

New York City Health and Hospitals Corporation

Restructuring HHC: *The Road Ahead*

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Table of Contents

EXECUTIVE SUMMARY	3
CURRENT COST CONTAINMENT ACTIONS	9
FY 2011 – 2014 RESTRUCTURING, COST CONTAINMENT PLAN	
<i>Administrative - Shared Support Services</i>	11
<i>Long Term Care Realignment</i>	13
<i>Affiliation Contracts/Physician Services Realignment</i>	15
<i>Acute Care Realignment</i>	16
<i>Ambulatory/Outpatient Care Realignment</i>	17
FINANCIALS	
<i>Executive Budget and Financial Plan</i>	19
ABOUT HHC	20

Restructuring HHC: *The Road Ahead*

EXECUTIVE SUMMARY

HHC's Mission and Structure

Since its creation as a public benefit corporation in 1970, the primary mission of the New York City Health and Hospitals Corporation (HHC) has been to provide comprehensive health services to all New Yorkers regardless of their ability to pay. As an integrated delivery system, HHC comprises 11 acute care hospitals, four skilled nursing facilities, six diagnostic and treatment centers, more than 80 community-based clinics, a Health and Home Care division and the MetroPlus Health Plan, Inc., a prepaid health services provider.

HHC's Services

HHC's more than 40,000 staff (including about 2,600 physicians supplied under contract with medical schools or large organized physician groups) extend medical, mental health and substance abuse services to over 1.3 million people annually. In addition to acute inpatient services, primary care and a broad range of specialty outpatient services, HHC offers multiple centers of excellence, e.g., six regional trauma centers, 11 designated AIDS centers, two burn centers, two regional perinatal centers, 11 sexual assault forensic examiner centers, and eight stroke centers. To address healthcare disparities among the City's diverse patient population, HHC combines preventive care, screenings for early disease detection, and targeted public health campaigns with broad access to linguistically and culturally competent preventive services and medical treatment. By identifying and enrolling patients who are eligible for Medicaid and Medicare managed healthcare services, HHC and its health plan, MetroPlus, help to expand the number of insured patients treated by HHC facilities.

The Need for Change

Despite a corporate-wide reorganization in the late 1990's that improved its financial performance for a few years, a structural imbalance in HHC's revenues and expenses has persisted. HHC provides a vast array of primary and preventive services through its 5 million annual clinic visits. Medicaid and Medicare managed care plans continue to pay for these services at levels that are far below cost. Taken together with the unreimbursed services offered to HHC's 450,000 uninsured patients, these outpatient losses result in significant operating deficits. In the past several years, these losses have been mitigated principally by the supplemental Medicaid funded with federal and city dollars. Now however, that supplemental funding, as well as HHC's core Medicaid revenue, is being threatened by the economic downturn and other pressures on government funding sources.

After three successive years of cuts, HHC's annual Medicaid reimbursement from the State has decreased by \$240 million. Pending proposals for the yet-to-be-approved state budget could reduce HHC's Medicaid payments by another \$70 million in the State's current fiscal year (2010-2011) and by \$100 million annually in the years ahead.

It is also unclear whether the State will continue to give HHC access to an additional Disproportionate Share Hospital (DSH) funding that is critically needed to help cover rising indigent care costs.

Federal supplemental Medicaid funding (DSH and Upper Payment Limit (UPL)) for HHC has also eroded substantially. For the last four years – from fiscal year 2007 to fiscal year 2010 – the two sources of such supplemental funding, DSH and UPL, have averaged \$1.4 billion annually. The State is working diligently with HHC to identify ways to gain Federal approvals to restore these payments and HHC’s financial plan for addressing its budget deficits over the next few years assumes substantial restoration of this supplemental Federal funding for which the City has budgeted the non-Federal share.

HHC is also not exempt from sharply rising costs and other financial and operational challenges that are confronting healthcare providers across the country.

Between 2006 and 2009, the number of HHC patients without health insurance increased 14 percent, from 396,000 to 453,000. The estimated 500,000 immigrants now living and working in New York City without legal documentation rely disproportionately on HHC for their health care, just as waves of immigrants have done over the decades past. These undocumented immigrants will still remain uninsured under the recently enacted federal health care reforms.

In recent years, there has been an exponential growth in fringe benefit costs for HHC’s workforce. By fiscal year 2011, pension costs will have risen to a projected \$333 million, a 150% increase since 2006. Health insurance costs will have increased by 60% since 2006, adding another \$148 million to HHC expenses. Unfortunately, because the cost of personnel constitutes roughly 70 percent of HHC’s budget, the ability to reduce total expenses significantly is limited unless HHC reduces the size of its workforce.

