NYC HEALTH + HOSPITALS

AUDIT COMMITTEE MEETING
AGENDA

October 8, 2020
9:00 A.M.
125 Worth Street,
VIRTUAL

CALL TO ORDER — **Ms. Helen Arteaga Landaverde**

- **Adoption of Minutes June 11, 2020** — **Ms. Helen Arteaga Landaverde**

INFORMATION ITEMS

- **Fiscal Year 2020 Draft Financial Statements & Related Notes** — **Mr. John Ulberg/ Mr. Jay Weinman**
- **Fiscal Year 2020 Report to the Audit Committee** — **Ms. Tami Radinsky, Partner Grant Thornton**
- **Audits Update** — **Mr. Chris A. Telano**
- **Compliance Update** — **Ms. Catherine Patsos**

EXECUTIVE SESSION

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

MINUTES

AUDIT COMMITTEE

MEETING DATE: October 8, 2020
TIME: 9:00 A.M.

COMMITTEE MEMBERS
Helen Arteaga Landaverde
Jose Pagán, PhD
Mitchell Katz, MD
Feniosky Peña-Mora
Freda Wang

OTHER MEMBERS OF THE BOARD
Sally Hernandez-Piñero

STAFF ATTENDEES
Colicia Hercules, Chief of Staff, Chairman's Office
Janny Jose, Executive Secretary, Chairman's Office
Jay Weinman, Corporate Comptroller
James Linhart, Deputy Comptroller
Catherine Patsos, Chief Compliance Officer
Christopher A. Telano, Chief Internal Auditor
Devon Wilson, Senior Director, Office of Internal Audits
Erica Nairne-Hamilton, Audit Manager, Office of Internal Audits
Carlotta Duran, Assistant Director, Office of Internal Audits

OTHER ATTENDEES
Grant Thornton: Tami Radinsky, Lead Engagement Partner; Lou Feuerstein, Relationship Partner; Dana Wilson, Insurance Partner; Steven Dioguardi, Lead Audit Senior Manager

VIRTUAL - AUDIT COMMITTEE MINUTES
JUNE 11, 2020

CALL TO ORDER

Committee Members Present: Helen Arteaga-Landaverde, Mitchell Katz, José Pagán, Feniosky Peña-Mora, Freda Wang, Sally Hernandez-Piñero.

The meeting was called to order by Ms. Helen Arteaga-Landaverde, Board Chair at 10:37 A.M.

Ms. Arteaga-Landaverde asked for a motion to adopt the minutes of the Audit Committee meeting held on February 6, 2020. A motion was made and seconded with all in favor to adopt the minutes.

Ms. Arteaga-Landaverde introduced the first action item by stating that Mr. Chris Telano will read a proposed resolution.

Mr. Telano stated that this resolution is:

> **Authorizing New York City Health and Hospitals Corporation to negotiate and execute a contract with Bonadio Group CPA for annual financial audits of 22 Corporation auxiliaries. This contract is for 17 audit services for calendar year 2018 through 2021, with two separate one-year renewal options in an amount not to exceed $867,225. The system at its sole option and discretion may renew this agreement for an additional one or two successive one-year term.**

Mr. Telano provided an overview of the 22 auxiliaries, a summary of Bonadio Group services, the qualifications of the selected vendor, terms of the contract, RFP criteria, and a vendor performance evaluation.

- The CHAR500 must be filed per NYS Charities Bureau regulations.

Service Type	Revenue
Audit	Over $750K
Review	Between $250K and $750K
Compilation	Below $250K

Qualification of Selected CPA Firm

- Solicitation and award was in alignment with NYC Health + Hospitals Operating Procedure 100-5.
- The Bonadio Group had conducted the audit of One City Health's DSRIP program as requested by their Board and was highly recommended by their Chief Financial Officer.

- They have provided audit and tax services to approximately 50 Auxiliary Service Corporations within hospitals, health systems and SUNY campuses.
- Their experience includes audits of New York City agencies such as the Department of Health and Mental Hygiene and the Department of Corrections.
- Bonadio has also assisted Grant Thornton LLP to audit the financial statements of the City of New York.
- To meet the 30% MWBE requirement, The Bonadio Group will be utilizing the services of a senior partner of an MWBE firm, Galleros Robinson, LLP.

Terms of Contract

Fee Schedule

Engagement Type	2018 *	2019	2020	2021	2022 **	2023 **
Audit	$36,000	$48,000	$48,000	$49,200	$50,400	$51,800
Review	$35,000	$49,000	$49,000	$50,400	$51,800	$53,200
Compilation	$40,500	$49,500	$49,500	$50,600	$51,975	$53,350
Total	**$111,500**	**$146,500**	**$146,500**	**$150,200**	**$154,175**	**$158,350**
Contract Total	**$867,225**					

Note
*** This is to perform the 17 audits, reviews, or compilations not done for CY2018**
**** CY2022 and CY2023 are option years.**

- Minimum criteria:
  - Must be a licensed CPA firm
  - Must be listed on the New York City Comptroller's list of prequalified CPA firms eligible to bid on NYC contracts
  - Must demonstrate staffing levels of not less than fifty (50) accounting Professionals
- Substantive Criteria:
  - 30% - Understanding of work and soundness of approach
  - 30% - Technical qualifications and previous client references
  - 10% - Qualifications of proposed staff
  - 20% - Cost
  - 10% - MWBE
- Evaluation Committee:
  - Chief Internal Auditor/Sr. AVP, Office of Internal Audits
  - Sr. Director, Office of Internal Audits
  - Sr. Director, Post-Acute Care
  - Sr. Asst. Vice President, Finance
  - Deputy Corporate Comptroller
  - Sr. Executive Compliance Officer
  - Assistant Director, Business Applications

Ms. Wang asked if we are late on 2018 and 2019?

Mr. Telano answered yes, we are late, 2018 should have been done last year. But we had problems with the CPA firm we had hired when it was taken over by another CPA firm. They only completed 5 of the 22.

Ms. Arteaga Landaverde stated that I also asked the same question, but it's not our fault that we were late for those audits. We have documentation saying it wasn't our own diligence that we weren't following up. It was actually on them. So we have documentation to show that if ever somebody asks that question in the future.

Ms. Wang asked if there are any ramifications to having been late?

Mr. Telano responded that there might be. The audit report can be late but as long as the auxiliary's filed their tax returns on a timely basis there will be no fines or penalties.

Ms. Wang asked if they're planning to get us back on schedule?

Mr. Telano replied yes.

Dr. Peña-Mora asked what is the contractual relationship that Bonadio will be using with an MWBE?

Mr. Telano responded that I believe their staff will be participating within the audits and review being done as part of the team.

Dr. Peña-Mora asked for facilities where the revenue is less than $1 million, they do not have to attest the validity of the data?

Mr. Telano answered yes, it's for those audits. Auxiliaries with income under $250,000 a compilation will be conducted. Please note that this is the guidelines that are issued by the New York State Charities Bureau regulations. So they're following the guidelines.

Dr. Peña-Mora asked that according to the guidelines, they don't have to verify that recommendation. They just have to compile the recommendation for the final report. Is that correct?

Mr. Telano responded that that is correct. Keep in mind that for the last year that we have revenue, we have two of the auxiliaries with revenues of $10,000. So I believe that 11 of the auxiliaries have revenue under 250,000, with some I mentioned very low, $10,000 and $16,000. So that is why the requirement is less due to the lower risk.

Ms. Hernandez-Pinero asked that during the year that this contract covers, do you expect to perform some sort of audit or compilation? Some kind of service for all 22 auxiliaries?

Mr. Telano answered yes, in the past, they were always done every year.

Ms. Hernandez-Pinero asked as part of the services that are rendered, and this is triggered by the Bellevue audit that I reviewed, do you look at the auditors to see how effectively they are communicating to the auxiliary where there are gaps? Particularly if there are repeat situations?

Mr. Telano responded that we do, and as part of the contract, there is a follow-up review from one year to the next. So if there's any audit comments, that the following year the CPA firm will follow up. If the audit comments are of significance, my department, will follow up. We have done that in the past. Please keep in mind, that the last time

these audits were done in 2017 calendar year, of the 22 audits, there were only three with comments, so they usually work efficiently.

Ms. Hernandez-Pinero asked if you frequently find repeat comments?

Mr. Telano replied very rarely now. Maybe when I came on board 10 years ago, but not anymore because the CPA firm in the past, and even we expect for the current one that we hired, they do a great job in following up, making sure that everything is resolved.

Ms. Hercules clarified that this resolution would not be presented to the Board for approval as part of our operating procedure 100-5 - Auditing services requires approval by the Audit Committee only and because this is under the $5 million, it would not be presented to the Board.

Dr. Katz thanked Ms. Hercules for the clarification.

Ms. Arteaga-Landaverde asked for a motion to approve the resolution. After discussion, on motion made and duly seconded the Committee voted in favor of the resolution.

Grant Thornton LLC was represented by Tami Radinsky, Lead Engagement Partner; Lou Feuerstein, Relationship Partner and Steven Dioguardi, Senior Manager to present their 2020 audit plan.

Ms. Radinsky began the presentation by reporting on the following:

I'm going to take you through what our responsibilities are as part of the 2020 audit. Not a lot of changes in terms of the overall approach that we do as part of our audit process. But as we go through, given the environment of COVID, we will insert some additional information and concentrations in areas that we will focus on during this audit.

We are responsible for:

- Performing the following audits of financial statements as prepared by management, with your oversight, conducted under US Generally Accepted Auditing Standards (GAAS) and, where applicable, under *Government Auditing Standards:*
- New York City Health + Hospitals Corporation ("NYC Health + Hospitals") for the fiscal year ending June 30, 2020.
- H+H Accountable Care Organization Inc. annual financial statements for the fiscal year ending June 30, 2020.
- MetroPlus Health Plan's annual statutory financial statements for the fiscal year ending December 31, 2020.
- H+H Insurance Company's annual statutory financial statements for the fiscal year ending December 31, 2020.
- Performing the following audits, as applicable, of cost reports for the year ending June 30, 2020 and issuance of certifications and attestation reports:
- Annual Reports of Ambulatory Health Care Facilities (AHCF-1)
- Annual Reports of Residential Health Care Facilities (RHCF-4)

Ms. Radinsky stated those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging NYC Health + Hospital's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:

- Objectives and strategies and related business risks that may result in material misstatement
- Matters warranting particular audit attention
- Significant communications with regulators
- Matters related to the effectiveness of internal control and your oversight responsibilities
- Your views regarding our current communications

Management is responsible for:

- Preparing and fairly presenting the consolidated financial statements including supplementary information in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Ms. Radinsky presented the Audit Timeline as follows:

May - June 2020	Client acceptance	• Client acceptance • Issue engagement letter • Conduct internal client service planning meeting, including coordination with audit support teams such as IT and tax
May – June 2020	Planning	• Meet with management to confirm expectations and discuss business risk • Discuss scope of work and timetable • Identify current-year audit issues and discuss recently issued accounting pronouncements of relevance • Initial Audit Committee communications
June 2020	Preliminary risk assessment procedures	• Develop audit plan that addresses risk areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
June – July 2020	Interim fieldwork	• Perform walk-throughs of business processes and controls • Perform control testing over healthcare revenue cycle • Perform selective substantive testing on interim balances
July – September 2020	Final Fieldwork	• Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results, draft financials statements and other required communications • Review final “draft” reports and other deliverables
October 2020	Deliverables	• Present draft reports and audit results to the Audit Committee and management • Issue final audit reports and other deliverables
December 2020	Deliverables	• Present final management letter to the Audit Committee
December 2020 - January 2021	MetroPlus Health Plan	• Perform walk-throughs of business processes and controls • Perform control testing over significant business processes • Perform selective substantive testing on interim balances
February 2021 – March 2021	MetroPlus Health Plan	• Perform final phase audit and year-end fieldwork procedures • Meet with management to discuss results, draft financial statements and other required communications • Issue the final audit report and other deliverables
April 2021 – August 2021	Cost Report Certification and HHC Insurance Company	• Perform applicable audit procedures and issue auditor’s reports on cost reports for the skilled nursing facilities (RHCF-4) and diagnostic and treatment centers (AHCF) • Perform HHC Insurance Company audit and issuance of audit report
Timing to be determined	HHC ACO, Inc.	• Perform HHC ACO, Inc. audit and issuance of audit report (2018 & 2019)

Ms. Radinsky turned the meeting over to Mr. Dioguardi who explained the audit approach as follows:

Planning – In this phase we will update an understanding of and document your operations, control environment, accounts and information technology systems.

Risk Assessment - We use our understanding of your internal control system and operations to identify the inherent audit risks and strengths of your operations and information systems. By performing our risk assessment, we customize our audit approach to focus our efforts on the key areas.

Evaluation & Testing of Controls - We will evaluate the design effectiveness, and when appropriate, the operating effectiveness of the corporate governance and information technology controls, as well as the controls over each significant activity/process. Based on the result of this evaluation, we will determine the extent of our substantive testing.

Substantive Testing - When appropriate, we will use audit software to perform substantive testing. This enables us to retrieve information directly from your data files, if needed, without affecting the integrity of the data.

Concluding & Reporting - We will provide management and the Audit Committee with the results of our audit, including best practices and internal control recommendations.

Significant Risks and other areas of focus	Planned Procedure
Patient accounts receivable, related contractual Contractual and uncollectable allowances and net patient service revenue	• Review account reconciliations including completeness and accuracy testing of the aged patient trial balances • Perform analytical procedures over key indicators such as days in accounts receivable, account write offs and aging of balances • Perform detailed account balance testing • Perform cut-off testing • Review management's methodology for estimating allowances • Perform medical record testing for existence (no confirmation procedures) and detail test of subsequent cash receipts • Perform a hindsight analysis of the prior year accounts receivable balance by reviewing cash collections on prior year balances • Perform cash to revenue proof to assist in the validation of the revenue balance
Estimated settlements due to third-party payers and net patient service revenue	• Review account reconciliations and roll-forwards and agree significant reconciling items to supporting schedules and documentation. • Perform detailed account balance testing • Review management's methodology for estimating amounts • Review the financial statement presentation and disclosures
Accounts Payable and Accrued liabilities, including malpractice reserves and contingencies	•Perform detail testing of management's calculations, including underlying inputs and data provided to specialists used in actuarial calculations for medical malpractice, workers compensation, pension and self-insurance health liabilities •Obtain and review outside actuarial reports used to determine pension and malpractice liabilities •Assess for reasonableness the assumptions used in developing estimates •Perform a search for unrecorded liabilities •Test the completeness and accuracy of accounts payable aged trial balance •Review payroll accruals for reasonableness
Accounting Estimates	The preparation of NYC Health + Hospital's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to contractual allowances, the allowance for doubtful accounts, third-party liabilities, malpractice liabilities and actuarial estimates for the pension

	plan. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.
Financial Statement Disclosures	Our procedures will also include an assessment as to the adequacy of NYC Health + Hospital's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by accounting standards and industry practice.

Mr. Dioguardi concluded his presentation by noting the other areas of the audit focus will be to perform substantive testing on key account balances as of June 30, 2020, as follows:

- Confirmation of cash and cash equivalents.
- Test significant fixed asset additions and disposals, as applicable.
- Test deferred revenue, as applicable.
- Obtain debt roll-forward and test payments throughout the year and compliance with debt covenants
- Review and testing the completeness of accounts payable and accrued liabilities.
- Perform an analytical review of revenues and expenses.
- Identify and test non-routine transactions to ensure appropriate accounting treatment.
- Independently confirm with internal and external legal counsel the potential exposure associated with outstanding claims, as applicable. Identify contingent liabilities or assets requiring accounting treatment or footnote disclosure.
- Perform fraud procedures
    - Journal entry testing
    - Review inter-company accounts
    - Vendor testing

Information Systems Review

Phase 1: Understand and document business processes material to the audit

Our engagement team will:

- Meet with the Organization management to document our understanding of critical business processes and controls, and the technology used to support them.
- Document process flows, controls, and supporting technology relevant to audit objectives.

Phase 2: Assess information technology risks

- Our engagement team will identify information technology related risks and tailor our information technology review procedures to address those risks.

Phase 3: Identify information technology controls that support audit objectives

- General controls review – Review controls applicable to the overall processing environment.
- Applications review – Review specific business systems for application level and related controls.

Phase 4: Test technology related controls

- We will test the identified controls and determine their design and operating effectiveness, within the context of our audit scope and objectives. As a result of our test procedures, we will prepare observations and recommendations to improve existing information technology systems and associated controls and processes.

Covid-19 Pandemic – Accounting Considerations

- Asset impairment - material assets subject to possible impairment or devaluation. Hospitals need to carefully identify the appropriate impairment model and consider whether the pandemic affects whether an impairment

should be recognized and, if so, the extent of the impairment. This could impact fixed assets, investments, and other assets.

- Insurance recoveries - Hospitals may be entitled to reimbursement for losses under various types of insurance policies as a result of the pandemic.
- Contingent losses – Hospitals are required to recognize a contingent loss if (a) it is probable that the liability has been incurred as of the balance-sheet date, and (b) the amount of the loss is reasonably estimable (as either a point estimate or a range of loss).
- Going concern evaluations – Hospitals will need to evaluate their ability to continue as a going concern within one year after the financial statements are either issued or made available to be issued. Hospitals that concludes that there is substantial doubt about its ability to continue as a going concern, or that its plans alleviate that doubt, must provide disclosures to that effect.
- Impact of various federal relief programs- Hospitals and health systems are eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. The appropriate accounting and financial reporting of the various relief programs is evolving.
- Reserves for uncollectible accounts- Because of the significant economic impact of the pandemic, Hospitals and Health Systems may need to reevaluate the basis for reserves on certain accounts including accounts with high level of patient coinsurance, self-pay and impact that increased unemployment has on the underinsured population.
- Disclosures of risks and uncertainties- Disclosure of risks and uncertainties related to operations/activities, accounting estimates, and vulnerabilities, among others specified in ASC 275 should be considered when preparing the financial statement footnotes.

Mr. Feuerstein outlined the six GASBs issued that will impact the organization over next two to three years.

Title	Effective fiscal year ending
GASB 84 - *Fiduciary Activities*	Fiscal Year ending June 30, 2021
GASB 87 - *Leases*	Fiscal Year ending June 30, 2022
GASB 90 – *Majority Equity Interest – on amendment of GASB Statements No. 14 and No. 61*	Fiscal Year ending June 30, 2021
GASB 91 – *Conduit Debt Obligations*	Fiscal Year ending June 30, 2023
GASB 92 – *Omnibus 2020*	Fiscal Year ending June 30, 2022

Ms. Radinsky added that he would like to give thanks to Jay and James and Nicole and Joseph and the rest of the team. In this type of environment, a lot of our clients and Audit Committee members ask us questions. How does this impact or how will this impact your financial statement audit? To be totally honest, our team and our organization, many accounting firms are really set up to operate in a remote manner.

We've been working with AJ Stevens for the past couple of years. Most of the information is electronic, and we've been moving towards that over the last several years. We have been seamless in terms of executing intern field work. So really kudos to the financial statements team for providing us the information and working with us early on in the process to plan accordingly.

We are in the interim field work and then we come back late July through, the beginning of October to do our final phase of field work, to do a lot of our focus of our detailed testing. And then coming back to the Committee in the October timeframe with any issues, findings, and present the draft of the financials to the Audit Committee.

Ms. Wang asked on the COVID, are these going to be considered subsequent events since we are within our fiscal year? Do you anticipate sort of a section that is going to call out our COVID impact or will that just be incorporated into our statement?

Mr. Feuerstein answered that to a certain extent, the COVID impact may actually be incorporated and reflected, recorded in the statement and then what we'll do is we'll take a retrospective look when we issue the financials in October, and make the determination subsequent to June 30th that COVID has any continuing negative impact or effect on the organization. My example was December 31st year end, so by March, it really truly was a subsequent event. But we're going to consider your thought process here and say, is there anything after June that has to be disclosed? Or has everything been recorded and disclosed as a normal or current year event as opposed to subsequent? So we'll make sure that we consider your question.

Mr. Weinman commented that almost definitely, we'll have a footnote related to the pandemic. How it affected revenues, how it affected possibly the accounts receivable etc. Some of the other items that Mr. Feuerstein mentioned probably won't pertain to us but we have to go through the checklist and make sure that we've counted for everything in our disclosures. There may still be because our financial statements end June 30th, if you want to go to October, there still may be some subsequent events that we'll have to look out. But we're going to have to see how it plays out and see if it's pertinent to the financial statements and the disclosures we have.

Ms. Wang thanked Mr. Weiman and asked that on the GASB pronouncements, I understand that nothing is going to be affecting us in this fiscal year, that either things that are going to require us looking at things differently starting now to prepare for. It doesn't seem like all of these that are listed and then the ones that you raised that have come up subsequently in this presentation will affect us, but some sound like they will.

