FY13	FY14	FY15	FY16	FY17	Total
Executive						
Total Capital Plan	\$824,163	\$504,353	\$75,478	\$55,328	\$34,509	\$1,493,831
Preliminary						
Total Capital Plan	\$829,414	\$508,582	\$75,478	\$55,328	\$34,509	\$1,503,311
Change						
Level	\$5,251	\$4,229	\$0	\$0	\$0	\$9,480
Percentage	0.64%	0.84%	0.00%	0.00%	0.00%	0.63%

MAJOR CAPITAL PROJECTS & EXECUTIVE BUDGET HIGHLIGHTS

HHC's Fiscal 2013-2017 Capital Plan totals approximately \$1.5 billion, with routine reconstruction and information systems accounting for the majority of the funding. Of the \$1.5 billion proposed for Fiscal 2013-2017, approximately \$995 million or 66.2 percent is City-funded. Funding for major HHC projects in the Capital Plan for Fiscal 2013-2017 includes the following projects.

- Planned commitments totaling \$325 million for the modernization project of Harlem Hospital Center. This 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 building of the emergency department (Phase 2), scheduled for completion by Summer 2013.
- Planned commitments totaling \$247 million for an ongoing major modernization and expansion project of Gouverneur Healthcare Services. 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. Completion is expected by Spring 2014.
- Planned commitments totaling \$285 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.

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Preliminary 2014 Plan	\$70,985	\$228,355	\$299,340	\$65,385	\$106,137	\$171,522
Program to Eliminate the Gap (PEGs)						
Restore SART Program	\$0	\$0	\$0	\$1,272	\$0	\$1,272
TOTAL, PEGs	\$0	\$0	\$0	\$1,272	\$0	\$1,272
Other Adjustments						
Adjustment to SANDY EPW	\$0	\$4,000	\$4,000	\$0	\$0	\$0
CC Member Items Changes	1,200	0	1,200	0	0	0
CEO: HHC Career Ladder Program	0	0	0	(805)	0	(805)
DCAS Rental Subsidy	0	0	0	1,721	0	1,721
FY 13 HHC UASI	0	219	219	0	0	0
IC w/ HHC - Hospitals	0	1,402	1,402	0	0	0
IC w/ HHC - Correctional Health	0	994	994	0	0	0
TOTAL, Other Adjustments	\$1,200	\$6,615	\$7,815	\$916	\$0	\$916
TOTAL, All Changes	\$1,200	\$6,615	\$7,815	\$2,188	\$0	\$2,188
Agency Budget as of Executive 2014 Plan	\$72,185	\$234,970	\$307,155	\$67,572	\$106,137	\$173,709

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, PRELIMINARY AND EXECUTIVE PLANS

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Adopted 2013 Plan	\$74,263	\$112,876	\$187,139	\$64,380	\$101,945	\$166,325
Program to Eliminate the Gap (PEGs)						
City Council Funding - HHC	\$0	(\$169)	(\$169)	\$0	\$0	\$0
<i>City Council Funding - Restoration</i>	0	169	169	0	0	0
Mental Hygiene Intra City with HHC	0	(105)	(105)	0	(248)	(248)
Restore SART Program	\$0	\$0	0	\$1,272	\$0	\$1,272
TOTAL, PEGs	\$0	(\$105)	(\$105)	\$1,272	(\$248)	\$1,024
Other Adjustments						
Adjustment to SANDY EPW	\$0	\$4,000	\$4,000	\$0	\$0	\$0
CC Member Items Changes	1,200	0	1,200	0	0	0
CEO: HHC Career Ladder Program	\$0	\$0	\$0	\$200	\$0	\$200
DCAS Rental Subsidy	0	0	0	1,721	0	1,721
Functional Transfer HHC to DOHMH	0	(225)	(225)	0	(449)	(449)
FY 13 HHC UASI	0	219	219	0	0	0
HHC CTL Takedown for IC	(3,278)	0	(3,278)	0	0	0
HHC-DOHMH Transfer	0	5,122	5,122	0	0	0
Homeland Security Grant	0	825	825	0	0	0
I/C with HHC	0	(126)	(126)	0	0	0
I/C with HHC - Alignment	0	0	0	0	(156)	(156)
IC w/ HHC - AOT	0	3,228	3,228	0	3,228	3,228
IC w/ HHC - Forensic Services	0	20	20	0	0	0
IC w/ HHC - SERG	0	15	15	0	0	0
IC w/ HHC - Winston Temps	0	178	178	0	0	0
IC w/ HHC - Article VI	0	2,306	2,306	0	0	0
IC w/ HHC - Manhattan Lupus Surv	0	10	10	0	0	0
IC w/ HHC - Correctional Health	0	2,582	2,582	0	0	0
IC w/ HHC - Stop DWI Program	0	49	49	0	0	0
IC w/ HHC- WINSTON TEMPS	0	13	13	0	0	0
IC w/ HHC - Met Asthma	0	82	82	0	0	0
IC w/ HHC - Hospitals	0	1,623	1,623	0	0	0
Kings County Capital Project	0	88	88	0	0	0
Sandy Expense Category B	0	100,000	100,000	0	0	0
OASAS State Aid Letters	0	77	77	0	77	77
Other	0	2,115	2,115	0	1,741	1,741
TOTAL, Other Adjustments	(\$2,078)	\$122,200	\$120,122	\$1,921	\$4,441	\$6,361
TOTAL, All Changes	(\$2,078)	\$122,096	\$120,018	\$3,193	\$4,193	\$7,385
Agency Budget as of Executive 2014 Plan	\$72,185	\$234,970	\$307,155	\$67,572	\$106,137	\$173,709

APPENDIX 3: FISCAL 2013 Council Initiatives

FY 2013 Council Changes at Adoption

Dollars in Thousands

HHC direct allocations	
HHC Developmental Evaluation Clinic Funding	\$1,467
HHC Substance Abuse Services – PEG Restoration	50
HHC Unrestricted Operating Subsidy	6,000
Subtotal, HHC direct allocations	\$7,517
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	\$14,517

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