HHC’s Response

HHC responded to these destabilizing challenges by embarking on a series of initiatives to contain costs and increase operational effectiveness, while continuing to improve the system’s competitiveness from the standpoint of quality, patient safety and patient satisfaction.

Cost containment actions begun last year included consolidating some primary care services into sites with the capacity to absorb more patients, improving the management and operations of ancillary services to reduce expenditures, and reducing the workforce through attrition.

To increase operational effectiveness, HHC adopted an approach to performance improvement, which it called Breakthrough, that empowered and supported front-line teams to undertake rapid improvements to reduce waste and long term costs, optimize revenue collections, and increase patient and staff satisfaction. The first phase of Breakthrough work – which included more than 300 rapid improvement events - has produced more than \$50 million in cost savings and improved revenue collections.

In combined savings and increased revenues, all these initiatives will have saved HHC \$210 million by the end of fiscal year 2010 as well as strengthening its position as a health care provider in the New York City marketplace.

Unfortunately, however, this is not enough. Even taking into account the \$210 million in savings achieved thus far, HHC’s total projected expenses for fiscal year 2011 will still exceed its total projected revenue by roughly \$1 billion. This extraordinary budget deficit will worsen in the coming years as costs increase and reimbursements fail to keep pace.

To address these harsh realities, HHC sought help in quickly developing a plan to restructure the system, create a more effective model of care and identify additional cost containment options to address the projected budget deficits. Through a competitive bidding process during early 2009, HHC selected Deloitte Consulting to assist with analysis and the development of recommendations for restructuring and further cost containment.

The Restructuring Project

HHC charged Deloitte Consulting with developing a portfolio of options for a clinical and operational strategic plan that would achieve savings or additional revenue while allowing HHC to remain faithful to its mission. On a parallel track, several work groups within HHC focused on completing analyses and recommendations on possible cost-containment and revenue generating options that had been identified by HHC's senior leadership. Although Deloitte and HHC's own workgroups were given broad latitude in crafting recommendations for consideration, all parties understood that HHC wanted viable options that would minimize any adverse impacts on primary and preventive care services, build on quality of care and patient safety gains, further leverage HHC's health plan, MetroPlus and help it function as a more unified, integrated delivery system.

The restructuring project was called *"The Road Ahead"* to signify the positive nature and promise of the changes that were to be proposed and implemented to better secure HHC's future. In September 2009, HHC established a Restructuring Steering Committee (RSC) comprised of the senior leadership of the seven regional healthcare networks and corporate officers from our corporate headquarters to oversee and monitor the project. A Project Management Office, staffed by a few senior HHC personnel, also was established to work with Deloitte on a day-to-day basis. Deloitte created a full-time project team of 10-15 staff on site, supplemented by additional analysts as needed.

Throughout the engagement, Deloitte Consulting met with leadership and staff to gather facility-specific data for analyses and observe select operations, to better understand various perspectives on the strengths, challenges and future opportunities for HHC, and to solicit feedback on preliminary analyses and recommendations. In addition, Deloitte met and interviewed stakeholders at all the levels of the organization, including clinical leadership and labor representatives.

Deloitte's Analyses

The intent of each analysis was to provide a high-level summary of areas that might yield savings or otherwise strengthen HHC's financial position in the short or long term. All supporting analyses were created by Deloitte Consulting in collaboration with HHC by:

- (1) Gathering financial and operational data from HHC facilities and central office and from national benchmark sources;
- (2) Developing a base model and a set of assumptions to drive it;
- (3) Validating the data, base model and assumptions through extensive interviews at multiple organizational levels with various relevant HHC stakeholders.

Each analysis was reviewed and commented on by the RSC before being used to guide formulation of the options for change. Based on these analyses, and any adjustments arising from RSC review, Deloitte developed a list of high-level restructuring options to help close HHC's projected budget gap over the next several fiscal years. Because of the immediacy of the current budget crisis and the uncertainty associated with the long term impact of health care reform, the portfolio of options focused on shorter-term cost containment and operational efficiency initiatives.

HHC's Decisions

After Deloitte compiled the options, the RSC met over two days to select achievable financial improvement opportunities that would yield approximately \$300 million on an annualized basis by FY14 and that would more effectively position HHC for the future.