Mr. Feuerstein answered that there is one key item, the GASB 87 on leases. What we're seeing our clients do is starting to accumulate a database, a repository if you will, of what leases are in effect, so that by the time in 2022 we've got to put those assets and liabilities on the balance sheet, we've got a good detailed listing supported by lease agreements that help us do the accounting. So that's probably one thing that should be in process now, and it probably is because we're anticipating this as a 2020, 2021.

Mr. Weinman reported that we've already done our preliminary assessments, we've thought of the contracts, it's an enormous amount of work. This GASB is probably the biggest change for financial statements that I can remember in my career. So it is a lot of work. We have facilities working with us all the way up to the COOs working with us and the supply chain. So it does require us to go through every contract and to report assets that were never really reported because they were an expense in the past. So it is a major change. We have done the assessment too. There are literally thousands of different contracts that we have to go through and we decided to do this.

Ms. Wang asked if we do we anticipate a big restatement? Is that going to be a big change in two years?

Mr. Feuerstein answered that generally there's two approaches. You can go through a retrospective restatement. Most of our clients are going through what we call a modified approach, where you start at the beginning of the current year, you adopt this current year. So most clients opt for that change of not recasting or restating the prior years.

Dr. Peña-Mora asked if there is any effect that COVID-19 pandemic will have in due process to be able to achieve the audits that you are deciding here. I know you had in your statement, you had from May to June and all that. Do you believe that schedule takes into consideration any factors from COVID-19 or do you think that they could be other impacts to your statements?

Ms. Radinsky answered that we're able to obtain the information electronically and we're able to execute our audit procedures. As of now I don't anticipate, if there are things we need to be in the building for, we'll readjust and we'll work together with Jay Weinman and the team to make sure that we're as efficient as possible. Right now, I think we're following the same timeline that we have in the past and that's what we anticipate.

Mr. Feuerstein commented that what we're saying is to the extent that the organization has arrangements with these third-party service providers, if it meets certain criteria, then we would actually have an asset, a right-to-use asset and a liability recorded on the financial statements. We are currently have these just treated as a routine operating expense. So we'll see if it's more or less like a leasing arrangement.

Dr. Peña-Mora asked in that case it may change from just a service to a leasing? That may impact the financial statements?

Mr. Feuerstein said exactly.

Dr. Peña-Mora asked in terms of some of the exposures faced in the pandemic that the different programs from the government is it going to be a loan or it's going to be a grant? Does that mean that when you report, they are not included in the normal reporting and just like an asterix or as notes? Or are they going to be included and if they are, how are they going to be included? Are they going to included first as a loan and then adjust it to a grant if it changes? I just want to understand how that will be.

Mr. Feuerstein said that we would analyze each and every one of the cash proceeds the organization receives as a result of the Cares Act business interruption insurance. Generally, you make the determination up front if this a grant. And then it would show up on your statement of operations as grant income. Or if it's a loan, then it would show up on your balance sheet. It is clearly recorded within the financial statements as of June 30th. It would not be an asterisk or a disclosure. It would be recorded as an item within your financial statements. Once it's recorded and the determination made that it's a grant, it stays a grant. If it's a loan, it stays a loan.

Dr. Peña-Mora asked that if it changes, can you adjust the reporting to move something from a loan to a grant?

Mr. Feuerstein responded that if fact and circumstances change, we would have to follow the accounting as well.

Ms. Hernandez-Pinero asked, are you able to give us some sense of how significant this tax is going to be of expense in construction feature?

Mr. Weinman answered that this is the construction that we use the city's money for. There's a bond, curtailing interest, the interest gets allocated to us. That's usually less than $20 million. So it's usually not a lot and we're not doing a lot of construction now, but that's going to change the way we report an expense. But it shouldn't have a significant impact on our financial statements.

Mr. Telano, Senior Assistant Vice President, Internal Audits reported about the external audits currently being conducted by outside agencies. One audit is of the Children of Bellevue Auxiliary run by the New York City Comptroller's Office. It started in April 2019 and it is just about complete over a year later. We have had an exit conference. We have received the final preliminary report. The Children of Bellevue management have submitted their response on June 3rd. We are awaiting the final report to be issued hopefully sometime this month of June.

Since the last audit committee meeting, all four members of the Office of Internal Audits were reassigned to assist in various facilities, in areas in which they were understaffed. I was assigned to Kings County to oversee the donated medical supplies. The other members of internal audits were assigned to Lincoln, Coney Island and Woodhull. Starting next week, we are all back full time to Internal Audits.

We have received a letter forwarded from the President's Office regarding the dental department at the New York City Health and Hospitals/Harlem. The accusations in the letter were about timekeeping and other employee issues. The review revealed that the accusations were without merit.

Ms. Wang thanked Mr. Telano and his team.

Ms. Arteaga-Landaverde thanked Mr. Telano and his team for all the support he has provided to the Bellevue Auxiliary audit.

Ms. Catherine Patsos, Chief Corporate Compliance Officer began with an update on the exclusion sanctions from January 16 to May 26. We had one excluded individual who was employed with Health + Hospitals and was immediately terminated. We are working with counselors to determine if there is overpayment for that individual.

There were also 12 volunteers that were on-boarded with Disaster Privileging for COVID-19 support that were found to be excluded. Of those, 10 of them had never reported for duty at any of our facilities. The other 2 did provide services and we are currently working with outside counsel on whether there's an overpayment.

There were no providers identified in the master file or the national plan in providing remunerations within the screening.

Regarding breaches, we had 45 incidents that were reported to us. Of those, 29 were found to be violations of our operating procedures, 5 were not violations, and 11 are still under investigation. Of the 29 incidents that were violations, 10 were determined to be breaches. Those breaches consisted of providing discharge papers to the wrong patient, our medical records retrieval vendor sending the wrong records to the wrong recipient. There was an unencrypted SD card that contained a minor patient's information that was lost, there was issues of staff members posting pictures of a patient and patient information on their Facebook pages, and there was a workforce member who was not involved in the patient care who accessed the medical records.

There was also an incident involving a nurse at Lincoln who recorded several interviews with staff and submitted those recordings to an online media news outlet. The recordings contained one mention of a patient who had passed away due to COVID-19 and also contained footage of two patients in the emergency department who were unfortunately not able to be identified.

We received 2 reports from the office for civil rights. In January we received a report from them regarding a HIPAA incident at King's County. And that report involved an allegation or a complaint from a patient claiming that Kings County failed to provide him with a copy of his medical records and accounting of his disclosures. We investigated this incident, and determined that the patient had been provided with his medical records on several occasions and we sent a notification to the OFCR in February explaining that was the result of our investigation. OFCR then requested that we send the patient a copy of their entire medical records and accounting of the disclosures of his protected health information. We did send the entire medical records and accounting. In addition, we sent an electronic copy of his medical records that the OFCR requested that we send him. According to the OFCR, this case will be closed upon confirmation of receipt of the patient's medical records.

In May, we received a letter from the OFCR regarding a complaint from a patient's son that his mother's medical records were combined with records of another patient. Although the letter stated that they were closing the case, we are still going to investigate the incident.

During the period January 16th to May 26th, there were 157 compliance reports, one of which was classified as a priority A, 24 were priority B, 132 were priority C. The priority A report concerns the provision of personal protective equipment to patients and in-patient psychiatric department of Metropolitan. The reason that those were not being distributed was due to a wire that's built into the mask that which they felt posed a safety risk. However, in consultation with legal affairs and the executive administration in Metropolitan, they determined that masks should be provided and they were provided to the patients.

In May of this year, we received a report that an out of state nurse had posted a video on YouTube in which she alleged gross negligence and mismanagement of patients at New York City Hospitals. This agency nurse did work at Lincoln, Metropolitan and Elmhurst. However, she did not name any specific hospitals in her video and there were no specific mention of any patient information.

With regards to an update on One City Health, last December, the independent assessor did a year four on-site audit to determine whether One City correctly received additional funds. The preliminary score card was received in March this year and in that they requested supporting documentation for the position of patient engagement activities and justifications for One City Health year four spend. The One City Health Group responded to the score card in early May, and they expect the final score card from the independent assessor to be received in June.

One City Health certified annually that the partners have met their compliance training obligations. To do this, a memorandum was distributed to all the partners that included a link to a compliance attestation of One City Health 25 partners. They are required to complete this attestation by May 29th. We received 86 attestations thus far, and we will be following up with remaining partners.

As far as an update on HSEHSO Inc. Each year, a portion of the HSEHCO's share savings is devoted to a fund called the team fund. This fund allows teams to invest in activities or purchase items that might not currently have dedicated funding source.

This year, the HSO contributed $287,500 to the team funds, to Health + Hospitals Emotional and Psychological COVID-19 response initiative. That initiative includes delivering meals to staff and providing toiletry items and other items that are for the facilities as well as for wellness and resting areas.

In April, they completed Performance Year 2019 Annual Quality Review and they expect to receive their quality measure scores in August. As previously reported, New York City Health and Hospitals engages an independent third-party vendor profiler to conduct its annual enterprise-wide risk analysis and security assessment. They completed this risk analysis and reports at the end of last year, as well as a risk management plan which identifies high and very high risk to Health + Hospitals. The risk has been assigned to appropriate individuals or groups, to implement current action plans. Those are being tracked with one of our internal tracking systems. Earlier this year, they began their Year 2 risk analysis engagement that would involve revalidating findings from 2019 and they will also conduct initial review of 20 clinics and 5 field nursing facilities.

Earlier this year, in February, we received an email from Aetna which attached a compliance program monitoring event engagement notice which requested information and documentation regarding our employees, our exclusion monitoring policies and oversight or downstream entities. They claimed that this was the follow up to the audit they didn't get in January of 2018. This is despite the fact that Aetna had closed their corrective action plan from that audit in June 2019. Nonetheless, we submitted a response in March and they emailed us saying they had no further questions but requested exclusion screening data for 6 workforce members which will be provided by tomorrow.

Ms. Arteaga-Landaverde asked Ms. Patsos do you want to mention a little bit about the screen module that you sent to all employees because they're allowed to be concerned about this pandemic. But just some guidance on when they do speak.

Ms. Patsos responded that in response to some staff members speaking with media and while they can be speaking with them and what they can and cannot say, we issued a privacy alert that informed staff members what they can and cannot say. We don't prohibit them from speaking to the media but they are not allowed to disclose any patient information, whether it be in terms of name, diagnosis, condition, photographs, recordings, anything of that nature that would be perceived to be able to identify a patient. We gave them guidance on when and what they can say and also that they are not allowed to post videos with patient information to social media.

Dr. Katz stated that I hope the board appreciates and agrees that we're the only major health center that doesn't have a gag order. We're the only ones who say, being careful of all the things that Catherine says. That you can't say anything about patients but I thought that it was really objectionable that many of the big systems in the midst of the time that healthcare workers were the most stressed out, were saying you can't disclose even your own feelings on social media. I feel very strongly that people should retain their first amendment rights. Obviously they can't give any information about patients, but I think it's a much healthier environment.

There being no other business, the meeting was adjourned at 11:46 A.M.

2020 Audit Results
New York City Health + Hospitals Corporation

Meeting with the Audit Committee of the Board of Directors; Those Charged with Governance

October 8, 2020

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Audit • Tax • Advisory

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October 8, 2020

The Audit Committee of the Board of Directors
New York City Health + Hospitals Corporation

We are pleased to meet with you to discuss our audit results and status for the audit of New York City Health + Hospitals Corporation ("NYC Health + Hospitals") for the year ended June 30, 2020.

This report to the Board summarizes our audits, the scope of our engagement, the reports issued, any matters that came to our attention during the audits, communications required by our professional standards and current accounting issues that could or will impact NYC Health + Hospitals.

The audit approach was developed to express an opinion on the financial statements of the business type activities and the discretely presented component unit of NYC Health + Hospitals, a component unit of The City of New York, as of and for the year ended June 30, 2020, in accordance with professional standards.

NYC Health + Hospitals and Grant Thornton share a commitment to quality. Our firm's global vision, CLEARR, (**C**ollaboration, **L**eadership, **E**xcellence, **A**gility, **R**espect and **R**esponsibility) serves as the foundation for each step we take toward executing our firm's strategy and achieving our vision. CLEARR is the way in which we provide the Grant Thornton Experience to our people and our clients. The most important element of the Grant Thornton Experience for our clients is our service. We recognize that our success depends entirely on how well we know and serve our clients. Nothing takes precedence over our commitment to meet each client's continuing need for effective, insightful, and responsive professional service. This commitment means that you will receive the attention and service you deserve.

We look forward to meeting with you to present this report, address your questions and discuss any other matters of interest of the Board. This report is intended solely for the information and use of the Board, and Management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Grant Thornton LLP

Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of Excellence
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions Our

values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and ensure that our people make correct and appropriate choices.

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and ensure that our people make correct and appropriate choices.

Responsibilities

An audit process has various stakeholders including: Grant Thornton, Management and Those Charged with Governance

Our Responsibilities

We are responsible for:

- Performing an audit under US GAAS and *Government Auditing Standards* of the financial statements prepared by Management, with your oversight
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with US GAAP
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Communicating specific matters to you on a timely basis.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or Management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in conformity with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the system's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including their views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
    - Objectives, strategies, and related business risks that may result in material misstatement
    - Matters warranting particular audit attention
    - Significant communications with regulators
    - Matters related to the effectiveness of internal control and your related oversight responsibilities
    - Your views regarding our current communications and your actions regarding previous communications

Deliverables

The audit process is a mutual undertaking and executed in cooperation with management. It is a combined effort that gives full recognition to the existing internal controls as well as the assessment of inherent and control risks. There were no significant changes to the scope of planned deliverables.

Our 2020 audit scope is as follows:
Perform the following audits of financial statements as prepared by management, with your oversight, conducted under US Generally Accepted Auditing Standards (GAAS) and, where applicable, under *Government Auditing Standards*: • New York City Health + Hospitals Corporation ("NYC Health + Hospitals") for the fiscal year ended June 30, 2020 • HHC Accountable Care Organization Inc. annual financial statements for the fiscal year ended June 30, 2020 • Metro Plus Health Plan's annual financial statements under GAAP for the fiscal year ended June 30, 2020 • Metro Plus Health Plan's annual statutory financial statements for the fiscal year ending December 31, 2020 • HHC Insurance Company's annual statutory financial statements for the fiscal year ending December 31, 2020
Perform the following audits, as applicable, of cost reports for the year ended June 30, 2020 and issuance of certifications and attestation reports: • Annual Report of Ambulatory Health Care Facility (AHCF-1) • Annual Report of residential Health Care Facility (RHCF-4)
Internal control communications: • Issue management letter describing significant deficiencies and material weaknesses identified during the audit
Required communications to Those Charged with Governance

Summary of Audit Process

	A five-step process
Planning	Reviewing our understanding of your operations, internal controls, accounting procedures and information systems.
Risk assessment	Using our understanding of your internal controls and operations to identify the inherent risks and strengths of your business and information systems. After assessing risks, our approach will be customized to focus on your key cycles.
Testing and evaluation of controls	Evaluate the operations and controls of each significant internal control system. Based on the results of this evaluation, the extent of substantive testing will be determined.
Substantive testing	Perform year-end procedures, when appropriate audit software will be used to perform substantive testing. This software will enable us to retrieve information from your data files without affecting the integrity of the data.
Concluding and reporting	Concluding your audit promptly. The drafts of the financial statements and management advisory comments were reviewed with those charged with governance and management prior to final issuance.

COVID– 19 Pandemic

Accounting Considerations

- Asset impairment - material assets subject to possible impairment or devaluation. Hospitals need to carefully identify the appropriate impairment model and consider whether the pandemic affects whether an impairment should be recognized and, if so, the extent of the impairment. This could impact fixed assets, investments, and other assets.

- Insurance recoveries - Hospitals may be entitled to reimbursement for losses under various types of insurance policies as a result of the pandemic.

- Contingent losses – Hospitals are required to recognize a contingent loss if (a) it is probable that the liability has been incurred as of the balance-sheet date, and (b) the amount of the loss is reasonably estimable (as either a point estimate or a range of loss).

- Going concern evaluations – Hospitals will need to evaluate their ability to continue as a going concern within one year after the financial statements are either issued or made available to be issued. Hospitals that concludes that there is substantial doubt about its ability to continue as a going concern, or that its plans alleviate that doubt, must provide disclosures to that effect.

- Impact of various federal relief programs- Hospitals and health systems are eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. The appropriate accounting and financial reporting of the various relief programs is evolving.

- Reserves for uncollectible accounts- Because of the significant economic impact of the pandemic, Hospitals and Health Systems may need to reevaluate the basis for reserves on certain accounts including accounts with high level of patient coinsurance, self-pay and impact that increased unemployment has on the underinsured population.

- Disclosures of risks and uncertainties- Disclosure of risks and uncertainties related to operations/activities, accounting estimates, and vulnerabilities, among others specified in the accounting standards should be considered when preparing the financial statement footnotes.

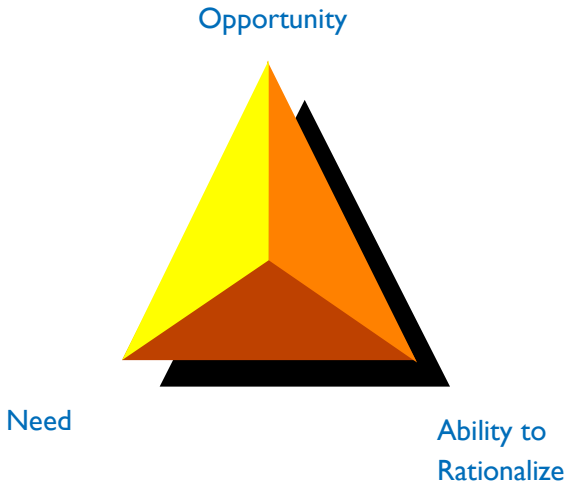
Fraud Considerations and the Risk of Management Override

We are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud (SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*).

Our audit procedures consider the requirements of SAS No. 99: brainstorming; gathering information to facilitate the identification of and response to fraud risks; and performing mandatory procedures to address the risk of management override (including examining journal entries, reviewing accounting estimates, and evaluating business rationale of significant unusual transactions).

We consider, among other things:

- Code of conduct policy/ethics
- Effective and independent oversight by Those Charged with Governance
- Process for dealing with whistle-blower allegations
- Internal audit/corporate compliance activities
- Entity's risk assessment processes



Role and oversight responsibilities of Those Charged with Governance:

- Management's assessment of the risks of fraud
- Programs and controls to mitigate the risk of fraud
- Process for monitoring multiple locations for fraud
- Management communication to employees on its views on business practices and ethical behavior

Internal Control Matters

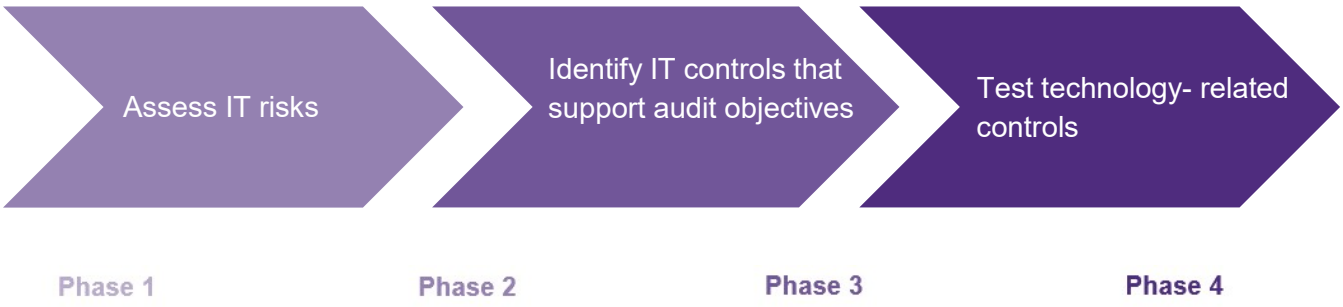
Our Responsibilities

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate, in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NYC Health + Hospitals' internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency were communicated to management

Definitions

- A deficiency in internal control ("***control deficiency***") exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent or detect, misstatements on a timely basis.
- A ***material weakness*** is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.
- A ***significant deficiency*** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Technology support as part of the audit process



- An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.
- Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

Areas of Emphasis

Grant Thornton has concluded that the balances and disclosures related to the areas of emphasis are reasonable and there were no issues identified requiring direct communication to those charged with governance.

Accounts receivable from patients, net patient service revenue, and related contractual allowances and bad debt reserves Risk – significant asset, management establishes reserves for allowances based on specific identification and historical data and reviews the reserve as part of their monthly closing process.	• Reviewed account reconciliations. • Performed analytical procedures over key indicators such as days in accounts receivable, account write-offs and aging of balances. • Performed detailed account balance testing. • Performed cut-off testing. • Reviewed management's methodology for estimating allowances. • Performed medical records testing (in lieu of confirmations) for existence. • Performed cash to revenue proof. • To ensure reasonableness of accounts receivable allowances, we reviewed and tested subsequent cash receipts on June 30, 2019 net accounts receivable collected in FY2020, as well as June 30, 2020 collected through the first two months of FY2021. • Performed procedures over EPIC implementation at sites that went live on EPIC during FY2020.
Estimated settlements with third-party payors Risk - Estimated settlements with third-party payors are not complete and accurate.	• Reviewed account reconciliations and roll-forward and agreed significant reconciling items to supporting schedules and documentation. • Performed detailed account balance testing. • Reviewed management's methodology for estimating amounts. • Reviewed the financial statement presentation and disclosures.
Cash and cash equivalents, investments, assets restricted as to use and investment income Risk – Cash and investment balances do not exist or are not complete and accurately stated.	• Confirmed all material account balances directly with outside financial institutions. • Reviewed account reconciliations and supporting documentation. • Reviewed management's disclosure over fair value in accordance with GASB 72, *Fair Value Measurement and Application.*
Capital assets Risk –Completeness, existence and accuracy of current year additions, CIP, capitalized interest and accumulated depreciation.	• Obtained a roll-forward of the property and equipment balances. • Tested current year additions, including the calculation of capitalized interest. Additions testing addressed the large additions inclusive of CIP and compliance with procurement policies. • Performed analytical procedures over depreciation expense. • Reviewed leases. • Reviewed the financial statement presentation and disclosures.

Areas of Emphasis - Continued

Long-term debt, compliance with debt covenants, and debt transaction Risk – completeness and current vs. long-term classification.	• Confirmed all material, long-term debt balances. • Performed accrued interest and interest expense reasonableness testing. • Reviewed debt compliance calculations prepared by Management. • Reviewed the financial statement presentation and disclosures.
Accrued liabilities, including payables due to vendors, affiliation payables and accruals, and employee compensation accruals Risk – exposure and risks associated with reporting accruals and related expenses in the appropriate period.	• Performed detailed testing of Management's calculations, including underlying inputs and data. • Assessed for reasonableness the assumptions used in developing estimates. • Performed search for unrecorded liabilities.
Other postemployment benefit ("OPEB") liabilities Risk – the net OPEB liability is not valued accurately and the required disclosures are not complete as required by GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*	• Performed detailed testing of underlying data provided to the Actuary for OPEB liability. • Documented our reliance on the Actuary in accordance with SAS 73. • Reviewed Management's documentation for assumptions selected (i.e. discount rate and health care cost trend rates). • Reviewed the footnote disclosures to ensure that they are complete and accurate as required by GASB 75. • Actuarial assumptions used in the actuarial reports were reviewed by GT subject matter professional for reasonableness.
Net Pension Liability Risk – the net pension liability is not recorded accurately and required disclosures are not complete as required by GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.	• Obtained the actuarial valuation report. • Performed procedures to ensure that the amounts in the actuarial valuation report of pension amounts agree to amounts reported in the NYC Health + Hospitals' financial statements. • Performed detailed testing of underlying data provided to the Actuary for pension liability • Reviewed Management's documentation for assumptions selected (i.e. discount rate and health care cost trend rates). • Reviewed the footnote disclosures to ensure that they are complete and accurate as required by GASB 68. • Actuarial assumptions used in the actuarial reports were reviewed by subject matter professional for reasonableness.

Areas of Emphasis - Continued

Subsequent Events Risk – that significant events occurring subsequent to June 30, 2020 that impact NYC Health + Hospitals are not disclosed.	• Held discussions with Management and reviewed subsequent to year end documents to determine if Management had disclosed all significant subsequent events. • Reviewed available financial information subsequent to June 30, 2020 to identify any significant subsequent events. • Included representation from Management regarding the completeness of the subsequent event information provided in the annual representation letter.
Financial reporting and Financial Statement Presentation Risk – combined amounts and disclosures are not in accordance with GAAP.	• Reviewed GAAP/Governmental Accounting Standards Board ("GASB") disclosure checklists and tested footnote data. • Reviewed consolidating and eliminating entries and ensured they were accurate and properly determined by Management. • Reviewed the applicability of new accounting pronouncements and their potential impact to NYC Health + Hospitals.
Fraud procedures Risk – revenue recognition, journal entries and other top-sided adjustments, accounting estimates, significant unusual transactions, and related party transactions are improperly recorded.	• Performed key analysis on the overall financial statements. • Examined journal entries and other adjustments for evidence of possible material misstatement due to fraud. • Reviewed estimates made by Management for reasonableness and consistency. • Made fraud inquires with the audit committee chair, key members of the executive management team, and key members of the finance management team. • Reviewed intercompany and related party balances. • Tested a sample of over-the-counter cash receipts during site visits for accuracy and compliance with cash collections policies. • Performed existence testing for a sample of material fixed asset additions through physical observation during site visits.

Areas of Emphasis - MetroPlus

Claims Payable Reserves (IBNR) Significant Risk – High estimation uncertainty	• Considered the experience, objectivity and capability/competence of the external actuarial specialist, Buck. • Evaluated trends in claims using analytics based on member trends, etc. • Tested completeness and accuracy of claims data that was provided to the client's external actuary, Buck. • Selected a sample of medical claims covering the current fiscal year and performed substantive test of details over the selection. • Tested, with the assistance of GT internal actuary, the methodologies and assumptions used by Buck in the calculation of IBNR for reasonableness. • Performed a look back analysis to compare the prior year IBNR estimate to current year results. • Performed journal entry testing covering transactions included transactions related to IBNR.
Premium Revenue Recognition Risk – Presumed risk of fraud with respect to revenue	• Agreed revenue recognized to information obtained from the State for all months and tested one month per quarter for the Medicaid/Medicare and Marketplace revenues received by MetroPlus to supporting documentation. • Evaluated trends in revenues using analytics based on contract activity, member trends, etc. • Performed journal entry testing covering transactions included in the revenue cycle.

Open Audit Areas as of October 5, 2020

The following audit testing is in progress as of the date of this meeting:

- CARES Act--grant expenditure testing.
- Other revenue--340B testing.
- Accounts Payable--cutoff testing.
- Capital Assets--construction in progress testing.
- Concluding audit procedures.
- Financial Statements—final review

Required Communications

Matters to be communicated	Auditor's comments
Auditor's responsibility under Generally Accepted Auditing Standards (GAAS) The auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The auditor is responsible for conducting an audit in accordance with GAAS. Those standards require that the auditor obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement. Accordingly, a material misstatement may remain undetected. An audit includes obtaining an understanding of internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify material weaknesses.	These items have been communicated to you in our engagement letter. We are prepared to issue an unmodified opinion on the financial statements of NYC Health + Hospitals.
Significant accounting policies, alternative treatments within generally accepted accounting principles (GAAP), and the auditor's judgment about the quality of accounting policies including modifications to the auditor's report We are responsible for providing our views about qualitative aspects of the significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. GAAP requires management to make accounting estimates and judgments about accounting policies and financial statement disclosures. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments. We will inform you about the appropriateness of the accounting policies to the particular circumstance of the entity. When acceptable alternative accounting policies exist, we will identify the financial statement items that are affected by the choice of significant policies as well as information on accounting policies used by similar entities. We will inform you of changes in significant accounting policies and application of new accounting pronouncements. Additionally, we will communicate any accounting policies in controversial or emerging areas or those unique to an industry, particularly when there is a lack of authoritative guidance or consensus.	We are not aware of any significant alternative accounting treatments, policies, and unusual transactions, controversial or emerging areas for which there is a lack of authoritative guidance that NYC Health + Hospitals has recorded or used. We have discussed with you our views of estimates and areas of emphasis in an earlier section of this report. During FY 2020 NYC Health + Hospitals did not adopt any new accounting pronouncements:

Required Communications - Continued

Matters to be communicated	Auditor's comments
Materiality Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark selected by the audit team.	We believe that total revenues for NYC Health + Hospitals and surplus for the MetroPlus component unit are the relevant benchmark for the company. Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).
Use of the Work of Others We are required to discuss the procedures performed by other professionals as part of our audit procedures.	Grant Thornton Valuation Services Group ("VSG") • Utilized to review the assumptions used in the valuation of NYC Health + Hospitals' Health and Postretirement Benefit Plans.
Potential effect on the financial statements of any significant risk and exposures	The financial statements disclose significant risks and uncertainties, including, but not limited to significant estimates, regulatory compliance, and commitment and contingencies.
Fraud and illegal acts	No irregularities, frauds or illegal acts involving senior management or that would cause a material misstatement to the financial statements, came to our attention as a result of our audit procedures.
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern	We are not aware of any material uncertainties that cast doubt on NYC Health + Hospitals' ability to continue as a going concern.

Required Communications - Continued

Matters to be communicated	Auditor's comments
Significant deficiencies and material weaknesses in internal control over financial reporting	Grant Thornton noted one significant deficiency relating to grant revenue recognition whereby the accrual basis of accounting was not consistently applied by the Grants Department. Grant Thornton notes that this is a repeat finding which was originally noted in the FY 2019 audit results. We recommend that communications be enhanced between the Grants Department and the Central Office to ensure timely, proper and complete accounting for grant revenue.
Audit differences or omitted financial statement disclosures including other findings or issues	No audit differences were identified during our audit that would have a significant effect on total net position, or changes in net position, and there were no omitted financial statement disclosures identified during the course of our audit.
Management's consultation with other accountants We will inform you when management has consulted with other accountants about significant accounting or auditing matters.	None of which we are aware.
Significant issues discussed with management and difficulties encountered during the audit	No such issues were discussed with management or instances of difficulties were encountered.
Other material written communications	Items include: • Engagement letter • Representation letter

GASB Technical Update

Selected pronouncements effective for the year ending June 30, 2020 or subsequent periods – GASB

Title	Effective fiscal year ending
GASB 87- *Leases*	June 30, 2022
GASB 89- *Accounting for Interest Cost Incurred before the end of a Construction Period*	June 30, 2022
GASB 91- *Conduit Debt Obligations*	June 30, 2023
GASB 92- *Omnibus 2020*	June 30, 2022

GASB Technical Update - Continued

GASB 87- Leases	Potential impact
• The GASB recently issued guidance which resembles the recently issued FASB guidance on leases. • To determine whether a lease exists, a government should assess whether it has both: - The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and - The right to determine the nature and manner of use of the underlying asset as specified in the contract • For Lessees: - In general, all leases will be reported on the statement of net position (the distinction between operating and capital leases is no longer relevant) as a "right of use" asset and a corresponding lease liability within long term debt - On the statement of changes, rent expense will be replaced by amortization expense of the right-of-use asset as well as interest expense on the lease liability (thus accelerating expenses in the beginning years of the lease term) - There is an exemption for short term leases (those with a term of 12 months or less, including extension options) as well as leases that transfer ownership at the end of the term - Disclosures regarding matters such as total leased assets by major class of underlying assets and related accumulated amortization (in total), principal and interest payments for each of the five subsequent fiscal years and in five-year increments thereafter and commitments under leases before a lease commencement period, among other items • Effective for periods beginning after December 15, 2020, with early adoption permitted. Existing leases will be adjusted based on the remaining lease payments as of the beginning of the period of adoption or beginning of any earlier periods restated (for example, for June 30 year ends, adoption is June 30, 2022 so the beginning period is July 1, 2021).	For those organizations which use operating leases to finance certain capital activities, this standard could have a significant impact on the financial statements of the organization upon adoption. Management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing leases that will be subject to the new accounting and disclosures.

GASB Technical Update - Continue

GASB 89- Accounting for Interest Cost Incurred before the end of a Construction Period	Potential impact
• This Statement improves financial reporting by providing users with more relevant information about capital assets and the cost of borrowing and enhancing comparability of information for both governmental activities and business-type activities. • Financial statements prepared using the economic resources measurement focus: - Interest cost should be recognized as an expense in the period incurred. • Financial statements prepared using the current financial resources measurement focus: - Interest cost should be recognized as an expenditure consistent with governmental fund accounting principles. • Effective for periods beginning after December 15, 2020, with early adoption encouraged. Changes to adopt this standard should be applied prospectively at adoption.	Organizations may have varying amounts of interest incurred during periods of significant construction. With the implementation of this new guidance, complex calculations of interest to be capitalized will no longer be required, thus simplifying accounting requirements. The new accounting accelerates the expense impact for the construction period, which should be considered when preparing budgets for future periods.

GASB 91- Conduit Debt Obligations	Potential impact
• Provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures • Achieves objectives by: - Clarifying the existing definition of a conduit debt obligation - Establishing that a conduit debt obligation is not a liability of the issuer - Establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations - Improving required note disclosures • Effective for periods beginning after December 15, 2020, with early adoption encouraged.	For Organizations with conduit debt obligations reporting and disclosures of the debt obligations and related commitments could be impacted to apply uniform definition and reporting of those obligations and commitments.

GASB Technical Update - Continued

GASB 92- Omnibus 2020

- Addresses practice issues that have been identified during implementation and application of certain GASB Statements
  - Effective date of GASB 87 and Implementation Guide 2019-3 clarified as fiscal years beginning after December 15, 2019, and all reporting periods thereafter
  - Presentation of transfers of capital or financial assets under GASB 48 updated to be consistent with the provisions of GASB 67 and 74, as applicable
  - Modifies the requirements of Statements 73 and 74 to remove the liability recognition provisions
  - Provides exception to the use of acquisition value for AROs in a government acquisition
  - Clarifies that recoveries from reinsurers may, but are not required to be, reported as a reduction of expenses
  - The terms *derivative* and *derivatives* in National Council on Government Accounting and GASB pronouncements are replaced with *derivative instrument* and *derivative instruments*, respectively
- Effective upon issuance for requirements related to the effective date of GASB 87, reinsurance recoveries, and terminology used to refer to derivative instruments.
- Effective for periods beginning after June 15, 2021 for all other topics, with early adoption encouraged and permitted by topic.

Board of Trustee and Management Resources

Bringing meaningful information to our clients

As a health care provider, you must always stay up to date on the latest developments, current challenges and practical solutions, as well as emerging industry knowledge and research. You also need to convey vital information to those you serve in a helpful yet authoritative manner, supplying both industry information and expert opinion on the most effective approach to a wide range of issues. At Grant Thornton, our clients expect the very same from us. That is why we provide timely alerts, surveys and newsletters to keep you informed on issues that may affect your organization.

Your challenges are our focus. Through events (in person and via webcast), publications and sponsorships, our goal is to guide and assist you with meaningful thought leadership.

Electronic Tools

To meet your audit needs, Grant Thornton's electronic audit tool, Voyager, utilizes the same software system across all offices and delivers a consistent standard of audit service for your organization. This means you and your team will not need to reconcile documentation from a patchwork of different tools, and **you will not get repeated requests for the same information.**

Events and sponsorships

- We offer customized, continued professional education sessions delivered by firm professionals to your boardroom, management teams and audit committees.
- We hold regular education seminars in collaboration with national, regional and local chapters of the Healthcare Financial Management Association ("HFMA").
- We are national sponsors, participants and speakers with the HFMA, Association of Healthcare Internal Auditors ("AHIA"), the Health Care Compliance Association ("HCCA") and AICPA, among many other industry organizations.

Surveys, newsletters, alerts and tools

- *Governance in Nonprofit Community Health Systems: An initial report on CEO perspectives* is a survey of nonprofit community health systems' chief executive officers to examine the structures, practices and cultures of community health systems' governing boards and compare them to selected benchmarks of good governance.

- *Governance in High-Performing Community Health Systems: A report on Trustee and CEO views* compares community health systems performance on selected measures. Site visits and interviews with leaders of high-performing systems result in findings and recommendations that will assist board leaders and chief executive officers in assessing and enhancing board effectiveness. Both surveys were produced in collaboration with the **American Hospital Association** and the **University of Iowa**.

- *National Board Governance Survey for Not-for-Profit Health Care Organizations* is an exclusive annual survey that provides board governance trends in view of increased scrutiny of tax-exempt health care organizations. A complimentary webcast is held each year to present the findings.

Board of Trustee and Management Resources

- *Health CareRx* is a quarterly business intelligence newsletter for health care financial executives that covers best practices, regulatory and tax updates and industry information affecting health care organizations.
- *ForwardThinking* is a timely newsletter that highlights best practices for governance of tax-exempt organizations and provides board and committee members with timely information on current governance issues.
- *Health Care Alerts* are timely electronic alerts on tax, regulatory and legislative actions that may have an effect on various segments of the health care industry.
- *Serving on the Board of a Not-for-Profit Organization* is a booklet offering guidance and best practices for board members of not-for-profit organizations.
- *Serving on the Audit Committee of a Not-for-Profit Organization* is a booklet offering guidance and best practices for audit committee members of not-for-profit organizations.
- *Tax Hot Topics* is a biweekly newsletter written by the tax professionals in our National Tax Office. To make the right choices for your business, you need the latest information on a wide range of tax issues, e.g., IRS rulings, litigation, and state, local and international tax developments.
- *NFP Tax Alerts* are issued by Grant Thornton's Board Governance Institute. Not-for-Profit Tax Alerts provide you with timely notification of tax issues affecting not-for-profit organizations.
- *Cybersecurity Risk Management Oversight: A Tool for Board Members* provides questions board members can use to discuss cybersecurity risks and disclosures with management and CPA firms. The resulting dialogue can help board members better understand how the company is managing its cybersecurity risks, as well as help clarify the external auditor's responsibility for cybersecurity risk considerations within the context of the financial statement audit and, if applicable, the audit of internal control over financial reporting (ICFR).

To view electronic versions of the above thought leadership, visit www.grantthornton.com/healthcare, or to sign up to receive any of the publications above please email your contact information, along with the name of the publication(s) you would like to receive to healthcare@gt.com.

Financial Statements and Supplemental Schedules and
Report of Independent Certified Public Accountants

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

June 30, 2020 and 2019

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
New York City Health and Hospitals Corporation

Report on the financial statements

We have audited the accompanying financial statements of New York City Health and Hospitals Corporation ("NYC Health + Hospitals"), a discretely presented component unit of the City of New York, and the discretely presented component unit as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprises the NYC Health + Hospitals' basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements as of and for the years ended June 30, 2019 and 2018 of MetroPlus Health Plan, Inc., a discretely presented component unit, and HHC Insurance Company, Inc., a blended component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NYC Health + Hospitals and its discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedule of NYC Health + Hospitals' contributions, the schedule of NYC Health + Hospitals' proportionate share of the net pension liability and the schedule of NYC Health + Hospitals' Changes in Total OPEB Liability and Related Ratios on pages 70, 71 and 72, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019 on our consideration of NYC Health + Hospitals' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYC Health + Hospitals' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYC Health + Hospitals' internal control over financial reporting and compliance.

New York, New York
October 16, 2019

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Management's Discussion and Analysis (Unaudited)
Statements of Net Position
As of June 30, 2020, 2019, and 2018
(In thousands)

	2020 Business-type Activities - HHC	2019 Business-type Activities - HHC	2018 Business-type Activities - HHC
ASSETS			
Current assets	$ 2,826,849	$ 2,421,163	$ 2,421,534
Capital assets, net	3,903,927	3,709,259	3,490,264
Other assets	156,815	149,146	134,442
Total assets	6,887,591	6,279,568	6,046,240
Deferred outflows			
Deferred outflows from pension	223,784	35,828	82,864
Deferred outflows from postemployment benefits, other than pension	783,244	868,440	180,428
Unamortized refunding cost	5,369	6,851	8,567
Asset retirement obligation	5,000	-	-
LIABILITIES			
Current liabilities	2,893,442	2,335,491	2,380,215
Long-term debt, net of current installments	634,218	726,552	792,702
Other noncurrent liabilities	381,872	485,084	582,833
Pension, net of current portion	2,273,422	2,027,556	2,090,713
Postemployment benefits, other than pension, net of current portion	5,077,724	5,355,472	5,026,936
Total liabilities	11,260,678	10,930,155	10,873,399
Deferred inflows			
Deferred inflows from pension	342,681	503,452	393,547
Deferred inflows from postemployment benefits, other than pension	1,239,560	1,118,514	589,340
Net position			
Net investment in capital assets	2,834,053	2,731,552	2,545,082
Restricted	152,770	150,554	146,104
Unrestricted	(7,924,753)	(8,243,540)	(8,229,373)
Total net deficit position	$ (4,937,930)	$ (5,361,434)	$ (5,538,187)

See accompanying Management's Discussion and Analysis.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Management's Discussion and Analysis (Unaudited)
Summary of Statements of Revenue, Expenses, and Changes in Net Position
For the years ended June 30, 2020, 2019, and 2018
(In thousands)

	2020 Business-type Activities - HHC	2019 Business-type Activities - HHC	2018 Business-type Activities - HHC
OPERATING REVENUES			
Net patient service revenue	$ 6,676,714	$ 6,039,217	$ 6,216,713
Appropriations from City of New York, net	673,269	1,064,186	787,331
Grants revenue	1,499,213	649,597	651,966
Other revenue	204,242	143,762	104,981
Total operating revenue	9,053,438	7,896,762	7,760,991
OPERATING EXPENSES			
Personal services, fringes benefits, and employer payroll taxes	3,868,998	3,754,009	3,911,188
Other than personal services	2,915,080	1,853,317	1,789,369
Pension	367,234	513,750	394,420
Postemployment benefits, other than pension	236,268	375,706	337,745
Affiliation contracted services	1,232,026	1,160,986	1,076,202
Depreciation	385,375	328,993	309,574
Total operating expenses	9,004,981	7,986,761	7,818,498
Operating loss	48,457	(89,999)	(57,507)
Nonoperating expenses, net	(85,413)	(108,584)	(113,347)
Loss before other changes in net deficit	(36,956)	(198,583)	(170,854)
Other changes in net deficit:			
Capital contributions	460,460	375,336	210,023
Increase (decrease) in net deficit	423,504	176,753	39,169
Net deficit position at beginning of year	(5,361,434)	(5,538,187)	(5,577,356)
Net deficit position at end of year	$ (4,937,930)	$ (5,361,434)	$ (5,538,187)

This section of the New York City Health and Hospitals Corporation's ("NYC Health + Hospitals") annual financial report presents Management's Discussion and Analysis ("MD&A") of the financial performance during the years ended June 30, 2020 and 2019. The purpose is to provide an objective analysis of the financial activities of NYC Health + Hospitals based on currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements, which follow this section.