The RSC members adopted 12 principles that guided their selection of the options for implementation:

1. Support the HHC Mission
2. Focus resources on patient care/customer service functions
3. Build upon quality of care and patient safety culture
4. Function as more unified integrated delivery system
5. Pursue recommendations that help HHC perform better in the current economic crisis and under future Health Care Reform
6. Create greater simplicity in the enterprise by focusing on redundant and non-core services
7. Value leadership and ensure that leaders are part of the change
8. Align services and service capacities to target markets
9. Leverage internal system leading practices and learn from one another
10. Deliver services in the most cost efficient model
11. Leverage technology
12. Adopt standardized approaches to strategic planning, services planning and patient care management

Deloitte presented a range of options that were considered during the two day review, including some options that would yield significant savings but would have dramatically reduced access for patients and greatly impacted adversely HHC's overall mission. The rejected options included:

- Closure of nearly one-third of all community-based health centers
- Elimination of most outpatient specialty services and consolidation of such services in one acute care facility
- Eliminating nearly all of our long term care beds

The "re-purposing" of an acute care facility as a large ambulatory care center also was modeled, but this option was rejected both because of its impact on access and mission, but also because the projected savings were exceedingly modest. This exercise highlighted the reality that acute care services in the aggregate either cover or come close to covering related expenses. Accordingly, the revenue forfeited by shutting down an acute care facility (assuming the outpatient capacity is preserved) comes very close to the costs avoided, yielding modest savings at best.

“The Road Ahead”

The RSC selected approximately 40 options to include in the Restructuring Plan. These options have been organized by area of impact – Administrative/Shared Support Services, Long Term Care Realignment, Affiliation/Physician Service Realignment, Acute Care Service Realignment, Ambulatory Care Service Realignment. Implementation of these options will have an estimated financial impact to the organization of \$300 million annually when fully implemented. The initiatives are described briefly in the following section of this report.

Administrative/Shared Services

Includes proposals to target benchmark efficiencies in multiple administrative areas by creating cost-effective shared services operations and contracting out the management and/or provision of ancillary services. Target savings: \$141 million

Long Term Care Realignment

Includes proposals to better match HHC’s long term care bed capacity to patients’ demand for skilled nursing and chronic hospital services; consolidate administrative and support services where possible; and consolidate under-utilized services. Target savings/revenue increases: \$47 million

Affiliation/Physician Services Realignment

Includes proposal to match contracted provider resources to patient volumes and need: reduce administrative positions. Target savings: \$51 million

Acute Care Realignment

Includes proposals to improve the management of care to reduce patients’ length of time in the hospital; facilitate the retention of more surgeries within the HHC system; consolidate selected inpatient services. Target savings: \$26 million

Ambulatory Care Realignment

Includes proposals to consolidate some specialty outpatient services; close six satellite clinics with low utilization; pursue alternative administrative models for delivering outpatient services. Target savings: \$40 million

Positioning HHC for the Future

With the selection of options by the RSC, the restructuring effort now continues with extensive planning and implementation efforts to make HHC a more cost-effective, efficient and competitive organization. Success in achieving these goals within the complex HHC environment will require the collaborative efforts of many. To that end, HHC President Alan Aviles has appointed Project Owners from the senior leadership group to develop detailed implementation plans and to manage the teams working on implementation.

Many of the payment reforms likely to arise from the new federal health care reform legislation will correlate to quality, population health outcomes and robust primary and preventive care. HHC must anticipate the trajectory of payment reform as it formulates its long-term restructuring plans.

Key areas of focus for HHC going forward include:

- Increase its attractiveness as a healthcare provider to an increasing number of New Yorkers while maintaining its safety net mission
- Develop the care coordination/management capabilities of an accountable care organization
- Achieve medical home designation that will allow HHC to receive optimal reimbursement for primary care services
- Pursue global capitation pilot designation under the federal reform legislation
- Continue to be a good steward of the resources provided by the City, State and Federal governments

The cost-containment and restructuring actions to be undertaken over the next several years, if combined with full support from all three levels of government, will stabilize our public hospital system. However, the system will endure for the long term based upon its ability to demonstrate indispensable value to its patients and its payors, by improving the health status of the communities served, and contributing to the lowering of total healthcare costs in the future. The second and equally important phase of HHC's restructuring and its success will require an alignment, through payment reform, of HHC's reimbursement with a proactive focus on robust primary and preventive care, screening for the early detection of disease, and more effective chronic disease management for medical conditions like asthma, diabetes, hypertension, congestive heart failure and depression, that ultimately drive so much of long term healthcare costs.

Restructuring HHC: The Road Ahead
CURRENT COST CONTAINMENT ACTIONS

(\$s in Millions)						
	FY2010	FY2011	FY2012	FY2013	FY2014	
HHC Program						
Personnel Services	\$ 80.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	
Attrition (1300)						
MetroPlus Risk Savings	\$ 35.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
OTPS Savings	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	
Improved Collections	\$ 16.00	\$ 58.00	\$ 91.50	\$ 91.50	\$ 91.50	
	\$ 201.00	\$ 273.00	\$ 306.50	\$ 306.50	\$ 306.50	

Personnel Services (PS) Attrition

HHC has implemented a hiring freeze with exceptions for critical care, emergency and revenue generating positions. Requests for exemption for individual positions are submitted to HHC's Vacancy Control Board (VCB) for review. Positions are either approved or denied by the VCB and forwarded to the President for a final review. Since February, HHC has reduced its current Full Time Equivalent (FTE) level by 1,181. Based on an assumed attrition level of 3%, the Corporation plans to reduce its FTE level by over 1,300 by June 30, 2010. Including fringe benefits, this will translate into savings of \$80m in FY 2010 and \$125m recurring annually beginning in FY 2011.