The financial statements of MetroPlus Health Plan, Inc. ("MetroPlus"), a component unit of NYC Health + Hospitals, are presented discretely from NYC Health + Hospitals. MetroPlus issues its own financial statements within which a reader can obtain additional information not provided by the discrete presentation within this document.Consequently, the MD&A that follows focuses primarily on NYC Health + Hospitals.

Overview of the Financial Statements

This annual report consists of two parts - Management's Discussion and Analysis and the basic financial statements.

The basic financial statements include *Statements of Net Position*, *Statements of Revenues, Expenses, and Changes in Net Position*, *Statements of Cash Flows*, and notes to financial statements. These statements present, on a comparative basis, the financial position of NYC Health + Hospitals at June 30, 2020 and 2019, and the changes in net position and its financial activities for each of the years then ended. The *Statements of Net Position* include all of NYC Health + Hospitals' assets, liabilities, and deferred inflows and outflows of resources in accordance with U.S. generally accepted accounting principles. The *Statements of Revenue, Expenses, and Changes in Net Position* present each year's activities on the accrual basis of accounting, that is, when services are provided or obligations are incurred, not when cash is received or bills are paid. The financial statements also report the net position of NYC Health + Hospitals and how it has changed. Net position, or the difference between assets and liabilities and deferred inflows and deferred outflows of resources, is a way to measure the financial health of NYC Health + Hospitals. The *Statements of Cash Flows* provide relevant information about each year's cash receipts and cash payments and classifies them as to operating, non-capital financing, capital and related financing, and investing activities. The notes to the financial statements explain information in the statements and provide more detailed data.

Overall Financial Position and Operations

NYC Health + Hospitals' total net deficit position improved by $423.5 million from June 30, 2019 to June 30, 2020, and improved by $176.8 million from June 30, 2018 to June 30, 2019, as adjusted. Net investment in capital assets increased by $102.5 million and increased by $186.5 million in fiscal years 2020 and 2019, respectively, due to increases in spending on the Epic implementation and on-going work on FEMA-related projects. NYC Health + Hospitals' unrestricted net deficit position decreased by $318.8 million between June 30, 2020 and June 30, 2019 due to XXX. It ended fiscal year 2020 with an operating income of $61.8 million compared with an operating loss of $90.0 million for the year ended June 30, 2019. The net deficit position benefited from $291.6 million and $291.7 million in capital contributions from the City of New York (the "City") in fiscal years 2020 and 2019, respectively.

Significant financial ratios are as follows:

	2020	2019	2018
Current ratio	0.98	1.04	1.02
Quick ratio	0.57	0.67	0.60
Days of cash on hand	28.22	37.15	36.33
Net number of days of revenue in patient receivables	78.69	72.78	65.16

The current ratio, quick ratio, and days of cash on hand are common liquidity indicators. The net days of revenue in patient receivables is an indicator of how quickly NYC Health + Hospitals collects its patient receivables.

Variances in Financial Statements

In this section, NYC Health + Hospitals explains the reasons for certain financial statement items with variances relating to fiscal year 2020 amounts when compared to fiscal year 2019 amounts and, where appropriate, fiscal year 2019 amounts when compared to fiscal year 2018 amounts

Statements of Net Position

Cash and cash equivalents - Decreased by $113.2 million from June 30, 2019 to June 30, 2020 due to decreased funds received from the City of New York and various advance payments to COVID-19 vendors. It increased by $32.2 million from June 30, 2018 to June 30, 2019 due to increased funds from the City of New York.

Patient accounts receivable, net - Increased by $197.0 million from fiscal year 2019 to 2020 mainly due to and increases in patient Case Mix Index ("CMI") and increases in risk incentive pools receivables in fiscal year 2020. Patient accounts receivable, net increased by $87.8 million from fiscal year 2018 to 2019 mainly due to an increase in risk incentive pools receivables in 2019.

Estimated third-party payor settlements, receivable - Decreased $75.8 million and $84.4 million in fiscal years 2020 and 2019, respectively, due to a decrease in UPL receivables when compared to the same period during the prior fiscal year.

Estimated pools receivable - Increased by $293.4 million from June 30, 2019 to June 30, 2020 due to an increase in Disproportionate Share Hospital ("DSH") receivables as a result of a change in estimate for Disproportionate Share Hospital Maximum ("DSH Max") payments. Estimated pools receivable increased from June 30, 2018 to June 30, 2019 by $85.5 million due to a change in estimate of DSH Max.

Grants receivable - Decreased $100.0 million from June 30, 2019 to June 20, 2020 due to a delay in the New York State Department of Health Acheivement Value Scorecard associated with DSRIP. It decreased $143.8 million primarily resulting from a newly issued New York State Department of Health Acheivement Value Scorecard associated with DSRIP which decreased funding expected from June 30, 2018 to June 30, 2019.

Assets restricted as to use (current and long term) – Remained consistent from June 30, 2019 to June 30, 2020. Increased by $14.7 million from June 30, 2018 to June 30, 2019 primarily due to new equipment financing contracts entered into during the fiscal year.

Other current assets – Increased by $178.2 million during fiscal 2020 when compared to fiscal 2019 due to increases in inventory as well as prepaid expenses made to vendors related to the COVID-19 reponse. Other current assets remained consistent from June 30, 2018 to June 30, 2019.

Capital Assets, net - Increased by $194.7 million from June 30, 2019 to June 30, 2020 and by $219.0 million from June 30, 2018 to June 30, 2019 due primarily to increases in Construction in Progress ("CIP") for the Electronic Medical Records ("EMR") and Federal Emergency Management Agency ("FEMA") projects.

Other Assets - Reported for the first time in fiscal year 2020, it reflects $18.5 million in XXX.

Deferred outflows of resources - Increased $188.0 million from June 30, 2019 to June 30, 2020 mainly due to the increase of defered outflows from pensions. Deferred outflows of resources are largely determined by the New York City Office of the Actuary.

Deferred inflows of resources - Decreased $39.7 million from June 30, 2019 to June 30, 2020 mainly due to a decrease of deferred inflows from pensions and a corresponding increase of defered inflows from postemployment benefits, other than pension. Deferred inflows of resources are determined by the New York City Office of the Actuary.

Accrued salaries, fringe benefits, payroll taxes, and accrued compensated absences (current and long-term) - Increased by $52.6 million due increases in overtime. It decreased by $58.0 million from June 30, 2018 to June 30, 2019 because there were no additional collective bargaining agreements settled in fiscal year 2019 versus fiscal year 2018.

Accounts payable and accrued expenses – Increased by $263.9 million in fiscal year 2020 and $48 million in fiscal year 2019 due to expenses associated with capital projects.

Estimated third-party payor settlements, net payable – Increased by $19.7 million from June 30, 2019 to June 30, 2020 primarily due to a $17.3 million decrease in Medicaid rates. It remained consistent from June 30, 2018 to June 30, 2019.

Due to the City of New York, net – Increased $108.3 million from June 30, 2019 to June 30, 2020 primarily due to a delay in reimbursement of EMS services to the City for fiscal year 2019. It decreased $157.2 million mainly due to a $145.8 million payment of fiscal year 2015 debt service and continuation of timely payments during fiscal year 2019.

Long-term debt (includes current installments) – Decreased $81.2 million due largely to scheduled principal payments and extinguishment of a direct borrowing. It decreased $55.1 million in fiscal year 2019 primarily due to $85.6 million of scheduled principal payment and $30.0 million of new debt from the Citibank Term Loan (Note 8).

Pension (current and long-term) – Increased $267.4 million from June 30, 2019 to June 30, 2020 due to XXX .It decreased by $62.7 million from June 30, 2018 to June 30, 2019 due to changes in expected and actual experience and assumptions made in the acturial calculation such as retirement age, mortality, disability, withdrawal and salary scale, as determined by the New York City Office of the Actuary (Note 10).

Postemployment benefits, other than pension (current and long-term) – Decreased $277.8 million in fiscal year 2020 and increased by $340.4 million in fiscal year 2019 due to to changes in expected and actual experience and assumptions made in the acturial calculation such as retirement age, mortality, disability, withdrawal and salary scale. The annual other post employment benefits ("OPEB") costs are determined by the New York City Office of the Actuary (Note 11).

Changes in Components of Net Position

Net investment in capital assets - Increased by $105.5 million in fiscal year 2020, due to the EMR, Network Refresh, and FEMA projects. It increased by $105.5 million in fiscal years 2019 adue to the EMR and FEMA projects.

Restricted - Restricted net position remained consistent from June 30, 2019 to June 30, 2020 and from June 30, 2018 to June 30, 2019.

Unrestricted - Net position activities, other than those mentioned above, resulted in an increase of $318.8 million and an increase of $14.2 million in the unrestricted net deficit when comparing fiscal years 2020 and 2019 balances, respectively.

Capital Assets, Net and Long-Term Debt Activity

Capital Assets, Net

At June 30, 2020, NYC Health + Hospitals had capital assets, net of accumulated depreciation, of $3.9 billion compared to $3.7 billion at June 30, 2019 and $3.5 billion at June 30, 2018, as shown in the table below (in thousands):

	2020	2019	2018
Land and land improvements	$ 24,863	$ 26,200	$ 27,171
Buildings and leasehold improvements	1,925,662	1,956,214	2,024,215
Equipment	1,216,197	1,005,379	828,136
Construction in progress	737,205	721,466	610,742
Total	$ 3,903,927	$ 3,709,259	$ 3,490,264

2020's major capital asset additions include the following:

- NYC Health + Hospitals continued to develop an Electronic Medical Records system which has two components: a Clinical budget of approximately $764.0 million and a Revenue Cycle budget of approximately $289.1 million. Fiscal year 2020 added $90.8 million of CIP related to this project which is inclusive of capitalizable expenditures of $43.8 million for the Clinical portion and $47.0 million for the Revenue Cycle portion. As of June 30, 2020, the total placed in service was $242.3 million which consisted of $175.6 million related to Clinical and $66.7 million related to Revenue Cycle capital. This amount excludes the costs of capitalized in-house payroll assigned to this project.

- NYC Health + Hospitals continued to capitalize net interest costs on TFA debt, City of New York General Obligation Bonds, and NYC Health + Hospitals' own bonds in fiscal year 2019. Such debt was issued to finance construction of various NYC Health + Hospitals facilities, with such debt to be paid by the City on behalf of NYC Health + Hospitals.

- NYC Health + Hospitals has a project to upgrade its System-wide network infrastructure called Network Refresh. During fiscal year 2020, $40 million was added to the CIP total. CIP as of June 30, 2020 was $66.6 million. It is funded through City capital in the total amount of $160 million as of June 30, 2020.

- There were also FEMA projects at multiple facilities for priority mitigation and major work components which represented $81.7 million of CIP in fiscal year 2020, with CIP totaling $167.9 million as of June 30, 2020. As of 2020's fiscal year end, $4.0 million was placed in service with an estimated cost to complete of $1.4 billion.

- Energy efficiency upgrade projects a multiple facilities represented an addition of $40.4 million for fiscal year 2020 in CIP with a total CIP of $37.9 million as of June 30, 2020. These projects had a total budget of $69.0 million estimated for completion.

2019's major capital asset additions include the following:

- NYC Health + Hospitals continued to develop an Electronic Medical Records ("EMR") system which has two components: a Clinical budget of approximately $764.0 million and a Revenue Cycle budget of approximately $289.1 million. Fiscal year 2019 added $78.5 million to CIP related to this project; which is inclusive of capitalizable expenditures of $56.0 million for the Clinical portion and $22.4 million for the Revenue Cycle portion. As of June 30, 2019, total capital CIP reported was $156.1 million. This amount excludes the costs of capitalized in-house payroll assigned to this project.

- NYC Health + Hospitals continued the development of an Enterprise Resource Planning ("ERP") system with a capital addition to CIP of $6.9 million in fiscal year 2019 and total CIP as of June 30, 2019 of $4.7 million. The ERP project budget assigned through fiscal year 2025, which includes post implementation expenses, is approximately $114.9 million. This amount excludes the costs of capitalized in-house payroll and consultant costs assigned to the project.

- NYC Health + Hospitals continued to capitalize net interest costs on TFA debt, City General Obligation Bonds, and NYC Health + Hospitals' own bonds in fiscal year 2019. Such debt was issued to finance

construction of various NYC Health + Hospitals facilities, with such debt to be paid by the City on behalf of NYC Health + Hospitals. Amounts capitalized in fiscal year 2019 approximated $14.6 million.

- There were also FEMA projects at multiple facilities for priority mitigation and major work components which represented $70.2 million of CIP in fiscal year 2019, total CIP as of June 30, 2019 of $95.0 million, with an estimated cost to complete of $1.4 billion.

- Energy efficiency upgrade projects at multiple facilities represented a CIP of $5.9 million for fiscal year 2019, total CIP as of June 30, 2019 of $10.3 million, and had a total budget of $93.0 million estimated for completion.

2018's major capital asset additions include the following:

- NYC Health + Hospitals capitalized net interest costs on TFA debt and City General Obligation Bonds in both fiscal years 2018 and 2017, as well as NYC Health + Hospitals' own bonds. This debt was issued to finance construction of various NYC Health + Hospitals facilities, with such debt to be paid by the City on behalf of NYC Health + Hospitals. Amounts capitalized in fiscal years 2018 and 2017 approximated $20.3 million and $17.8 million, respectively. In addition, NYC Health + Hospitals capitalized net interest costs of $0.1 million in fiscal year 2018 and $0.3 million in fiscal year 2017 related to its 2008 and 2010 Series bonds.

- NYC Health + Hospitals continued to develop an EMR system which has two components: a Clinical budget of approximately $764.0 million and a Revenue Cycle budget of approximately $289.1 million. Fiscal year 2018 added $43.1 million to CIP related to this project; which is inclusive of capitalizable expenditures of $37.2 million for the Clinical portion and $5.9 million for the Revenue Cycle portion. Capitalized payroll additions for fiscal year 2018 were $10.3 million. As of June 30, 2018, total capital CIP reported was $187.1 million.

- NYC Health + Hospitals continued the development of an ERP system with a capital addition to CIP of $2.7 million in fiscal year 2018 and total CIP as of June 30, 2018 of $17.6 million. The ERP project budget assigned through fiscal year 2025, which includes post implementation expenses, was approximately $114.9 million. This amount excludes the costs of capitalized in-house payroll assigned to the project.

- Energy efficiency upgrade projects at multiple facilities represented an increase in CIP of $20.2 million for fiscal year 2018, with a total budget of $54.0 million for completion. The Comprehensive Energy Efficiency project at Metropolitan Hospital, which was managed by NYPA, was completed and placed in service in fiscal year 2018 for $34.1 million. Parts of the Comprehensive Energy Efficiency project at Elmhurst Hospital, which was also managed by NYPA, were completed and placed in service in both fiscal year 2017 for $5.9 million and fiscal year 2018 for $1.9 million.

- The major modernization construction project at Gouverneur Hospital was close to completion and was in the close-out process as of fiscal year end 2018. Approximately $6.7 million was expended as of June 30, 2018 and portions of this project approximating $29.6 million were transferred out of CIP and placed into service during fiscal year 2018.

- Construction was completed on the new NYC Health + Hospitals Gotham diagnostic and treatment center on Staten Island with $19.9 million of the project placed in service during fiscal year 2018. There were also FEMA projects at multiple facilities for priority mitigation and major work components which represented $42.5 million of CIP in fiscal year 2018, with an estimated cost to complete of $1.4 billion.

NYC Health + Hospitals fiscal year 2021 capital budget projects spending of $714.0 million, which includes acquisition of medical equipment, information technology upgrades, continued additions to the EMR system, and constrution work on rehab-infrastructure projects. The 2021 capital budget is expected to be primarily financed by New York City General Obligation Bonds, CARES funding, Transitional Finance Authority Bonds, a New York State Grant called the Capital Restructuring Financing Program, and FEMA grants.

More detailed information about NYC Health + Hospital's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2020, NYC Health + Hospitals had approximately $739.8 million in current and long-term debt financing related to its capital assets, as shown with comparative amounts at June 30, 2019 and 2018 (in thousands):

	2020	2019	2018
Bonds payable	$ 574,897	637,393	698,027
New York Power Authority (NYPA) financing	40,892	42,647	44,328
Equipment and renovation financing (Sodexo)	4,165	5,116	—
Henry J. Carter capital lease obligation	16,632	25,096	25,095
New Market Tax Credit	—	14,700	14,700
Key Bank CISCO leases	—	7,155	14,240
Oracle ERP Financing	—	—	1,308
JP Morgan Equipment financing	24,709	36,683	48,411
Revolving loan (Citibank)	24,000	28,000	—
Term Loan (Citibank)	18,390	24,260	30,000
CISCO Maintenance	36,124	—	—
Total	$ 739,809	821,050	876,109

At June 30, 2012, NYC Health + Hospitals' outstanding bonds at par were approximately $574.9 million, with 76.2% uninsured fixed and 23.8% variable secured by letters of credit. NYC Health + Hospitals is rated Aa2, A+, and AA- by Moody's, S&P, and Fitch, respectively. The variable rate bonds are secured by TD Bank's and JPMorgan Chase Bank's letters of credit. As of September 17, 2020, the Moody's, S&P, and Fitch long-term/short-term ratings for TD Bank and JPMorgan Chase Bank are Aa2/P-1, AA-/A-1+, and AA-/F1+ and Aa1/P-1, A+/A-1, and AA/F1+, respectively. There are no statutory debt limitations that may affect NYC Health + Hospitals' financing of planned facilities or services.

More detailed information about NYC Health + Hospitals long-term debt is presented in Note 8 to the financial statements.

Statements of Revenue, Expenses, and Changes in Net Position

Net patient service revenue - Increased by $637.5 million due largely to additional DSH revenue of approximately $405.3 million and increased CMI. It increased $605.6 million from June 30, 2017 to June 30, 2018 as a result of additional DSH revenue of approximately $404.0 million, increased CMI, and larger managed care risk pool distributions.

Appropriations from City of New York, net – Decreased $390.9 million from June 30, 2019 to June 30, 2020 due to a decrease in cash received from the City. It increased $276.9 million during fiscal year 2019 due to an increase in cash received from the City over the prior year.

Grants revenue – Increased by $849.6 million from June 30, 2019 to June 30, 2020 primarily due to a $1.0 billion receipt of federal government funds related to the emergency COVID-19 response offset by a decarese in DSRIP funding. It remained consistent from June 30, 2018 to June 30, 2019.

Other revenue – Increased by $60.5 million during fiscal year 2020 due largely to increases in the 340B Drug Discount Program ("340B"). There was a $38.8 million increase in fiscal year 2019 due largely to increases in the 340B.

Personal services – Increased by $132.5 million in fiscal year 2020 due to increased headcount and use of overtime. Decreased by $222.6 million from June 30, 2018 to June 30, 2019 as there were no new collective bargaining accruals in fiscal 2019 balanced with increases to the compensated absences reported.