MetroPlus Risk Savings

HHC's risk agreement with MetroPlus will yield a \$35m surplus which HHC anticipates first receiving in FY 2010. These savings are generated through more efficient provider contracting, increased utilization, quality review of inpatient services and aggressive management of Clinical Risk Group (CRG) acuity measures which translate into increased revenue from the State Department of Health.

Other Than Personnel Services (OTPS) Savings

HHC has initiated numerous programs across the Corporation to reduce OTPS expenditures. The Corporation has discontinued the use of operating funds for capital eligible fixed assets and restricted new purchases of equipment. Through March, HHC has reduced its fixed asset purchases by \$26m fiscal year to date. This annualizes to fixed asset savings of over \$30m in FY 2010.

HHC has also initiated inventory management programs which focus on product standardization, more efficient purchasing and reduced inventory levels. Among other things, the Corporation has also engaged in initiatives to reduce the cost of pharmaceuticals, reduce consulting expenses and scale back IT projects. Thru March, HHC's OTPS expenditures (excluding fixed assets) have remained flat, representing a 3% savings against the financial plan. This annualizes to additional OTPS savings of approximately \$40m in FY 2010.

Improved Collections

In the past year, HHC has embarked on Breakthrough initiatives to review charge capture across the Corporation. As a result, the Corporation has hosted corporate-wide charge capture Rapid Improvement Events (RIEs) which have identified over \$135m in potential revenue. In addition to the Breakthrough work, HHC has developed tools and staff training curriculum to improve inpatient documentation and coding.

HHC has also entered into hospital agreements with Aetna, United Healthcare and Oxford to diversify our patient base and attract more commercial referrals from community physicians. In addition, the Corporation has been working on revenue recovery efforts with participating and non-participating plans.

In total, HHC estimates achieving \$16 million in increased revenue from these initiatives in FY 10, increasing to \$58m in FY 11 and fully annualizing to over \$90m in FY 12.

Restructuring HHC: *The Road Ahead*

FY 2011 – FY 2014 RESTRUCTURING, COST CONTAINMENT PLAN

Administrative – Shared Support Services

Achieve Benchmark Efficiencies in Multiple Administrative Areas

Target Savings: \$51.63 million

HHC's annual costs in multiple administrative areas -- Finance and Accounting, Human Resources, Legal Services, Security, Environmental Services, Materials Management and Supply Chain, Biomedical Engineering Services, Fleet Maintenance, Plant Maintenance, and Telecommunications Services -- were measured against the annual spend for such services of similarly sized and scoped teaching hospitals and health systems who submit their cost data to a nationally recognized benchmarking database. In each of the above-mentioned areas HHC spends considerably more per unit of service than its national and local peers. Reasons for HHC's higher costs include the lack of automation resulting in too many staff, higher wage and fringe benefit rates than benchmarked entities for the same services, decentralized contracting and management practices, and other operational inefficiencies. Accordingly, HHC will enter into management contracts for many of these services and implement labor-saving technology through those contracts; right-size staffing through attrition and layoff; consolidate and standardize management and contracting processes; and significantly reduce expenses in each of these areas.

Engage an Independent Third Party Administrator to Take Advantage of New Federal 340B Pharmacy Regulations

Target Revenue Increase: \$11 million

HHC physicians write nearly 12 million outpatient prescriptions annually. HHC in-house pharmacies fill 2.4 million of those prescriptions, with the balance filled at outside retail pharmacies. As a public hospital system, HHC receives deep outpatient pharmaceutical price discounts under the 340B program, a federal drug discount program for providers who serve high uninsured populations. Due to a recent change in 340B regulations, HHC can realize the benefits of lower 340B acquisition costs for its Medicare and commercially insured patients even when they fill their prescriptions at retail pharmacies. HHC will establish contracts with local retail pharmacies and engage the services of a third party administrator to establish a cost/price reconciliation process which will allow it to realize the majority of the savings from these prescription transactions involving its patients.

Reduce Central Office Operations

Target Savings: \$6.65 million

As an integrated healthcare system requiring centralized coordination or control over certain functional areas, HHC Central Office operations houses a number of administrative and support services that include regulatory affairs, intergovernmental relations, medical affairs, language services, communications and marketing, legal affairs, and other oversight or shared services activities. In order to create an equitable distribution of workforce reductions and savings from greater operational efficiency across the entire HHC operation, HHC will reduce the Central Office headcount of its administrative and support services personnel by 10 percent.

Reduce Information Technology Contract Staff

Target Savings: \$3.9 million

As an early adopter of electronic medical records, HHC runs an advanced information technology operation that requires the support of in-house personnel and external experts who serve as consultants and bring the latest IT skills and training. Such consultants generally command market fees, which are higher than full time personnel salary and benefit costs. HHC will reduce the number of contracted staff and replace them with lower cost in-house IT professionals with comparable training and skills.

Reduce Construction and Maintenance Staff Levels to Match HHC's Reduced Capital Construction Program

Target Savings: \$32 million

During the last decade, HHC carried out the largest hospital modernization effort ever undertaken in our city. In order to support this aggressive capital program of both new construction and renovation, HHC increased its construction and maintenance personnel. Recent budget cuts of nearly 30 percent to HHC's 5-year capital program require that HHC realign the size of its construction and maintenance workforce of nearly 1,200 electricians, carpenters, plumbers, painters, metal workers and other workers to better reflect the reduced modernization plans and the more limited focus on maintenance of our facilities for the near term.

Outsource Laundry and Linen Operations

Target Savings: \$6.1 million

HHC spends about \$17.3 million to process about 16.5 million pounds of laundry annually. Nearly two-thirds of the laundry – 10.4 million lbs. – is cleaned in-house at a cost of nearly \$1.30 per pound. The balance is processed through a specialty vendor at about \$.77 per pound, including internal distribution costs. In addition, HHC would have to invest soon in major construction and maintenance work to update the aging laundry plant – at least \$2 million in capital building and equipment improvements would be required. HHC intends to close the in-house laundry operation and seek a lease contract for linens from a professional linens company that will remove and deliver linens directly to the medical units at all of HHC's facilities at substantially lower overall cost.

Implement a Contract with a Commercial Lab to Manage HHC's Four Major Labs, Standardize Equipment and Reagent Contracts and Use, and Implement a STAT Lab Only Model for all HHC Acute Care Facilities

Target Savings: \$30 million

HHC spends over \$88 million a year (split almost evenly between labor and supplies) to operate four full reference labs. These labs lack standardized equipment, use different reagents procured separately by each lab, and have varying levels of staff. Accordingly, the average per test cost ranges from a low of \$7.68 to a high of \$17.85. These costs, even on the low end of the range, exceed the per unit costs for high volume lab services from large commercial laboratories. By engaging a commercial laboratory to better manage HHC's laboratory operations in a centralized and standardized way, in the short run we can significantly reduce costs by standardizing equipment, as well as by aggregate contracting for and standardizing the use of reagents and other lab supplies. Further savings will be derived by ultimately shifting all but stat laboratory tests to commercial labs on a contracted basis and running only stat labs in all of our acute care facilities.

Long Term Care Realignment

Improve Admissions, Coding and Collection Processes to Optimize Reimbursement

Target Revenue Increase: \$11.6 million

HHC will ensure that hard-to-place patients at its own acute care hospitals receive the highest priority for available beds within its long term care facilities. The new first priority policy will help to avoid extended lengths of stay in its own acute care settings that restrict revenue-generating capacity in those facilities. HHC also will revise its LTC admission policies to focus more on high-acuity patients/residents who require 24-hour nursing care. Further, HHC will optimize reimbursement by aligning services with resident needs and by implementing processes to more fully document all the resources provided to its residents.

As part of these changes, HHC will forge new collaborations with appropriate home and community-based service providers to facilitate referrals and alternative placements of low-acuity individuals.

Increase Access To Sub-Acute Rehab and Brain Injury Services At HHC Long Term Care Facilities

Target Revenue Increase: \$4 million

Recent CMS regulations limit the types of cases Inpatient Rehabilitation Facilities/Units (IRFs) can serve based on particular clinical conditions. Cases once served by IRFs now should be served by long term care facilities. All of HHC's Skilled Nursing Facilities have sub-acute rehab programs that are under-capacity and can accommodate these higher-acuity residents. HHC will enhance its sub-acute rehab programs, create a more effective and efficient admissions process and conduct more targeted outreach to grow its sub-acute rehab services.