Other-than-personal services – Increased by $1.1 billion during fiscal year 2020 due to expenditures resulting from the COVID-19 pandemic. It increased by $64.0 million from June 30, 2018 to June 30, 2019 due to increases in pharmaceutical expenses.

Fringe benefits and employer payroll taxes – Decreased by $17.5 million during fiscal year 2020 due to prepayments of portions of fringe benefits during the previous fiscal year. It increased by $65.4 million from June 30, 2018 to June 30, 2019 largely due to increases in costs related to health benefits.

Pension – Decreased by $146.5 million due to XXX. It increased by $119.3 million from June 30, 2018 to June 30, 2019 due to a one time change in actuarial census data. Pension plan expense as of June 30, 2019 and 2018, is determined by the New York City Office of the Actuary (Note 10).

Postemployment benefits, other than pension – Decerased by $139.4 million from June 30, 2019 to June 30, 2020 and increased by $38.0 million from June 30, 2018 to June 30, 2019 due to changes in expected and actual experience and assumptions made in the acturial calculation such as retirement age, mortality, disability, withdrawal and salary scale. Postemployment benefits, other than pension as of June 30, 2020 and 2019 are determined by the New York City Office of the Actuary (Note 11).

Affiliation contracted services – Increased by $71.0 million from June 30, 2019 to June 30, 2020 due to implementation of new programs and cost of living increases. It increased by $84.8 million from June 30, 2018 to June 30, 2019 due to increases in payroll obligations.

Capital contributions funded by the City of New York – Remained consistent from fiscal year 2019 to fiscal year 2020. It increased $165.6 million during fiscal year 2019 due, in part, to increases for costs associated with the EMR capital project.

Capital contributions funded by grantors and donors– Increased by $85 million in fiscal year 2020 due to increased FEMA mitigation spending. It remained consistent from fiscal year 2018 to fiscal year 2019.

Corporation Issues and Challenges

NYC Health + Hospitals, with the City's assistance, continues to address and adapt to the increasing fiscal challenges placed on healthcare institutions in the New York City area. Specifically, these include:

- Insufficient Medicaid and Medicare reimbursements to meet the costs of caring for low-income New Yorkers
- Potential decreases in Medicaid supplemental funding
- Shifting from a fee-for-service payment system to a managed care system which includes a value-based payment structure
- Unknown resolution to COVID-19 pandemic

NYC Health + Hospitals has responded to these challenges by continuing its ambitious transformation effort, which began in fiscal year 2017, to comprehensively redesign the public health system and to build a competitive, sustainable organization. The appointment of President and CEO, Mitchell Katz, MD, has also resulted in new intiatives being enacted to create a balanced financial plan through fiscal year 2022 and to further stabilize the health system for the population it serves.

Federally Qualified Health Center

NYC Health + Hospitals entered into a co-applicant agreement with Gotham Health FQHC, Inc. ("Gotham"), for the purposes of operating certain community health centers ("Health Centers") together as a public entity model in order to obtain designations as Federally Qualified Health Center(s) ("FQHC"). This type of federal designation provides for enhanced reimbursement rates for the care of patients. Gotham is a New York not-for-profit corporation participating with NYC Health + Hospitals in the governance of these Health Centers which were previously operated solely by NYC Health + Hospitals. The purpose of the co-applicant process is to permit these Health Centers to operate under FQHC status. Gotham is not considered a related organization to NYC Health + Hospitals, nor is there any overlap in any members of their respective boards.

Contacting NYC Health + Hospitals Financial Management

This financial report provides the citizens of the City, NYC Health + Hospitals' patients, bondholders, and creditors with a general overview of NYC Health + Hospitals' finances and operations. If you have questions about this report or need additional financial information, please contact Mr. John Ulberg, Senior Vice President/Chief Financial Officer, NYC Health + Hospitals, 160 Water Street, Room 1014, New York, New York 10038.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statement of Net Position
As of June 30, 2020
(In thousands)

	2020			
ASSETS	**Business-type Activities - HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**
Current assets				
Cash and cash equivalents	$ 666,431	$ 473,287	$ -	$ 1,139,718
U.S. government securities	-	243,661	-	243,661
Patient accounts receivable, net	974,840	-	(531,834)	443,006
Premiums receivable	-	407,471	(4,044)	403,427
Estimated third-party payor settlements, receivable	313,000	-	(106,400)	206,600
Estimated pools receivable	433,600	-	-	433,600
Grants receivable	79,559	167	-	79,726
Assets restricted as to use and required for current liabilities	31,034	-	-	31,034
Due from City of New York	48,680	-	-	48,680
Other current assets	279,705	95,968	-	375,673
Total current assets	2,826,849	1,220,554	(642,278)	3,405,125
Assets restricted as to use, net of current portion	138,365	159,739	-	298,104
U.S. government securities	-	376,580	-	376,580
Other receivable	-	-	-	-
Capital assets, net	3,903,927	5,151	-	3,909,078
Other assets	18,449	-	-	18,449
Total assets	6,887,590	1,762,024	(642,278)	8,007,336
Deferred outflows of Resources				
Deferred outflows from pension	223,784	5,362	-	229,146
Deferred outflows from postemployment benefits, other than pension	783,244	-	-	783,244
Unamortized refunding cost	5,369	-	-	5,369
Asset Retirement Obligation	5,000	-	-	5,000
	$ 7,904,987	$ 1,767,386	$ (642,278)	$ 9,030,095
LIABILITIES				
Current liabilities				
Current installments of long-term debt	$ 105,598	$ -	$ -	$ 105,598
Accrued salaries, fringe benefits, and payroll taxes	593,965	12,434	(4,044)	602,355
Accounts payable and accrued expenses	914,999	1,035,870	(638,234)	1,312,635
Estimated third-party payor settlements, net payable	100,996	-	-	100,996
Current portion due to City of New York, net	431,460	-	-	431,460
Current portion of pension	517,556	12,401	-	529,957
Current potion of postemployment benefits, other than pension	228,868	5,484	-	234,352
Total current liabilities	2,893,442	1,066,189	(642,278)	3,317,353
Long-term debt, net of current installments	634,217	-	-	634,217
Accrued compensated absences, net of current portion	313,461	5,817	-	319,278
Accrued salaries, fringe benefits, and payroll taxes, net of current portion	68,411	-	-	68,411
Long-term pension, net of current portion	2,273,422	55,905	-	2,329,327
Postemployment benefits, other than pension, net of current portion	5,077,724	47,448	-	5,125,172
Total liabilities	11,260,677	1,175,359	(642,278)	11,793,758
Deferred inflows of resources				
Deferred inflows from pension	342,681	5,948	-	348,629
Deferred inflows from postemployment benefits, other than pension	1,239,560	5,348	-	1,244,908
	12,842,918	1,186,655	(642,278)	13,387,295
Net position				
Net investment in capital assets	2,834,053	3,772	-	2,837,825
Restricted:				
For debt service	138,454	-	-	138,454
Expendable for specific operating activities	13,388	-	-	13,388
Nonexpendable permanent endowments	928	-	-	928
Contingent surplus reserve	-	400,506	-	400,506
Unrestricted	(7,924,754)	176,453	-	(7,748,301)
Total net deficit position	$ (4,937,931)	$ 580,731	$ -	$ (4,357,200)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statement of Net Position
As of June 30, 2019
(In thousands)

	2019			
ASSETS	**Business-type Activities - HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**
Current assets				
Cash and cash equivalents	$ 779,604	$ 617,030	$ -	$ 1,396,634
U.S. government securities	-	296,642	-	296,642
Patient accounts receivable, net	777,779	-	(387,661)	390,118
Premiums receivable	-	157,110	(3,919)	153,191
Estimated third-party payor settlements, receivable	388,800	-	(106,400)	282,400
Estimated pools receivable	140,200	-	-	140,200
Grants receivable	179,545	388	(5,740)	174,193
Assets restricted as to use and required for current liabilities	31,142	-	-	31,142
Due from City of New York	22,563	-	-	22,563
Other current assets	101,530	93,339	-	194,869
Total current assets	2,421,163	1,164,509	(503,720)	3,081,952
Assets restricted as to use, net of current portion	138,485	155,758	-	294,243
U.S. government securities	-	266,045	-	266,045
Other receivable	10,661	-	-	10,661
Capital assets, net	3,709,259	6,017	-	3,715,276
Total assets	6,279,568	1,592,329	(503,720)	7,368,177
Deferred outflows of resources				
Deferred outflows from pension	35,828	767	-	36,595
Deferred outflows from postemployment benefits, other than pension	868,440	1,774	-	870,214
Unamortized refunding cost	6,851	-	-	6,851
	$ 7,190,687	$ 1,594,870	$ (503,720)	$ 8,281,837
LIABILITIES				
Current liabilities				
Current installments of long-term debt	$ 94,498	$ -	$ -	$ 94,498
Accrued salaries, fringe benefits, and payroll taxes	541,397	10,742	(3,919)	548,220
Accounts payable and accrued expenses	651,115	910,500	(499,801)	1,061,814
Estimated third-party payor settlements, net payable	81,306	-	-	81,306
Due to City of New York, net	323,150	-	-	323,150
Current portion of pension	495,960	12,821	-	508,781
Current potion of postemployment benefits, other than pension	148,065	3,828	-	151,893
Total current liabilities	2,335,491	937,891	(503,720)	2,769,662
Long-term debt, net of current installments	726,552	-	-	726,552
Accrued compensated absences, net of current portion	323,229	6,486	-	329,715
Accrued salaries, fringe benefits, and payroll taxes, net of current portion	161,855	-	-	161,855
Long-term pension, net of current portion	2,027,556	49,077	-	2,076,633
Postemployment benefits, other than pension, net of current portion	5,355,472	51,739	-	5,407,211
Total liabilities	10,930,155	1,045,193	(503,720)	11,471,628
Deferred inflows of resources				
Deferred inflows from pension	503,452	10,773	-	514,225
Deferred inflows from postemployment benefits, other than pension	1,118,514	2,285	-	1,120,799
	12,552,121	1,058,251	(503,720)	13,106,652
Net position				
Net investment in capital assets	2,731,552	4,568	-	2,736,120
Restricted:				
For debt service	136,238	-	-	136,238
Expendable for specific operating activities	13,388	-	-	13,388
Nonexpendable permanent endowments	928	-	-	928
Contingent surplus reserve	-	394,462	-	394,462
Unrestricted	(8,243,540)	137,589	-	(8,105,951)
Total net deficit position	$ (5,361,434)	$ 536,619	$ -	$ (4,824,815)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2020
(In thousands)

	2020			
	Business-type Activities - HHC	Discretely Presented Component Unit - MetroPlus	Eliminations	Total
OPERATING REVENUE				
Net patient service revenue	$ 6,676,714	$ -	$ (904,063)	$ 5,772,651
Appropriations from City of New York, net	673,269	-	-	673,269
Premium revenue	-	3,243,455	(50,554)	3,192,901
Grants revenue	1,499,213	567	(70,600)	1,429,180
Other revenue	204,241	4,088	-	208,329
Total operating revenue	9,053,437	3,248,110	(1,025,217)	11,276,330
OPERATING EXPENSES				
Personal services	2,979,980	88,597	-	3,068,577
Other than personal services	2,915,080	3,092,458	(974,663)	5,032,875
Fringe benefits and employer payroll taxes	889,018	29,065	(50,554)	867,529
Pension	367,234	8,799	-	376,033
Postemployment benefits, other than pension	236,268	6,048	-	242,316
Affiliation contracted services	1,232,026	-	-	1,232,026
Depreciation	385,375	2,365	-	387,740
Total operating expenses	9,004,981	3,227,332	(1,025,217)	11,207,096
Operating loss	48,456	20,778	-	69,234
NONOPERATING REVENUE (EXPENSES)				
Investment income	9,532	23,334	-	32,866
Interest expense	(124,597)	-	-	(124,597)
Contributions restricted for specific operating activities	29,652	-	-	29,652
Total nonoperating (expenses) revenue, net	(85,413)	23,334	-	(62,079)
Loss before other changes in net position	(36,957)	44,112	-	7,155
OTHER CHANGES IN NET POSITION				
Capital contributions funded by City of New York, net	291,747	-	-	291,747
Capital contributions funded by grantors and donors	168,713	-	-	168,713
Total other changes in net position	460,460	-	-	460,460
Increase (decrease) in net position	423,503	44,112	-	467,615
Net deficit position at beginning of period	(5,361,434)	536,619	-	(4,824,815)
Net deficit position at end of period	$ (4,937,931)	$ 580,731	$ -	$ (4,357,200)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2019
(In thousands)

	2019			
	Business-type Activities - HHC	Discretely Presented Component Unit - MetroPlus	Eliminations	Total
OPERATING REVENUE				
Net patient service revenue	$ 6,039,217	$ -	$ (931,682)	$ 5,107,535
Appropriations from City of New York, net	1,064,186	-	-	1,064,186
Premium revenue	-	3,311,601	(44,637)	3,266,964
Grants revenue	649,597	828	(5,740)	644,685
Other revenue	143,762	1,252	-	145,014
Total operating revenue	7,896,762	3,313,681	(982,059)	10,228,384
OPERATING EXPENSES				
Personal services	2,847,482	90,589	-	2,938,071
Other than personal services	1,853,317	3,201,962	(937,422)	4,117,857
Fringe benefits and employer payroll taxes	906,527	29,734	(44,637)	891,624
Pension	513,750	13,281	-	527,031
Postemployment benefits, other than pension	375,706	9,713	-	385,419
Affiliation contracted services	1,160,986	-	-	1,160,986
Depreciation	328,993	2,333	-	331,326
Total operating expenses	7,986,761	3,347,612	(982,059)	10,352,314
Operating loss	(89,999)	(33,931)	-	(123,930)
NONOPERATING REVENUE (EXPENSES)				
Investment income	12,460	26,347	-	38,807
Interest expense	(121,545)	-	-	(121,545)
Contributions restricted for specific operating activities	501	-	-	501
Total nonoperating (expenses) revenue, net	(108,584)	26,347	-	(82,237)
Loss before other changes in net position	(198,583)	(7,584)	-	(206,167)
OTHER CHANGES IN NET POSITION				
Capital contributions funded by City of New York, net	291,683	-	-	291,683
Capital contributions funded by grantors and donors	83,653	-	-	83,653
Total other changes in net position	375,336	-	-	375,336
Increase (decrease) in net position	176,753	(7,584)	-	169,169
Net deficit position at beginning of period	(5,538,187)	544,203	-	(4,993,984)
Net deficit position at end of period	$ (5,361,434)	$ 536,619	$ -	$ (4,824,815)

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statements of Cash Flows
For the years ended June 30, 2020 and 2019
(In thousands)

	2020 Business-type Activities - HHC	2019 Business-type Activities - HHC
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	$ 6,271,661	$ 5,961,424
Cash appropriations received from City of New York	575,022	972,506
Cash appropriations remitted to City of New York	(164,419)	-
Receipts from grants	1,561,614	829,872
Other receipts	200,263	144,016
Cash paid for personal services, fringe benefits, employer payroll taxes, and postemployment benefits obligation, other than pension	(4,032,421)	(3,926,857)
Cash paid for pension	(493,792)	(515,454)
Cash paid for other than personal services	(2,557,133)	(2,047,703)
Cash paid for affiliation contracted services	(1,238,286)	(1,153,425)
Net cash provided by operating activities	122,509	264,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from contributions restricted for specific operating activities	29,652	501
Net cash provided by noncapital financing activity	29,652	501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(537,486)	(488,959)
Capital contributions by grantors and donors	168,713	83,653
Capital contributions by City of New York	232,380	269,120
Cash paid for capital retainage	(368)	(2,005)
Payments of long-term debt	(104,643)	(85,562)
Proceeds from the issuance of long-term debt	-	30,000
Interest paid including capitalized interest	(28,983)	(35,646)
Net cash used in capital and related financing activities	(270,387)	(229,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of assets restricted as to use	(53,696)	(98,511)
Proceeds from sales of assets restricted as to use	53,924	83,826
Interest received	4,825	11,409
Net cash (used in) provided by investing activities	5,053	(3,276)
Net increase in cash and cash equivalents	(113,173)	32,205
Cash and cash equivalents at beginning of year	779,604	747,399
Cash and cash equivalents at end of year	$ 666,431	$ 779,604
Supplemental disclosure:		
Change in fair value of assets restricted as to use	$ 477	$ 428
Capital assets included within accounts payable and accrued expenses	43,473	119,638

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statements of Cash Flows
For the years ended June 30, 2020 and 2019
(In thousands)

	2020 Business-type Activities - HHC	2019 Business-type Activities - HHC
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ 48,457	$ (89,999)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	385,375	328,993
Provision for bad debts	458,848	453,276
Changes in assets and liabilities:		
Patient accounts receivable, net	(655,909)	(541,082)
Estimated third-party payor settlements, net	95,490	85,861
Estimated pools receivable	(293,400)	(85,500)
Grants receivable	99,986	143,771
Other current assets	(196,625)	254
Accrued salaries, fringe benefits, payroll taxes, and compensated absences	(50,644)	(58,037)
Pension	(81,265)	94,248
Accounts payable and accrued expenses	340,049	669
Due to City of New York	(37,150)	(249,595)
Postemployment benefits obligation, other than pension	9,297	181,520
Net cash provided by operating activities	$ 122,509	$ 264,379

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On July 1, 1970, the New York City Health and Hospitals Corporation ("NYC Health + Hospitals"), a New York State (the "State") public benefit corporation created by Chapter 1016 of the Laws of 1969, assumed responsibility for the operation of the municipal hospital system of the City of New York (the "City") pursuant to an agreement with the City dated June 16, 1970 (the "Agreement"). As a main element of its core mission, NYC Health + Hospitals provides to all, on behalf of the City, comprehensive medical and mental health services of the highest quality in an atmosphere of humane care, dignity, and respect, regardless of a patient's ability to pay. NYC Health + Hospitals operates eleven acute care hospitals, five long-term care facilities, six diagnostic and treatment centers (five of those freestanding facilities), many hospital-based and neighborhood clinics, a certified home health agency, and discretely presents a related entity, MetroPlus Health Plan, Inc. ("MetroPlus"), a prepaid health services provider. During 2017, NYC Health + Hospitals realigned the delivery of care to three defined areas as follows: acute care (hospitals), post-acute care (long-term care facilities), and ambulatory care services. Prior to this realignment, all facilities were organized into six integrated networks based on proximity to one another.

The realignment of the three areas of vertically integrated facilities provides the full continuum of care for primary and specialty care, inpatient episodic acute care, outpatient services, and long-term care. The realignment of the delivery of services allows NYC Health + Hospitals to enhance and improve the efficiencies achieved under the former network model.

NYC Health + Hospitals is a discretely presented component unit of the City, and accordingly, its financial statements are included in the City's Comprehensive Annual Financial Report.

NYC Health + Hospitals has a number of blended component units, which means that they are reported as if they were part of NYC Health + Hospitals. These entities meet the requirements for blending when they provide services exclusively to NYC Health + Hospitals and/or NYC Health + Hospitals is the sole corporate member and appoints a voting majority of the governing board of each of the blended component units. The accompanying financial statements include the operations of the following component units, which are blended with the accounts of Business-type Activities- HHC in the preceding Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position:

- HHC Capital Corporation ("HHC Capital") was created by NYC Health + Hospitals as a public benefit corporation, of which NYC Health + Hospitals is the sole member, in 1993, in order to secure its 1993 Series A bonds. The sole purpose of HHC Capital is to accept all payments assigned to it by NYC Health + Hospitals and its providers and remit monthly, from such assigned payments, amounts required for debt service on the 2008, 2010, and 2013 Bond issues to the bond trustee, with the balance transferred to NYC Health + Hospitals.

- HHC Insurance Company, Inc. ("HHC Insurance") was created in 2003 by NYC Health + Hospitals as a public benefit corporation, of which NYC Health + Hospitals is the sole member. It is a not-for-profit captive insurance company licensed by the New York State Insurance Department. Its license is renewed annually. HHC Insurance underwrites medical malpractice insurance for NYC Health + Hospitals' attending physicians who specialize in the areas of neurosurgery and obstetrics/ gynecology. All insured practitioners can apply for the excess insurance coverage available to them

in the New York State Excess Liability Pool, issued by the Medical Malpractice Insurance Pool ("MMIP" or "Pool").

HHC Insurance issues primary professional liability policies to its insureds on a claims-made basis with policy limits of $1.3 million per incident and $3.9 million in the aggregate. Once the insured practitioner has this primary insurance coverage, the insured is able to apply for excess coverage, in the amount of $1.0 million per incident and $3.0 million in the aggregate, provided by the MMIP. HHC Insurance has been a participant in the excess Pool since 2007. The MMIP is considered the insurer of last resort for primary medical malpractice coverage in the State. On the excess level, it operates as a medical malpractice insurance pool created by all the authorized (licensed) insurers writing medical malpractice insurance in New York as an alternative to receiving direct assignments of eligible health care providers. The liability of the members is several but not joint. As an MMIP member, HHC Insurance recognizes its allocable share of the premium, loss expense, underwriting expense, administrative expense activities of MMIP, and shortfall coverage, as needed. HHC Insurance is the only captive insurance company in the Pool.