Close and Consolidate Under-Utilized Services at Coler-Goldwater Specialty Hospital and Nursing Facility

Target Savings: \$10.1 million

Coler/Goldwater is HHC's largest Long Term Care facility with a total of 2,016 certified SNF and LTCH beds. It is comprised of two campuses located on the North (Coler) and South (Goldwater) ends of Roosevelt Island. High tech, high cost LTCH services are duplicated between the two sites. Operating specialty programs at two sites increases the overall cost and does not achieve economies of scale. To gain operational efficiencies and reduce costs, HHC will consolidate the cardiac rehab and ventilator programs at Goldwater. There are many LTCH patients who no longer require medical care, but cannot be discharged because they are homeless. These patients are placed on an Alternate Level of Care (ALOC) which HHC is not compensated for. To address this issue, HHC is actively working with organizations and programs that can transition ALOC patients to homes and connect them with enabling services in the community setting. By reducing the number of ALOC patients, HHC will have additional opportunities to consolidate LTCH beds. Over the course of the next three years, HHC expects to be able to decertify approximately 136 beds.

Reduce Overall Long Term Care Beds

Target Savings: \$14.563 million

HHC is currently certified for 2,223 Skilled Nursing Facility (SNF) beds across its four facilities. There are many long term residents who are high functioning and could be better served through home and community-based programs. As such, the reimbursement level for this segment of the SNF population is relatively low. HHC will partner with home and community-based service providers to identify and transition appropriate high functioning residents to community based living. In the process, HHC will reduce bed capacity by 13.5 percent by eliminating roughly 300 SNF beds in the long term care system. This action requires the review and approval of the New York State Department of Health.

Consolidate Administrative and Support Services for Select Long Term Care Facilities

Target Savings: \$2.3 million

Some administrative and support services at select HHC long term care facilities are duplicative with services either within the same facility or at a nearby HHC acute care hospital. These services include administrative, pharmacy, transportation, laundry, housekeeping, IT and educational support. HHC will consolidate the administration of support functions and/or services to create efficiencies and reduce costs. These measures, and the resulting reduction of administrative headcount, will yield \$2.3 million in savings.

Consolidate Adult Day Health Care Programs Under One Operating Certificate

Target Savings: \$1 million

HHC runs three Adult Day Health Care (ADHCP) programs, with 164 certified slots. These day programs provide recreational activities and support individuals' ability to live in a community-based setting. HHC will consolidate all the adult day health care services under a single program leadership to better manage the care management, operational and financial aspects of the programs. A consolidated focus on the operations of all ADHCPs will help HHC to increase utilization and improve collections. This action requires the review and approval of the New York State Department of Health.

Rebalance Long Term Care Staffing Mix to Increase Direct Care Hours, Improve Quality

Target Savings: \$3 million

HHC's long term care facilities tend to rely on ancillary staff such as transport aides and ward clerks, who either have no direct care training and/or limitations in functional job descriptions. These constraints drive up costs, without improving care. Further, compared to New York State averages, HHC's LTC facilities rely more heavily on RN hours than LPN and CNA hours. By rebalancing the staffing mix to bring HHC more in line with state and national averages, as well as training and certifying ancillary staff in more direct care, HHC can change nursing home culture for the better, improve quality of care and reduce cost. Rebalancing the LTC staffing mix from an RN to an LPN/CNA model will improve care and decrease cost.

AFFILIATION CONTRACTS/PHYSICIAN SERVICES REALIGNMENT

Reduce Cost of Affiliation Contracts by 6%

Target Savings: \$51.46 million

It has been a long-standing practice of HHC to contract for physician and some allied health professional services through affiliation agreements with Medical Schools, Professional Corporations, and/or Hospital Systems. For FY 2011 those contracts are projected to cost about \$857 million for about 2,600 physician FTEs, 1,600 Allied Health Professional FTEs, and 350 administrative FTEs. Additionally, HHC directly employs about 500 physician FTEs mostly at Kings County and Bellevue Hospital Centers. Based upon three independent benchmark physician productivity models, HHC has determined that the corporation can right-size the provider workforce, and reduce administrative positions, without compromising patient care or quality.

Acute Care Realignment

Reduce Excess Inpatient Days by Standardizing Care Management Model

Target Savings: \$15 million

HHC has made great strides in reducing the length of hospitalization for its inpatients over the past decade to a current low of 4.7 days on average. HHC will target a further reduction of patient average length-of-stay for a range of high volume discharges by standardizing HHC's care management for specific DRG categories, standardizing and improving inpatient admission and discharge practices, and streamlining emergency room and operating room processes. HHC will improve care to patients and their families, reduce costs, and create additional bed capacity by reducing unnecessary hospitalization time and ensuring hospital discharges are processed as soon as medically appropriate.

Grow Surgical Volume By Improving Operating Room Processes and Recapturing Surgeries Performed Outside of HHC

Target Revenue Increase: \$3 million

HHC will implement operational improvements in Operating Room (OR) scheduling and referral to increase volume, reduce cancellation rates and improve start times. With these actions, HHC will increase the system-wide OR prime time utilization from approximately 65 percent capacity to the industry standard practice of 75 percent utilization. This 10 percent increase will allow for 9,500 additional surgeries to be performed at HHC facilities, increase access to surgical procedures, and increase revenues.