- The HHC Physicians Purchasing Group, Inc. ("HHC Purchasing"), a public benefit corporation, was formed in 2003 to act as a purchasing group within the State of New York. The business of HHC Purchasing is to obtain, on behalf of its members who are employees of NYC Health + Hospitals or NYC Health + Hospitals' affiliates, primary professional liability insurance from HHC Insurance. HHC Purchasing was registered and approved for operations by the New York State Department of Insurance on August 31, 2005. NYC Health + Hospitals is the sole voting member of HHC Purchasing.

- HHC ACO Inc. ("HHC ACO"), a New York not-for-profit corporation, was formed in June 2012 by NYC Health + Hospitals as an Accountable Care Organization ("ACO") for purposes of applying to the federal Centers for Medicare and Medicaid Services ("CMS") to participate in the Medicare Shared Savings Program ("MSSP"). HHC ACO was approved to participate in the MSSP as of January 1, 2013 and began operations in fiscal year 2014. CMS subsequently approved HHC ACO for renewal terms through December 31, 2024. NYC Health + Hospitals is its sole member.

- HHC Assistance Corporation ("HHCAC"), a membership not-for-profit corporation, was formed in October 2012 by NYC Health + Hospitals and is the sole corporate member. All members of HHCAC's board of directors are officers of NYC Health + Hospitals. The HHCAC's purpose is to perform activities that are helpful to NYC Health + Hospitals in the fulfillment of its statutory purposes. During 2012, the HHCAC facilitated NYC Health + Hospitals' participation in a New Market Tax Credit supplementary financing transaction to be used for the construction of certain new facilities at the Harlem Hospital Center (Note 8). In 2015, HHCAC took on the function of the "Central Service Organization" in the NYC Health + Hospitals-led Participating Provider System under the New York State Department of Health's Delivery System Reform Incentive Payment ("DSRIP") program. In that capacity, HHCAC operates under the d/b/a "OneCity Health" ("OneCity Health") and performs various functions on NYC Health + Hospitals' behalf to advance its participation in the DSRIP program (Note 12).

The financial statements also include MetroPlus, which is a discretely presented component unit and is a public benefit corporation created by NYC Health + Hospitals. As the sole member, NYC Health +

Hospitals appoints a voting majority of the governing board of MetroPlus. MetroPlus contracts with NYC Health + Hospitals facilities and other providers to provide managed healthcare services on a prepaid basis and operates as a health maintenance organization.

MetroPlus' major lines of business include Medicaid, Essential Plan, HIV Special Needs Plan ("HIV-SNP"), Child Health Plus ("CHP"), Medicare Advantage, partially capitated Managed Long-Term Care ("MLTC"), and Health and Recovery Plan ("HARP"). In addition, MetroPlus offers an Individual Qualified Health Plan ("QHP") and a Small Business Health Options Program ("SHOP") through the New York State of Health Plan Marketplace. Such plans are the result of the Patient Protection and Affordable Care Act ("ACA") signed into law in March 2010.

MetroPlus has contractual agreements with the New York State Department of Health ("NYSDOH") to provide comprehensive medical service to members of the Medicaid, Essential Plan, MLTC, HARP and CHP lines of business. MetroPlus also has contracts with CMS and NYSDOH, to offer Medicare coverage for individuals, including those dually eligible for benefits under Medicare and Medicaid. Beneficiaries have the option of selecting MetroPlus or the State of New York as their Medicaid coverage provider. MetroPlus has an agreement with the New York State Department of Financial Services ("NYSDFS") to offer the QHP and SHOP programs.

NYC Health + Hospitals employees and all City employees can elect MetroPlus Gold as part of their employee benefits. MetroPlus also offers GoldCare I and GoldCare II, low-cost, high-quality plans, to all eligible day care workers of New York City agencies.

Capitation payments are made to physicians affiliated with NYC Health + Hospitals, other non-NYC Health + Hospitals physicians, and provider groups for primary care services. Capitation refers to payments made at fixed per member, per month values based on the provider's assigned members.

Supplementary disclosures for MetroPlus are presented beginning with Note 16 of the financial statements.

MetroPlus and HHC Insurance issue separate statutory annual financial statements as of December 31st, which are available through the Office of the Corporate Comptroller, 160 Water Street, Room 642, New York, New York 10038. Additionally, while not a statutory requirement, HHC ACO issues financial statements as of June 30th, which are also available through the Office of the Corporate Comptroller.

The NYC Health + Hospitals' significant accounting policies are as follows:

(a) Basis of Presentation

The accompanying basic financial statements of NYC Health + Hospitals are presented in conformity with generally accepted accounting principles ("U.S. GAAP" or "GAAP") for state and local governments in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements of NYC Heath + Hospitals have been prepared on the accrual basis of accounting, using the economic resources measurement focus.

All significant intercompany balances and transactions between NYC Health + Hospitals and the blended component units have been eliminated within the business-type activities column. All significant

intercompany balances and transactions between NYC Health + Hospitals and MetroPlus have been eliminated in the eliminations column.

(b) Assets Restricted as to Use and Contributions

Assets restricted as to use primarily include assets held by a trustee under bond resolutions and statutory reserve investments. Amounts required to meet current liabilities of NYC Health + Hospitals have been classified as current assets in the Statements of Net Position at June 30, 2019 and 2018. Assets restricted as to use are stated at fair value, with unrealized and realized gains and losses included in investment income.

Donor-restricted net positions are used to differentiate resources, the use of which is restricted by donors, from resources of unrestricted assets on which donors place no restrictions or that arise as a result of the operations of NYC Health + Hospitals for its stated purposes. Donor-restricted net positions represent contributions to provide healthcare services, of which $0.9 million are held in perpetuity, as non-expendable permanent endowments, at June 30, 2020 and 2019. Resources restricted by donors for plant replacement and expansion are recognized as capital contributions and are added to the net investment in capital assets, net position balance. Resources restricted by donors for specific operating activities are reported as non-operating revenue. NYC Health + Hospitals utilizes available donor-restricted assets before utilizing unrestricted resources for expenses incurred.

(c) Charity Care

NYC Health + Hospitals provides care to patients who meet certain criteria under its charity care policy at amounts less than its charges or established rates. NYC Health + Hospitals does not pursue collection of amounts determined to qualify as charity care and they are not reported as revenue (Note 3).

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Included in net patient service revenue are adjustments to prior year estimated third-party payor settlements, estimated pools receivables, and payables that were originally recorded in the period the related services were rendered. The adjustments to prior year estimates and other third-party reimbursement receipts or recoveries that relate to prior years resulted in an increase to net patient service revenue of $433.3 million and $109.3 million for the years ended June 30, 2020 and 2019, respectively.

(e) Statements of Revenue, Expenses, and Changes in Net Position

All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services or for the purpose of providing managed healthcare services are considered to be operating activities and are reported as operating revenue and operating expenses. Investment income, interest expense, and peripheral or incidental transactions are reported as non-operating revenue and expenses. Other changes in net position, which are excluded from income or loss before other changes in net position, consist of contributions of capital assets funded by the City, grantors, and donors.

(f) Patient Accounts Receivable, Net and Net Patient Service Revenue

NYC Health + Hospitals has agreements with certain third-party payors that provide for payments at amounts different from its charges or established rates. Payment arrangements include prospectively determined rates, discounted charges, per diem payments, and value-based payment arrangements; a payment relationship in which there is a shift from a pure volume-based payment (i.e., fee for service) to an outcome-based payment where health providers are paid based on improvement of health of the patient rather than volume of services provided to the patient. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated third-party payor settlements resulting from audits, reviews, and investigations. These estimated third-party payor settlements are accrued in the period the related services are rendered and adjusted in future periods as revised information becomes known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue was reported net of the provision for bad debts of $458.8 million in 2020 and $453.3 million in 2019.

The allowance for doubtful accounts is the NYC Health + Hospitals estimate of the amount of probable credit losses in its patient accounts receivable. NYC Health + Hospitals determines the allowance based on collection studies and historical write-off experience. Past-due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts at June 30, 2020 and 2019 was approximately $744.4 million and $592.5 million, respectively.

(g) Appropriations from the City of New York, Net

NYC Health + Hospitals considers appropriations from the City to be ongoing and central to the provision of healthcare services and, accordingly, classifies them as operating revenue. Funds appropriated from the City are direct or indirect payments made by the City on behalf of NYC Health + Hospitals for the following:

- Settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts (Note 12).
- Patient care rendered to prisoners (Note 15), uniformed City employees, and various discretely funded facility-specific programs.
- Interest on City General Obligation debt that funded NYC Health + Hospitals' capital acquisitions and interest on Dormitory Authority of the State of New York ("DASNY") debt and Transitional Finance Authority ("TFA") debt on assets acquired through lease purchase agreements, other than amounts capitalized during construction (Note 5).
- Funding for collective bargaining agreements.

Reimbursement by NYC Health + Hospitals is negotiated annually with the City. NYC Health + Hospitals has agreed to reimburse the City for the following as remittances to the City:

- Medical malpractice settlements, negligence, and other torts up to an agreed-upon amount are negotiated annually and paid by the City on behalf of NYC Health + Hospitals. In 2020 and 2019, the medical malpractice and general liability settlements paid by the City were $96.1 million and $118.3 million, respectively. The reimbursements to the City are recorded by NYC Health + Hospitals as a reduction of appropriations from the City. Such medical malpractice, negligence, and other torts reimbursements by NYC Health + Hospitals do not alter the indemnification by the City of NYC Health + Hospitals' malpractice settlements under the Agreement (Note 12).

- Interest and principal on debt service, which funds NYC Health + Hospitals capital acquisitions, is negotiated annually with and is paid by the City on behalf of the NYC Health + Hospitals. During 2020 and 2019, the City paid $111.0 million and $106.7 million of debt service, respectively, and this assumption of payments alleviated amounts owed to the City of $110.0 million and $106.7 million for 2020 and 2019, respectively. The debt service reimbursements to the City are recorded by NYC Health + Hospitals as a reduction of appropriations from the City.

Refer to Note 9 of the financial statements for balances owed to the City including malpractice and debt service.

(h) Capital Assets and Depreciation

In accordance with the Agreement, the City retains legal title to substantially all NYC Health + Hospitals' facilities and certain equipment, and subleases them to NYC Health + Hospitals for an annual rent of $1. Prior to April 1, 1993, the City funded substantially all of the additions to capital assets.

Since April 1, 1993, NYC Health + Hospitals has funded much of its capital acquisitions through the issuance of its own debt. However, the City financed the major modernizations of Harlem, Queens, Jacobi, Coney Island, Bellevue, Kings County Hospitals, Gouverneur Healthcare Services, and the Henry J. Carter campus.

NYC Health + Hospitals is the sole beneficiary as to use of the capital assets and is responsible for their control and maintenance. Accordingly, capital assets have been capitalized in the accompanying Statements of Net Position as follows:

(i) Assets placed in service through June 30, 1972 were recorded at an estimated cost as determined by an independent appraisal company's physical inventory and valuation of such assets as of June 30, 1972.

(ii) Assets acquired subsequent to June 30, 1972 are recorded at cost.

(iii) Donated equipment is recorded at acquisition value.

Construction in Progress ("CIP") is recorded on all projects under construction. Such CIP costs are transferred to depreciable assets and depreciated when the related assets are placed in service. Interest costs incurred on borrowed funds, net of related interest income, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Depreciation is computed on a straight-line basis using estimated useful lives in accordance with American Hospital Association guidelines (the ranges listed below cover the potential useful life of many different types of assets within each category):

Land improvements	2 to 25 years
Buildings and leasehold improvements	5 to 40 years
Equipment	3 to 25 years

Capital assets under capital lease obligations are depreciated over either the lease term or the estimated useful life of the asset, whichever is shorter.

NYC Health + Hospitals evaluates long-lived assets for impairment when circumstances suggest that the service utility or the usable capacity originally expected may have significantly or unexpectedly declined. If circumstances suggest that assets may be impaired, an impairment charge is recorded on those assets based upon a method that most appropriately reflects the decline in service utility of the capital asset. No material changes to capital assets were recorded for the fiscal years ended June 30, 2019 and 2018.

(i) Custodial Funds

NYC Health + Hospitals holds funds for safekeeping, primarily cash held for the benefit of its long-term care patients, amounting to approximately $1.7 million and $6.5 million as of June 30, 2020 and 2019, respectively. These amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Net Position.

(j) Affiliation Contracted Services

NYC Health + Hospitals contracts with affiliated medical schools/professional corporations and voluntary hospitals ("Affiliates") to provide patient care services at its facilities and reimburses the Affiliates for expenses incurred in providing such services. Under the terms of those contracts, each of the Affiliates is required to furnish NYC Health + Hospitals with an independent audit report of receipts, expenditures, and commitments chargeable to the contract, as well as refunds or amounts due to the Affiliate. In addition, the Affiliates submit an annual recalculation document which reconciles allowable contract costs to the expenses incurred by the Affiliates. The net effect of these recalculations creates either a payable or receivable by comparing the total advance payments made during the fiscal year to the total contract amount.

The amounts due to/from the affiliates are based upon estimates of expenses, which include adjustments for patient care service modifications, and are included in accounts payable and accrued expenses (Note 13) and other current assets in the accompanying Statements of Net Position. These estimates may differ from the final determination of amounts due to/from the affiliate upon completion of the annual recalculation schedule.

(k) Supplies

Supplies are stated at the lower of cost (first-in, first-out method) or market (net realizable value) and are included within other current assets.

(l) Income Taxes

NYC Health + Hospitals and its component units qualify as governmental entities (or affiliates of a governmental entity) not subject to federal income tax by reason of the organizations being a state or political subdivision thereof, or an integral part of a state or political subdivision thereof; or an entity all of whose income is excluded from gross income for federal income tax purposes under Section 115 of the Internal Revenue Code of 1986. NYC Health + Hospitals is a New York State public benefit corporation created by Chapter 1016 of the Laws of 1969 and, as such, is exempt from New York State income tax. MetroPlus is also exempt from federal and New York State income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(m) Grants Receivable

Grants receivable relate to various healthcare provision programs under contract with the State and other grantors, including amounts related to DSRIP, the Value Based Payment Quality Improvement Program ("VBP QIP") and the Care Restructuring Enhancement Pilot ("CREP") (Note 12). Grants receivable also include grants from the City, which are reimbursements to NYC Health + Hospitals for providing such services as mental health, child health, and HIV-AIDS services.

(n) Net Position

Net position of NYC Health + Hospitals is classified in various components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by outstanding borrowings used to finance the purchase or construction of those assets. *Restricted for debt service* consists of assets restricted, by each revenue bond's official statement, for expenditures of principal and interest. *Restricted expendable for specific operating activities* reflects non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or donors external to NYC Health + Hospitals, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 8. *Restricted nonexpendable permanent endowments* consists of the principal portion of permanent endowments. *Restricted for contingent surplus reserve* represents MetroPlus' contingent surplus reserve as required by the NYSDOH Rules and Regulations. *Unrestricted net position* is the remaining net position that does not meet the definition of *Net investment in capital assets* or *Restricted*.

(o) Compensated Absences

NYC Health + Hospitals' employees earn vacation and holiday days at varying rates depending on years of service and title. Generally, vacation and holiday time may accumulate up to specified maximums, depending on title. Excess vacation and holiday time are converted to sick leave. Upon resignation or retirement, employees are paid for unused vacation and holiday days, most at the rates in effect during the past 3 years. Most employees earn sick leave at a fixed rate; however, the rate can vary depending on years of service and the contractual terms for their title. There is no accumulation limit on sick leave. Depending on length of service and contractual terms for their title, employees separating from service are paid for sick leave at varying rates. NYC Health + Hospitals accrues for the employees' earned and accumulated vacation and sick leave, which may be used in subsequent years, and earned vacation and sick leave to be paid upon termination or retirement from future resources. These costs are included as a liability within accrued compensated absences and salaries, fringe benefits, and payroll taxes. For certain collectively bargained units, time is paid out at the current rate.

(p) Fair Value

Management determines fair value of financial instruments as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level 1 - Fair value measurements using unadjusted quoted market prices in active markets for identical, unrestricted assets or liabilities.

Level 2 - Fair value measurements using observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that traded less frequently than exchange-traded instruments.

Level 3 - Fair value measurements using significant inputs that are not readily observable in the market and are based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable.

(q) Reclassifications

Certain amounts have been reclassified from the prior year to conform to the current year's financial statement presentation.

(r) New Accounting Standards Adopted

In 2020, NYC Health + Hospitals did not adopt any new accounting standards.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, certificates of deposit ("CDs"), and all highly liquid debt instruments with original maturities of three months or less when purchased. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of the investments. Custodial credit risk is the risk that, in the event of a bank failure, NYC Health + Hospitals' deposits may not be returned. NYC Health + Hospitals' policy to mitigate custodial credit risk is to collateralize all balances when permitted (i.e., collected balances). Deposits in the process of collection within the banking system are not collateralized. At June 30, 2020, 100% of NYC Health + Hospitals cash and cash equivalents bank balances were insured or collateralized and efforts continue to cover all remaining balances, when permitted.

3. CHARITY CARE

NYC Health + Hospitals maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services furnished under its charity care policy

and the estimated cost of those services calculated using the prior year's cost reports. The following information measures the level of charity care provided during the years ended June 30th (in thousands):

	2020	2019
Charges foregone, based on established rates	$ 730,368	$ 741,298
Estimated expenses incurred to provide charity care	494,553	490,946

4. PATIENT ACCOUNTS RECEIVABLE, NET AND NET PATIENT SERVICE REVENUE

Most of NYC Health + Hospitals' net patient service revenue is from funds received on behalf of patients under governmental health insurance plans. Revenue from these governmental plans is based upon relevant reimbursement principles and is subject to audit by the applicable payors. Certain payors have performed audits and have proposed various disallowances, which other payors may similarly assert.

Disproportionate Share Hospital ("DSH") and Upper Payment Limit ("UPL") are supplemental payments to hospitals for their care to the indigent and are included in net patient service revenue. Hospital participants of DSH serve a significantly disproportionate number of low-income patients and receive payments from CMS to cover the costs of providing care to uninsured patients. The UPL is a federal limit placed on a fee-for-service reimbursement of Medicaid providers. The UPL is the maximum a given state's Medicaid program may pay a type of provider in the aggregate, statewide, in Medicaid fee-for-service. State Medicaid programs cannot claim federal matching dollars for provider payments in excess of the applicable UPL; however, UPL federal regulations allow states to pay Medicaid providers up to Medicare levels or the costs of care.

Net patient service revenue by primary payor for the years ended June 30th was as follows (in thousands):

	2020		2019	
Medicaid	$ 1,377,361	20.6 %	$ 1,368,215	20.5 %
Medicare	818,036	12.3	627,828	9.4
Bad debt/charity care pools	418,108	6.3	440,315	6.6
Disproportionate share supplemental pool ("DSH")	1,233,422	18.5	1,088,468	16.3
Other third-party payors that include Medicaid and Medicare managed care	1,971,745	29.4	1,560,496	23.4
MetroPlus	833,463	12.5	931,680	14.0
Self-pay	24,579	0.4	22,215	0.3
	$ 6,676,714	100.0 %	$ 6,039,217	100.0 %

NYC Health + Hospitals provides services to its patients, most of whom are insured under third-party payor agreements. Patient accounts receivable, net was as follows as of June 30th (in thousands):

	2020		2019	
Medicaid	$ 177,901	18.2 %	$ 93,208	12.0 %
Medicare	54,017	5.5	51,837	6.7
Other third-party payors, that include Medicaid and Medicare managed care	203,305	20.9	235,754	30.3
MetroPlus	531,834	54.6	387,661	49.8
Self-pay	7,783	0.8	9,319	1.2
	$ 974,840	100.0 %	$ 777,779	100.0 %

5. CAPITAL ASSETS

Capital assets consist of the following as of June 30th (in thousands):

	2020	2019
Land and land improvements	$ 58,296	$ 58,251
Buildings and leasehold improvements	5,177,526	4,514,761
Equipment	4,406,979	4,013,649
	9,642,801	8,586,661
Less: accumulated depreciation	5,919,913	5,598,868
	3,722,888	2,987,793
Construction in progress	737,206	721,466
Capital assets, net	$ 4,460,094	$ 3,709,259

Capital assets activity for the years ended June 30th was as follows (in thousands):

	Land and Land Improvements	Buildings and Leasehold Improvements	Equipment	Construction in Progress	Total
June 30, 2018 balance	$ 57,726.00	$ 4,450,202.00	$ 3,694,217.00	$ 610,742.00	$ 8,812,887.00
Acquisitions, net of transfers	521	65,895	377,556	111,204	555,176
Sales, retirements, and adjustments	4	(1,336)	(58,124)	(480)	(59,936)
June 30, 2019 balance	58,251	4,514,761	4,013,649	721,466	9,308,127
Acquisitions, net of transfers	257	657,969	475,734	16,836	1,150,796
Sales, retirements, and adjustments	(212)	4,796	(82,404)	(1,096)	(78,916)
June 30, 2020 balance	$ 58,296	$ 5,177,526	$ 4,406,979	$ 737,206	$ 10,380,007

Related information on accumulated depreciation for the years ended June 30th was as follows (in thousands):

	Land and Land Improvements	Buildings and Leasehold Improvements	Equipment	Total
June 30, 2018 balance	$ 30,555	$ 2,425,987	$ 2,866,081	$ 5,322,623
Depreciation expense	1,506	131,566	195,921	328,993
Sales, retirements, and adjustments	(9)	994	(53,733)	(52,748)
June 30, 2019 balance	32,052	2,558,547	3,008,269	5,598,868
Depreciation expense	1,432	147,004	249,238	397,674
Sales, retirements, and adjustments	(50)	(9,854)	(66,725)	(76,629)
June 30, 2020 balance	$ 33,434	$ 2,695,697	$ 3,190,782	$ 5,919,913

NYC Health + Hospitals capitalizes interest costs incurred in connection with construction projects. Interest activity relating to construction projects and net capitalized interest for the years ended June 30th was as follows (in thousands):

	2020	2019
Interest costs subject to capitalization	$ 14,223	$ 14,646
Interest income	(1)	(1)
Capitalized interest costs, net	$ 14,222	$ 14,645

NYC Health + Hospitals capitalized net interest costs on TFA debt and City General Obligation Bonds in both 2019 and 2018, as well as NYC Health + Hospitals' own bonds. Such debt was issued to finance construction of various NYC Health + Hospitals facilities, with such debt to be paid by the City on behalf of NYC Health + Hospitals. Amounts capitalized in 2020 and 2019 approximated $14.2 million and $14.6 million, respectively.

NYC Health + Hospitals continued to develop an Electronic Medical Records system which has two components: a Clinical budget of approximately $764.0 million and a Revenue Cycle budget of approximately $289.1 million. Fiscal year 2020 added $90.8 million of CIP related to this project which is inclusive of capitalizable expenditures of $43.8 million for the Clinical portion and $47.0 million for the Revenue Cycle portion. As of June 30, 2020, the total placed in service was $242.3 million which consisted of $175.6 million related to Clinical and $66.7 million related to Revenue Cycle capital. This amount excludes the costs of capitalized in-house payroll assigned to this project.

NYC Health + Hospitals continued to capitalize net interest costs on TFA debt, City of New York General Obligation Bonds, and NYC Health + Hospitals' own bonds in fiscal year 2019. Such debt was issued to finance construction of various NYC Health + Hospitals facilities, with such debt to be paid by the City on behalf of NYC Health + Hospitals.

NYC Health + Hospitals has a project to upgrade its System-wide network infrastructure called Network Refresh. During fiscal year 2020, $40.0 million was added to the CIP total. CIP as of June 30, 2020 was $66.6 million. It is funded through City capital funding in the amount of $160.0 million.

There were also Federal Emergency Management Agency ("FEMA") projects at multiple facilities for priority mitigation and major work components which represented $81.7 million of CIP in fiscal year 2020, with CIP totaling $167.9 million as of June 30, 2020. As of 2020's fiscal year end, $4.0 million was placed in service with an estimated cost to complete of $1.4 billion.

Energy efficiency upgrade projects at multiple facilities represented an addition of $40.4 million for fiscal year 2020 in CIP with a total CIP of $37.9 million as of June 30, 2020. These projects had a total budget of $69.0 million estimated for completion.

6. ASSETS RESTRICTED AS TO USE

Assets restricted as to use consist of the following as of June 30th (in thousands):

	2020	2019
Under bond resolutions [a]		
Construction funds	$ 793	$ 789
Capital reserve funds	88,322	87,631
Revenue funds	45,883	44,317
	134,998	132,737
New Market Tax Credit [b]	0	40
Letters of Credit [c]	14,374	13,981
Permanent endowments	928	928
Equipment financing [d]	19,099	21,941
Total assets restricted as to use	169,399	169,627
Less: current portion of assets restricted as to use	31,034	31,142
Assets restricted as to use, net of current portion	$ 138,365	$ 138,485

a. Assets restricted as to use under the terms of the bond resolutions are to provide for debt service requirements and the acquisition of capital assets. Terms of the bond resolutions provide that assets be maintained in separate funds held by the trustee. The construction funds are invested in an interest-bearing negotiable order of withdrawal ("NOW") account, which is fully collateralized. The capital reserve funds are invested primarily in a ten-year U.S. Treasury note and a two-year U.S. Treasury note. Security maturity date decisions are based on the final maturity of the specific bond series, potential need for liquidity due to refunding, and/or an assessment of the current market interest rate conditions. The majority of the revenue funds are invested in U.S. Treasury bills for the time period between one month and a maximum of twelve months. Investments are timed so that funds are available for required semi-annual debt service payments. Possible exposure to fair value losses arising from interest rate volatility is limited by investments in securities having maturities of less than one year and at most ten years and by intending to hold the security to maturity.

b. The New Market Tax Credit ("NMTC") transaction required the execution of a loan agreement between NYC Health + Hospitals/NCF Sub-CDE, LLC and NYC Health + Hospitals. This agreement required NYC Health + Hospitals to fund a National Community Fund ("NCF") Fee Reserve Account, out of which NYC Health + Hospitals payments of interest and fees associated with the loan are drawn (Note 8).

c. As of June 30, 2020, $7.2 million of restricted funds related to letters of credit were invested in T-Bills, $4.25 million in CDs, and $3.9 million in collateralized checking accounts. As of June 30, 2019, $7.2 million of restricted funds related to letters of credit were invested in T-bills, $3.3 million in CDs, and $3.5 million in collateralized checking accounts.

d. The equipment financing escrow funds are mostly invested in United States Treasury Money Market Fund accounts (Note 8).

The current portion is related to the 2013 Series A bonds, 2010 Series A bonds, and the 2008 Series A, B, C, D, and E bonds debt service payable in fiscal year 2020.

NYC Health + Hospitals categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in an active market for identical

assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. NYC Health + Hospitals does not have any assets or liabilities based upon Level 3 inputs. The following presents NYC Health + Hospitals fair value measurements for assets restricted as to use measured at fair value on a recurring basis as of June 30th (in thousands):

	June 30, 2020		
	Fair Value	Level 1	Level 2
U.S. government obligations and securities	$ 169,399	$ 29,377	$ 140,022

	June 30, 2019		
	Fair Value	Level 1	Level 2
U.S. government obligations and securities	$ 169,627	$ 36,032	$ 133,595

Included within assets restricted as to use are T-Bills of approximately $7.2 million for both fiscal years 2020 and 2019, CDs of approximately $4.3 million for both fiscal years 2020 and 2019, and cash and cash equivalents of $3.9 million and $3.5 million for 2020 and 2019, respectively.

7. U.S. GOVERNMENT SECURITIES

U.S. government securities consist of U.S. Treasury bills, U.S. Treasury notes, and U.S. Treasury zero-coupon strips. Such securities are stated at fair value based upon Level 2 inputs, with unrealized and realized gains and losses included in investment income. Securities maturing within a year are presented as current assets. Securities presented as non-current assets mature after a year.

Possible exposure to fair value losses arising from interest rates volatility is limited by investing in securities with maturities of less than one year and, at most, three years, and by intending to hold the security to maturity.

As of June 30th, MetroPlus had the following U.S. government securities (in thousands):

			Investment Maturing in (Years)	
Year	Investment Type	Fair Value	Less than 1	1 to 3
2020	U.S. Treasury bills, notes, bonds and strips	$ 620,241	$ 243,012	$ 377,229
2019	U.S. Treasury bills, notes, bonds, and strips	562,687	296,642	266,045

8. LONG-TERM DEBT

Long-term debt consists of the following as of June 30th (in thousands):

		2020	2019
Bonds payable:			
2013 Series A Fixed Rate Health System Bonds – weighted average interest of 2.44%, payable in installments to 2023:			
Uninsured Bonds (a)	$	112,582	115,680
2010 Series A Fixed Rate Health System Bonds – average interest of 3.89%, payable in installments to 2030:			
Uninsured Bonds (b)		261,453	306,432
2008 Series A Fixed Rate Health System Bonds – weighted average interest of 4.51%, payable in installments to 2026:			
Uninsured Bonds (c)		66,262	75,501
2008 Series B, C, D, and E Variable Rate Health System Bonds – subject to short-term liquidity arrangements, weighted average interest of 1.7919% in 2020 and 2.2023% in 2019 payable in installments to 2031:			
Uninsured Bonds (d)		134,600	139,780
Total Bonds Payable		574,897	637,393
Direct Borrowings			
New Market Tax Credit (e)		—	14,700
JP Morgan Equipment Financing (f)		24,709	36,683
Term Loan and Revolving Loan (Citibank) (g)		42,390	52,260
New York Power Authority ("NYPA") financing (h)	$	40,892	42,647
Total Direct Borrowings		107,991	146,290
Other Debt Agreements			
Key Bank CISCO Leases (i)		—	7,155
Equipment and renovation financing (Sodexo) (j)		4,165	5,116
Henry J. Carter capital lease obligation (k)		16,632	25,096
CISCO Maintenance Financing		36,124	—
Total Other Debt Agreements		56,921	37,367
Total Long-Term Debt		739,809	821,050
Less: current installments		105,598	94,498
Total Long-Term Debt, net of current installn	$	634,211	726,552

Long-term debt activity for the years ended June 30, 2020 and 2019 was as follows (in thousands):

		June 30, 2019 balance	Additions	Reductions	June 30, 2020 balance	Amounts due within 1 year
Long-term debt:						
Bonds payable	$	637,393	-	(62,496)	574,897	61,435
Direct borrowings:						
NYPA financing		42,647	-	(1,755)	40,892	1,615
Equipment and renovation financing		101,214	48,902	(42,728)	107,388	38,257
Henry J. Carter capital lease obligation		25,096	-	(8,464)	16,632	4,291
New Market Tax Credit		14,700	-	(14,700)	-	-
	$	821,050	48,902	(130,143)	739,809	105,598

		June 30, 2018 balance	Additions	Reductions	June 30, 2019 balance	Amounts due within 1 year
Long-term debt:						
Bonds payable	$	698,027	-	(60,634)	637,393	58,605
Direct borrowings:						
NYPA financing		44,328	-	(1,681)	42,647	1,642
Equipment and renovation financing		93,958	35,117	(27,861)	101,214	26,925
Henry J. Carter capital lease obligation		25,096	-	-	25,096	7,002
New Market Tax Credit		14,700	-	-	14,700	324
	$	876,109	35,117	(90,176)	821,050	94,498

Bonds

On November 19, 1992, the Board of Directors for NYC Health + Hospitals adopted the General Resolution requiring NYC Health + Hospitals to pledge substantially all reimbursement revenue, investment income, capital project, and bond proceeds accounts to HHC Capital. All of NYC Health + Hospital's Health System Bonds are secured by the pledge. The General Resolution imposes certain restrictive covenants on the issuance of additional bonds and working capital borrowing, and requires that

NYC Health + Hospitals satisfy certain measures of financial performance, such as maintaining certain levels of net cash available for debt service, as defined, and certain levels of healthcare reimbursement revenue, as defined. For all bonds and direct financings, unless otherwise noted, default provisions exist for failure to make timely payments in full which, when triggered, ultimately require outstanding amounts payable on demand or repossession of items financed by Lessor, if applicable. For all other debt agreements, no default terms are specified. NYC Health + Hospitals has not defaulted on any of its debt.

(a) 2013 Series A Bonds

On March 28, 2013, NYC Health + Hospitals issued $112,045,000 of tax-exempt fixed rate Health System Bonds, 2013 Series A bonds (the "2013 Bonds"). This issuance generated a premium of $21,422,488. This bond issue included $112,045,000 of 3.0% to 5.0% uninsured serial bonds, due through February 15, 2023 with interest payable on February 15th and August 15th.

Proceeds of the 2013 Bonds and $13,229,202 in residual funds from the 2008 Series A bonds were used (i) to refund and redeem all of NYC Health + Hospitals' 2003 Series A bonds totaling $111,810,000; (ii) to refund and defease a portion of NYC Health + Hospitals' 2008 Series A bonds totaling $30,675,000 ($2,405,000 matured in 2014 bearing interest at 4.0%, $16,450,000 matured in 2015 bearing interest at 5.0%, and $11,820,000 matured in 2015 bearing interest at 5% were refunded); and (iii) to pay the cost of issuance of $1,131,283. Proceeds used to refund and redeem the 2003 Series A bonds were deposited with the bond trustee in an amount sufficient to pay the interest and principal of the refunded 2003 Series A bonds to and including their final redemption date of April 22, 2013. Also, proceeds used to refund and defease 2008 Series A bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2008 Series A bonds to and including their final redemption date of February 15, 2015.

NYC Health + Hospitals completed the current refunding of the 2003 Series A bonds and the advance refunding of the 2008 Series A bonds to reduce its total debt service payments over the next 10 years by $23,026,587 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $21,904,183, which is being amortized over the life of the 2013 Bonds.

The following table summarizes debt service requirements as of June 30, 2020 (in thousands):

	Principal	Interest	Total
Years			
2021	$ 34,515	$ 4,558	$ 39,073
2022	36,195	2,901	39,096
2023	37,850	1,145	38,995
Total	108,560	8,604	117,164
Unamortized premium on 2013 Bonds	4,022	-	4,022
	$ 112,582	$ 8,604	$ 121,186

(b) 2010 Series A Bonds

On October 26, 2010, NYC Health + Hospitals issued $510,460,000 of tax-exempt fixed rate Health System Bonds, 2010 Series A bonds (the "2010 Bonds"). This issuance generated a premium of $49,767,349. This bond issue included $345,575,000 of 2.0% to 5.0% uninsured serial bonds, due through February 15, 2025; and a $7,995,000 of 4.125% and $156,890,000 of 5.0% uninsured term bonds due February 15, 2030 with interest payable on February 15th and August 15th of each year.

Proceeds of the 2010 Bonds were used: (i) to finance and reimburse NYC Health + Hospitals for the costs of its capital improvement program of $199,758,168; (ii) to refund and redeem all of NYC Health + Hospitals' 1999 Series A bonds totaling $199,715,000; (iii) to refund and defease substantially all of NYC Health + Hospitals' 2002 Series A bonds totaling $142,315,000 ($11,905,000 of the 2002 Series A bonds were not refunded); (iv) to fund the Capital Reserve Fund of $1,751,329; and (v) to pay the cost of issuance of $3,281,608. Proceeds used to refund and redeem the 1999 Series A bonds were deposited with the bond trustee in an amount sufficient to pay the interest and principal of the refunded 1999 Series A bonds to and including their final redemption date of November 26, 2010. Also, proceeds used to refund and defease 2002 Series A bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series A bonds to and including their final redemption date of February 15, 2012.

The following table summarizes debt service requirements as of June 30, 2020 (in thousands):

	Principal	Interest	Total
Years			
2021	$ 11,970	$ 12,452	$ 24,422
2022	12,485	11,875	24,360
2023	13,145	11,238	24,383
2024	27,560	10,311	37,871
2025	25,695	8,971	34,666
2026 - 2030	164,885	24,039	188,924
Total	255,740	78,886	334,626
Unamortized premium on 2010 Bonds	5,713	-	5,713
	$ 261,453	$ 78,886	$ 340,339

(c) 2008 Series A Bonds

During fiscal 2009, NYC Health + Hospitals restructured its 2002 Series B, C, D, E, F, G, and H auction rate bonds of $346,025,000. The related bond insurance was canceled. The auction rate bonds were refunded into uninsured fixed rate bonds (2008 Series A - $268,915,000, of which $152,890,000 was used for refunding and the remaining $116,025,000 used for capital projects) and into variable rate bonds supported by letters of credit (2008 Series B, C, D, and E - $189,000,000).

On August 21, 2008, NYC Health + Hospitals issued $268,915,000 of tax-exempt fixed rate Health System Bonds, 2008 Series A bonds ("2008 Series A Bonds"). This issuance generated a premium of $9,939,369. This bond issue included $245,725,000 of 4.0% to 5.5% uninsured serial bonds, due through February 15, 2026; a 5% uninsured term bond of $11,295,000 due February 15, 2024; and a 5% uninsured term bond of $11,895,000 due February 15, 2025 with interest payable on February 15th and August 15th.

Proceeds of the 2008 Series A Bonds and $4,359,500 in residual funds from the 2002 Series B, C, and H bonds were used: (i) to finance and reimburse NYC Health + Hospitals for the costs of its capital improvement program of $99,367,379; (ii) to refund and defease all of NYC Health + Hospitals' 2002 Series B, C, and H auction rate bonds totaling $156,750,000; (iii) to finance $2,285,938 in interest during the escrow period; (iv) to fund the Capital Reserve Fund of $22,755,766; and (v) to pay the cost of the issuance of $2,054,786. Proceeds used to refund and defease 2002 Series B, C, and H bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series B, C, and H bonds to and including their final redemption date of September 24, 2008.

On March 28, 2013, NYC Health + Hospitals refunded and defeased a portion of the 2008 Series A bonds scheduled to mature in 2014 and 2015.

(d) 2008 Series B, C, D, and E Bonds

On September 4, 2008, NYC Health + Hospitals issued $189,000,000 of tax-exempt variable rate Health System Bonds, 2008 Series B, C, D, and E bonds (the "2008 Variable Rate Bonds"). This issuance included four sub-series, consisting of $50,470,000 of 2008 Series B bonds, $50,470,000 of 2008 Series C bonds, $44,030,000 of 2008 Series D bonds, and $44,030,000 of 2008 Series E bonds. The 2008 Series B and C bonds are due February 15, 2025 through February 15, 2031 and the 2008 Series D and E bonds are due through February 15, 2026. The 2008 Variable Rate Bonds are supported by irrevocable direct-pay letters of credit issued from two banks. The 2008 Series B and C letters of credit were issued by TD Bank N.A. with expiration date on September 3, 2023 and the D and E letters of credit was issued by JPMorgan Chase Bank N.A. with expiration date on July 1, 2022.

NYC Health + Hospitals maintains letters of credit to ensure the availability of funds to purchase any bonds tendered by bondholders that the remarketing agents are unable to remarket to new bondholders. Draws related to such tenders under the letters of credit will become Bank Bonds. As Bank Bonds, they can still be remarketed by the remarketing agents. If not remarketed successfully as Bank Bonds, NYC Health + Hospitals will have the opportunity to refinance them during a period of up to 365 days from initial draw date. If the Bank Bonds are not refunded and remain outstanding exceeding 365 days from initial draw date, NYC Health + Hospitals will be required to make quarterly payments over four years commencing one year after the initial draw date. There were no draws under the letters of credit as of June 30, 2020.

The initial interest rates for the 2008 Variable Rate Bonds were set at 1.45%–1.50%, bearing interest at a weekly interest rate mode. However, the 2008 Variable Rate Bonds of any series may be converted by NYC Health + Hospitals to bear interest at either a daily interest rate, a bond interest term rate, an NRS (nonputable remarketed securities) rate, an auction rate, an index rate, or a fixed rate. The overall weighted average interest rate was 1.79% for 2020 and 2.20% for 2019.

Proceeds of the 2008 Variable Rate Bonds and $3,920,273 in residual funds from the 2002 Series D, E, F, and G bonds were used: (i) to refund and defease all of NYC Health + Hospitals' 2002 Series D, E, F, and G auction rate bonds totaling $189,275,000; (ii) to finance $3,019,115 in interest during the escrow period; and (iii) to pay cost of issuance of $626,158. Proceeds used to refund and defease 2002 Series D, E, F, and G bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series D, E, F, and G bonds through their final redemption date of October 10, 2008.

The following table summarizes debt service requirements for all of the 2008 Series Bonds as of June 30, 2020 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2020:

	Principal	Interest	Total
Years			
2021	$ 14,950	$ 3,441	$ 18,391
2022	15,575	2,893	18,468
2023	16,275	2,315	18,590
2024	16,960	1,727	18,687
2025	20,895	1,141	22,036
2026 - 2030	98,710	804	99,514
2031	17,390	15	17,405
Total	200,755	12,336	213,091
Unamortized premium on 2008 Bonds	107	-	107
	$ 200,862	$ 12,336	$ 213,198

Direct Borrowings

(e) New Market Tax Credit

In 2012, NYC Health + Hospitals entered into a New Market Tax Credit ("NMTC"), a financing transaction, to fund construction of a new maternal postpartum unit at the Harlem Hospital Center. The transaction, structured under Section 45D of the Internal Revenue Code ("IRC"), involved a complex structure designed to meet IRC requirements.