Consolidate Joint/Spine Surgical Volume to One Location per Borough or HHC Network

Target Savings: \$3.4 million

High-end, costly orthopedic surgical services are offered at multiple locations at HHC, some of which are low volume. Consolidating these surgical services to one Center of Excellence in each borough or network will not only decrease costs but will also help ensure high quality and best outcomes for patients.

Consolidate Prison Units to One Acute Care Hospital Location

Target Savings: \$4.6 million

Currently, prison health services are performed at both Bellevue and Elmhurst Hospitals. Moving prison health services to one centrally-located acute care facility will result in decreased cost of operations for HHC, the NYC Department of Health, and the NYC Department of Corrections. Additionally, the space freed at both Bellevue and Elmhurst would create much needed additional revenue-generating capacity.

Ambulatory/Outpatient Care Realignment

Seek Federally-Qualified Health Center (FQHC) Status for Six Diagnostic and Treatment Centers (D&TCs)

Target Revenue Increase: \$25.4 million

FQHC designation would result in higher reimbursement rates for HHC's D&TCs. These large outpatient health care facilities provide a similar scope of services as that of FQHCs. HHC's D&TCs also comply with FQHC requirements concerning ensuring access to uninsured low income patients. HHC will begin a process of obtaining the federal government's approval to achieve FQHC designation.

Close Six Outpatient Clinics

Target Savings: \$2.41 million

Through its 11 hospitals, 6 Diagnostic and Treatment Centers and 81 community clinics, HHC provides 5 million outpatient visits a year. Nearly 2 million of those are primary care visits. HHC's hospitals provide fully one-half of New York City's hospital-based clinic visits; and a significant 66% of all hospital-based clinic visits made by uninsured New Yorkers. While HHC will continue to be committed to ensuring New Yorkers access to quality outpatient care, HHC experiences significant losses on outpatient Medicaid reimbursement. It is for that reason that reductions to HHC's outpatient clinics were minimal and based upon longstanding low utilization, physical conditions of clinics, and the close proximity of other clinics to accommodate affected patients. Specifically, HHC will close the following dental clinic and five (5) child health clinics out of its 81 community sites:

Clinic, Location	Staff	Patients Served FY 2009
Williamsburg Dental Clinic, 214 Graham Avenue, Brooklyn	3 FTEs	2,152
Glebe Child Health Clinic, 2527 Glebe Avenue, Bronx	6.5 FTEs	513
Wyckoff Child Health Clinic, 266 Wyckoff Street, Brooklyn	3.8 FTEs	362
Fifth Avenue Child Health Clinic, 503 Fifth Avenue, Brooklyn	6.2 FTEs	872
Howard Houses Child Health Clinic, 1620 East New York Ave, Brooklyn	5 FTEs	962
Astoria Child Health clinic, 12-36 31 st Avenue, Long Island City	4 FTEs	1,167

Consolidate Selected Specialty Care Clinics to One Site Per HHC Network or per Borough

Target Savings: \$1.278 million

HHC offers a wide range of specialty clinics within its hospitals as well as off-site. The number of patients visiting these clinics varies among the hospitals and in some cases is relatively low. This suggests that some consolidation of specialty services could occur among clinics offering the same specialty service without adversely impacting access to the services. To achieve these efficiencies and

reduce overhead costs, HHC will consolidate Dermatology, Rheumatology, Pain Management or other specialty clinics into one specialty operation by HHC Network or by borough.

Reposition Selected Specialty Services to Attract more Inpatient Volume

Target Revenue Increase: \$5 million

While access to outpatient specialty services such as cardiology, endocrinology, gastroenterology and pulmonary is essential to some of HHC's patients, the utilization of these services across the system is somewhat low. HHC intends to better align provision of these services on an outpatient basis with the need and demand for inpatient admissions and surgeries in these specialties.

Outsource Outpatient Chronic Dialysis Services

Target Savings: \$5 million

HHC facilities provide chronic dialysis for hundreds of patients annually. An analysis of the relative costs of providing these services through HHC operations and contracted services has demonstrated that contracted services are more cost effective, and access for the uninsured can be contractually required as part of any such arrangement because emergency Medicaid will cover chronic dialysis. HHC will seek to establish one or more contracts with private dialysis service operators to achieve efficiency savings and ensure access to all patients, including patients who are uninsured.

Restructuring HHC: *The Road Ahead*

FINANCIALS

New York City Health & Hospitals Corporation					
Executive Budget and Financial Plan					
4/30/2010					
	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
RECEIPTS					
Third Party Receipts					
Medicaid Fee for Service	1,368.0	1,397.2	1,403.1	1,431.2	1,461.0
Upper Payment Limit	911.2	1,162.0	599.0	599.0	599.0
Disproportionate Share	1,095.0	165.0	330.0	330.0	330.0
Pools	465.7	436.1	436.6	437.0	436.5
Medicaid Managed Care	836.4	878.2	922.1	968.2	1,016.6
Medicare Fee for Service	578.8	572.5	584.0	595.7	607.6
Medicare Managed Care	325.3	341.6	358.7	376.6	395.4
Managed Care Other	349.2	350.0	350.0	350.0	350.0
<i>Subtotal: Third Party Receipts</i>	5,929.6	5,302.7	4,983.5	5,087.7	5,196.1
City Services					
	130.6	162.2	188.1	188.2	188.2
Grants	163.8	125.2	125.2	125.2	126.2
FDNY/EMS	173.7	180.0	186.5	193.3	200.4
Other/Miscellaneous Receipts	154.5	160.0	161.8	163.8	165.7
<i>Subtotal: Grants & Other</i>	492.1	465.1	473.5	482.2	492.2
TOTAL RECEIPTS	6,552.3	5,929.9	5,645.1	5,758.2	5,876.5
DISBURSEMENTS					
Personal Services	2,642.9	2,672.9	2,726.4	2,755.9	2,806.5
Fringe Benefits	1,077.8	1,158.3	1,217.4	1,277.8	1,351.6
Other Than Personal Services	1,593.6	1,592.2	1,643.0	1,692.0	1,744.6
Malpractice	295.4	189.9	189.9	189.9	189.9
Affiliations	832.1	857.0	882.7	909.2	936.5
Other City Services and Charges	1.1	1.1	1.1	1.1	1.1
<i>Subtotal: Disbursements</i>	6,442.9	6,471.4	6,660.6	6,825.9	7,030.3
Debt Service Costs	270.1	221.1	239.3	240.2	233.1
TOTAL DISBURSEMENTS	6,713.0	6,692.5	6,899.8	7,066.1	7,263.3
<i>Operating Receipts Over/(Under) Disbursements</i>	(160.7)	(762.6)	(1,254.7)	(1,308.0)	(1,386.8)
Corrective Actions					
DSH Maximization (City/Federal)	-	49.7	258.0	399.0	399.0
Additional Supplemental Medicaid Payments (City/Fed)	-	176.0	221.0	221.0	221.0
City Support	349.0	-	-	-	-
HHC Savings Initiatives/Cost Containment	201.0	273.0	306.0	306.0	306.0
Restructuring	-	93.0	136.0	261.0	304.0
Implementation Costs	-	(50.0)	-	-	-
Malpractice Containment	45.0	45.0	45.0	45.0	45.0
<i>Subtotal: Corrective Actions</i>	595.0	586.7	966.0	1,232.0	1,275.0
<i>Opening Cash Balance</i>	233.5	667.8	491.8	203.1	127.2
<i>Closing Cash Balance</i>	667.8	491.8	203.1	127.2	15.4

About HHC

The New York City Health and Hospitals Corporation (HHC) is a \$6.7 billion integrated health care delivery system with its own 385,000 member health plan, MetroPlus, and is the largest municipal health care organization in the country. HHC serves 1.3 million New Yorkers every year and more than 450,000 are uninsured. HHC 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 based clinics. HHC Health and Home Care also provides in-home services for New Yorkers. HHC was the 2008 recipient of the National Quality Forum and The Joint Commission's John M. Eisenberg Award for Innovation in Patient Safety and Quality at the Local Level, which recognized the organization's work to make performance data accessible and transparent to all patients and consumers through its HHC in Focus Web site, and its efforts to foster a culture of continuous improvement.

In recent years, HHC's robust commitment to systemic improvement has garnered national recognition from leading healthcare organizations, especially for its innovative work in quality of care and patient safety. Notable awards and honors include: The National Quality Forum/ Joint Commission 2008 Eisenberg Award for Innovation in Patient Safety and Quality for making performance data available on the Internet, demonstrating HHC's willingness to be accountable for care delivered to patients; the American Hospital Association 2009 NOVA award to Jacobi Medical Center and North Central Bronx Hospital for their rapid HIV-testing program; Sea View Hospital Rehabilitation Center and Home received the Joint Commission's 2007 Ernest Amory Codman Award for using outcomes measurement to achieve improvements in quality and safety; Harlem Hospital became the first hospital in New York City and only the second in the state to be designated "Baby Friendly" part of a global initiative sponsored by the WHO and UNICEF in its 2008 report; and, in 2008, a Commonwealth Fund report lauded HHC hospitals for efficiency, quality care, and creative solutions to ensuring access to quality care in a safety-net system.

For more information, visit www.nyc.gov/hhc.