NYC Health + Hospitals formed HHCAC to assist NYC Health + Hospitals with various financial and other matters and initially to help finance the NMTC transaction. NYC Health + Hospitals financed HHCAC with $10.7 million, which was loaned to HHC/NCF Sub-CDE, LLC ("Sub-CDE"), a Missouri limited liability company controlled by U.S. Bancorp Community Development Corporation ("U.S. Bank"). The Sub-CDE used the funds loaned by HHCAC together with outside investors' capital to make two loans to NYC Health + Hospitals in the amounts of approximately $10.7 million and $4.0 million. Both loans are at interest rates of 1.217%. The principal on the two loans is not payable, and cannot be paid, until the end of

the seventh year, at which time the principal on both loans are due ratably over the remaining 23 years of their term. U.S. Bank may, however, exercise a put option to require NYC Health + Hospitals to purchase the entire equity in the Sub-CDE for $1,000 at the end of the seventh year. The larger of the two loans, through several intermediaries, is ultimately due to HHCAC. The smaller of the two loans would also become due to NYC Health + Hospitals or a controlled entity if the put option is exercised.

In November 2019, U.S. Bank exercised its put option. In accordance with the terms of the put, NYC Health + Hospitals acquired all of the equity in the Sub-CDE for $1,000. Upon such acquisition, the smaller of the two loans became due by NYC Health + Hospitals to itself, effectively un-winding the transaction as originally anticipated.

(f) Equipment Financing Agreement (JPMorgan Chase Bank)

On July 9, 2015, NYC Health + Hospitals ("Borrower") entered into a $60.0 million Equipment Financing Agreement ("JPMorgan Agreement") with JPMorgan Chase Bank ("Lender") for the purpose of financing medical, information technology, and other equipment with useful lives ranging from 5 to 10 years. The JPMorgan Agreement is a drawdown loan, which allows NYC Health + Hospitals to make multiple draws (i.e., borrowings) up to August 1, 2017 for an aggregated not-to-exceed amount of $60.0 million. During the drawdown period, all borrowings will incur monthly interest expense based on an agreed-upon variable rate formula. On July 9, 2015, NYC Health + Hospitals drew down $10.0 million at the initial interest rate of 0.9318%. On July 31, 2017, NYC Health + Hospitals drew down the remaining $50.0 million and thereafter converted the $60.0 million outstanding loan to a fixed rate loan at the interest rate of 2.088%, which was based on an agreed-upon fixed rate formula with a final maturity of July 1, 2022. The debt is secured by a lien on the equipment financed and a second lien on Health Care Reimbursement Revenues.

(g) Term Loan and Revolving Loan (Citibank)

On October 14, 2015, NYC Health + Hospitals entered into a $60.0 million revolving loan with Citibank for the purpose of financing Community Reinvestment Act-eligible capital projects. The revolving loan allows NYC Health + Hospitals to borrow up to $60.0 million at any time in advance of the maturity date and repay in full no later than the maturity date, which was October 12, 2018.

On October 14, 2015, NYC Health + Hospitals initiated a draw-down of $10.0 million at the initial interest rate of 0.77% ("Prior Loan").

On November 1, 2017, NYC Health + Hospitals entered into a $30.0 million Term Loan and $30.0 million Revolving Loan with Citibank to refinance the Prior Loan and to finance additional Community Reinvestment Act-eligible capital projects. On November 1, 2017, NYC Health + Hospitals borrowed $30.0 million on the Term Loan at a fixed interest rate of 2.17% and refinanced the then outstanding $10.0 million Prior Loan. The Term Loan maturity date is November 1, 2022.

The $30.0 million Citibank Revolving Loan allows NYC Health + Hospitals to make multiple draws (i.e., borrowings) up to October 31, 2018 for an aggregated not-to-exceed amount of $30.0 million.

On October 30, 2018, NYC Health + Hospitals borrowed the remaining $30.0 million Revolving Loan to finance Community Reinvestment Act-eligible capital projects. The initial interest rate for the Revolving Loan was set at 2.20% and is to be reset weekly based on the SIFMA index plus a margin. The final maturity of the Revolving Loan is October 30, 2023. The overall average interest rate was 1.75% for 2020 and 2.23% for 2019.

Both the Term Loan and the Revolving Loan are secured by a second lien on Health Care Reimbursement Revenues.

In addition to default provisions mentioned earlier in this section, this loan has an additional default trigger associated with the Borrower's rating being reduced to a category below BBB+ by S&P, BBB+ by Fitch or below Baa1 by Moody's, or if the Borrower's rating is removed, withdrawn for credit-related reasons or suspended for any reason. In any of these situations occur, the Loan shall be subject to mandatory prepayment.

(h) New York Power Authority Financing

NYC Health + Hospitals has had two energy efficiency upgrade projects at both Metropolitan and Elmhurst hospitals in the last few years. The projects fall under NYPA's energy efficiency program which allows for NYPA to provide construction management, interim financing, and long-term financing upon project completion for qualifying projects. During fiscal year 2018, both projects were largely completed and placed into service, thereby moving costs from CIP to assets with long-term debt associated with their costs. The long-term debt agreement was finalized in August 2018 and debt service payments began at that time.

On August 1, 2018, the Corporation began debt service payments related to the two boiler projects constructed and financed by NYPA at Elmhurst and Metropolitan Hospitals. The tax-exempt variable rate loan amounts are based on construction spending, plus capitalized interest, minus certain grant funding received from the City of New York from May 1, 2011 to May 31, 2018, which represents greater than 95%

of the projects' completion. Upon the completion of the projects, the remaining construction costs will be added to the balance of the respective loans and will be repaid in the remaining loan term.

On August 1, 2018, the Elmhurst Hospital loan amount was $21.5 million and the Metropolitan Hospital loan amount was $22.8 million, and both loans were set at the initial variable interest rate of 1.43% with a 20-year maturity date of August 1, 2038. Monthly debt service for Elmhurst and Metropolitan Hospitals are $0.103 million and $0.110 million, respectively, and began on September 4, 2018. The interest rates of the variable rate loans are to be reset annually in January or February by NYPA based on NYPA's prior 12 months' funding cost.

The interest rates of the variable rate loans were reset in January 2020 for 2.79%. Monthly debt service for Elmhurst and Metropolitan Hospitals are $0.116 million and $0.124 million, respectively.

The following table summarizes debt service requirements as of June 30, 2020 (in thousands):

	Principal	Interest	Total
Years			
2021	$ 1,615	$ 1,027	$ 2,642
2022	1,809	1,073	2,882
2023	1,860	1,022	2,882
2024	1,913	969	2,882
2025	1,967	915	2,882
2026 - 2030	10,701	3,709	14,410
2031 - 2035	12,301	2,109	14,411
2036 - 2039	8,725	401	9,127
Total	$ 40,892	$ 11,226	$ 52,118

Other Debt Agreements

(i) Key Bank CISCO Leasing

On October 30, 2015, NYC Health + Hospitals entered into a $5.7 million taxable lease purchase agreement ("Taxable 1") and a $5.8 million tax-exempt lease purchase agreement ("TELP 1") with Key Government Finance, Inc. to purchase a Cisco Enterprise License Agreement that provides the operating software for all of NYC Health + Hospitals' voice over internet protocol phones and devices. Both have maturity dates of January 30, 2020.

On November 25, 2015, NYC Health + Hospitals entered into a $10.2 million tax-exempt lease purchase agreement ("TELP 2") with Key Government Finance, Inc. to fund the cost of renovations at two hospitals and health centers. On the same day, NYC Health + Hospitals entered into a $13.7 million tax-exempt lease purchase agreement ("TELP 3") with Key Government Finance, Inc. to fund the cost of Cisco and Cisco-partner equipment for the same facilities above; both of which have a maturity date of February 25, 2020.

NYC Health + Hospitals does not pay interest on the Taxable 1, TELP 1 and TELP 3 financing agreements as they are non-interest bearing. The interest rate for the TELP 2 financing agreement is 3.525%. The debt for each of the agreements is secured by the equipment financed.

On September 30, 2019, NYC Health + Hospitals entered into a $48.9 million taxable lease purchase agreement ("Taxable 2") with Key Government Finance, Inc. to purchase a Cisco SmartNet Agreement to support all of NYC Health + Hospitals' Cisco networking equipment, including voice over internet protocol phones, wireless communication equipment, and devices. The debt for the agreement is secured by the equipment financed and the maturity date is June 30, 2022.

(j) Equipment and Renovation (Sodexo)

In 2005, NYC Health and Hospitals executed a contract with Sodexo Dietary Division, US Foods, and GNYHA Ventures (the "Consortium") related to the food services provided at NYC Health and Hospitals facilities. As part of that agreement, the Consortium and NYC Health + Hospitals agreed upon financing arrangement whereby renovations were made to NYC Health + Hospitals food processing equipment and monthly payments were made over periods not to exceed 10 years. In January 2015, the Consortium committed an additional $8.0 million to modernize and improve dietary operations at various facilities.

The Consortium is responsible for $1.5 million and NYC Health + Hospitals is responsible for remaining $6.5 million. The $6.5 million is amortized over the remaining contract term, and payment is made monthly as part of the contract. In the event of termination of the agreement, the NYC Health + Hospitals will be responsible for payment in full of the $1.5 million funded by the Consortium. All assets acquired under this addendum to the master agreement have been capitalized and the related obligation is reflected in the accompanying financial statements.

There is no interest on this transaction. Monthly payments are payable in the amount of a daily specified rate of $2,580 multiplied by the number of days in that month. The last payment is due December 2024.

(k) Henry J. Carter Capital Lease Obligation

In September 2010, NYC Health + Hospitals and The City of New York entered into a Memorandum of Understanding ("MOU") with the NYSDOH, DASNY, and North General Hospital, to relocate the Goldwater operations of the Coler-Goldwater Specialty Hospital and Nursing Facility to the North General Hospital campus in northern Manhattan. This relocation allowed NYC Health + Hospitals to relinquish an aging and outdated campus, while facilitating the reorganization and downsizing of NYC Health + Hospitals' long-term care services consistent with NYC Health + Hospitals' restructuring plan.

The MOU provides for a capital lease of the existing North General Hospital building that was renovated to house long-term acute care hospital services. NYC Health + Hospitals has also acquired a parking lot on the North General campus, where a new tower building has been constructed to house skilled nursing services. NYC Health + Hospitals renamed the site of the former North General Hospital to the Henry J. Carter site. The City financed acquisition, renovation, and construction of the Henry J. Carter campus, with supplemental funding from State grants.

A lease agreement was executed in June 2011. The lease expires at the later of the date of full repayment of the North General Hospital DASNY bonds issued in relation to the leased property or the date of NYC Health + Hospitals' rent payment based on the final Medicaid capital reimbursement receipt attributable to

depreciation expense for the leased assets. Assets acquired under this lease agreement have been capitalized and the related obligation is reflected in the accompanying financial statements. Upon expiration of the lease, all leased property will be conveyed to NYC Health + Hospitals, upon payment of a nominal sum. The interest rate for this obligation is 3.28%.

The following table summarizes debt service requirements as of June 30, 2020 (in thousands):

	Principal	Interest	Total
Years			
2021	$ 4,291	$ 1,605	$ 5,896
2022	1,476	383	1,859
2023	1,525	334	1,859
2024	1,575	283	1,858
2025	1,628	230	1,858
2026 - 2029	6,137	367	6,504
Total	$ 16,632	$ 3,202	$ 19,834

(l) Letter of Credit and Guaranty (TD Bank)

On May 30, 2019, NYC Health + Hospitals issued a Guaranty to TD Bank in connection to TD Bank's issuance of an unsecured Irrevocable Standby Letter of Credit in the amount of $1,250,000 for the benefit of the CMS on behalf of HHC ACO, a blended component unit of the NYC Health + Hospitals. The Guaranty is a continuing guaranty of payment and performance of the HHC ACO. The expiration of the letter of credit is December 31, 2021, with an annual automatic renewal and a final expiration date not exceeding December 1, 2025. As of June 30, 2020, there were no draws on the letter of credit.

Upon the occurrence and during the continuance of any Events of Default, such as failure to pay any required payment when due, amounts unpaid when due will bear interest at the Default Rate of 3% plus the Prime Rate or the highest rate permitted by law from the due date until the date paid.

HHC ACO is a New York accountable care organization that participates in the MSSP (Note 1). The MSSP is an alternative payment model that promotes coordinated care for Medicare fee-for-Service beneficiaries by holding providers accountable for quality and cost of care. The goal of coordinated care is to ensure that patients get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors. When an ACO succeeds both in delivering high-quality care and reducing healthcare spend, that ACO will share in the savings it achieves for the Medicare program.

The HHC ACO participates in a two-sided risk model which potentially provides the highest reward to the HHC ACO, as well as a potential for shared losses. In this model, the MSSP requires all participating ACOs to provide a letter of credit, escrow fund, or surety bond to CMS to guarantee repayment of any liability for shared losses incurred. As such, ACO chose to issue a letter of credit.

(m) Letter of Credit 1199

On December 18, 2015, NYC Health + Hospitals established a letter of credit totaling $4.3 million to secure amounts for the benefit of 1199 SEIU Health Care Employees Pension Fund resulting from NYC Health + Hospitals' assumption of pension liabilities for certain Correctional Health Services employees. The letter of credit has an automatic annual extension with a final expiration date of December 31, 2020. No amount has been drawn against this letter of credit.

(n) Letter of Credit 55 Water

On September 17, 2013, NYC Health + Hospitals established a letter of credit eventually totaling $7.5 million to secure its performance under a lease entered into with New Water Street Corp. for space located at 55 Water Street, New York, New York. The letter of credit has an automatic annual extension with a final expiration date of September 12, 2033. No amount has been drawn against this letter of credit.

(o) Letter of Credit Captive

NYC Health + Hospitals established a letter of credit on behalf of the HHC Insurance Company to fulfill a requirement by the New York State Insurance Department for captive insurance companies to hold certain monies in reserve. The letter of credit was issued in the amount of $250,000 for the benefit of NYSDFS. It is automatically renewable annually. No amount has been drawn against this letter of credit.

9. DUE TO THE CITY OF NEW YORK, NET

Amounts due to/(from) the City consist of the following at June 30th (in thousands):

	2020	2019
FDNY EMS operations [a]	$ 375,742	$ 187,713
Medical malpractice payable [b]	41,114	109,419
Other accrued expenses [c]	14,604	26,018
Debt service [d]	-	0
Capital contributions from the City of New York	(48,680)	(22,563)
	$ 382,780	$ 300,587

a. The liability for Emergency Medical Services ("EMS") operations represents the balance of third-party payor reimbursement received by NYC Health + Hospitals and due to the City for EMS services provided by the City of New York's Fire Department ("FDNY") on behalf of NYC Health + Hospitals.

b. Payable represents final malpractice balances due to the City (Note 1(g)).

c. Payable mainly represents final and reconciled fringe benefit costs.

d. Payable represents final and reconciled debt service costs. No liability was attributable to either fiscal year 2019 or fiscal year 2020 as the City paid the liability each year on behalf of NYC Health + Hospitals.

10. PENSION PLAN

NYC Health + Hospitals participates in the New York City Employees Retirement System ("NYCERS") Qualified Pension Plan ("QPP"), which is a cost-sharing, multiple-employer public employees' retirement system. NYCERS provides defined-pension benefits to 190,572 active municipal employees, 154,116 pensioners, 21,389 deferred vested, and 28,483 members who are no longer on payroll through $77.4 billion in assets. Employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCERS, and all other employees are eligible to participate in NYCERS. NYCERS provides pay-related retirement benefits, as well as death and disability benefits. Total amounts of NYC Health + Hospitals' covered payroll for the years ended June 30, 2019 and 2018 were approximately $2.02 billion and $2.1 billion, respectively. NYCERS issues a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS, 335 Adams Street, Brooklyn, New York 11201 or from the following website: https://www.nycers.org/comprehensive-annual-financial-report.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of NYCERS and additions to/deductions from NYCERS' fiduciary net position have been determined on the same basis as they are reported by NYCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NYCERS QPP provides three main types of retirement benefits: service retirements, ordinary disability retirements (non-job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different "Tiers". The members' Tiers are determined by the date of membership in the QPP. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 or 10 years of service. Employees may be required to contribute a percentage of their salary to the pension plan based on their Tier, determined by their date of membership in the plan. Annual pension benefits can be calculated as a percentage of final average salary multiplied by the number of years of service and changes with the number of years of membership within the plan.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS Board. Employees' contributions are determined by their Tier and number of years of service. Statutorily required contributions ("Statutory Contributions") to NYCERS, determined by the New York City Office of the Actuary in accordance with State statutes and City laws, are funded by the Employer within the appropriate fiscal year.

NYC Health + Hospitals' net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense is calculated by the Office of the Actuary, City of New York (the "Actuary"), and includes the information for MetroPlus. At June 30, 2020 and 2019, NYC Health + Hospitals reported a liability of $2.9 billion and $2.6 billion, respectively, for its proportionate share of the NYCERS net pension liability. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019 and June 30, 2018, and rolled forward to each respective fiscal year. NYC Health + Hospitals' proportion for the net pension liability for each fiscal year was based on NYC Health + Hospitals' actual contributions to NYCERS relative to the total contributions of all participating

employers for 2020 and 2019, which was 13.6% and 14.0%, respectively. NYC Health + Hospitals made contributions of $505.6 million and $515.5 million for 2020 and 2019, respectively.

(a) Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation, measurement date of the pension liability, was determined using the following actuarial assumptions:

Inflation	2.5% per annum
Projected salary increases	In general, merit and promotion increases plus assumed general wage increase of 3.0% per annum
Investment rate of return	7.0%, net of pension plan investment expense
Cost of living adjustment	1.5% per annum for Tier 1, Tier II, Tier IV, and certain Tier III and Tier VI retirees 2.5% per annum for certain Tier II and Tier VI retirees

Mortality rates and methods, as well as retirement, disability, withdrawal, and salary scale, used in determination of the total pension liability were proposed by the Actuary and adopted by each of the five New York City Retirement Systems' ("NYCRS") Boards of Trustees during fiscal year 2019. These tables were based primarily on the experience of each system and the application of Mortality Improvement Scale, MP-2018, published by the Society of Actuaries in October 2018 and the Mortality Base Tables as updated by Bolton, Inc. in its 10-year Experience Study ending on June 30, 2017. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCRS are conducted every two years.

Mortality tables for service and disability pensioners were developed from an experience study of the Plan. The mortality tables for beneficiaries were developed from an experience review. For more details, see the NYCRS "2019 Assumptions and Methods (A&M)" reports available on the Office of the Actuary's website: https://www1.nyc.gov/site/actuary/reports/reports.page.

(b) Expected Rate of Return on Investments

The long-term expected rate of return on QPP investments was determined using a building-block method in which best-estimate ranges of expected real rates of return (i.e. expected returns, net of QPP investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target Target Asset Allocation	Long-term expected real rate of return
Public Markets:		
U.S. Public Market Equities	27.0%	7.6%
Developed Public Market Equities	12.0%	7.7%
Emerging Public Market Equities	5.0%	10.6%
Fixed Income	30.5%	3.1%
Private Markets (Alternative Investments):		
Private Equity	8.0%	11.2%
Private Real Estate	7.5%	7.0%
Infrastructure	4.0%	6.8%
Opportunisitc Fixed Income	6.0%	6.5%
	100.0%	

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 was 7.0%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that Employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS fiduciary net position is projected to be available to make all projected future benefit payments of current active and non-active NYCERS members. Therefore, the long-term expected rate of return on NYCERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents NYC Health + Hospitals' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what NYC Health + Hospitals' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (in billions):

	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
NYC Health + Hospitals' proportionate share of the net pension liability	$ 3.988	$ 2.585	$ 1.401

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and (inflows) at June 30, 2019 and 2018 (in thousands):

	2019	2018
Differences between projected and actual earnings on pension plan investments	$ (153,789)	$ (147,939)
Differences between expected and actual experience	36,595	(255,369)
Changes in Assumptions	(106,760)	69,160
Differences between employer contributions and proportionate share of contributions	(151,520)	15,759
Adjustment for Census Data Fix	(102,156)	-

The deferred inflows and (outflows) of resources at June 30, 2019 will be recognized in expense as follows (in thousands):

	Amount
Year Ended June 30,	
2020	$ 182,985
2021	161,704
2022	72,094
2023	43,962
2024	15,379
2025	1,506
	$ 477,630

(e) Annual Pension Expense

NYC Health + Hospitals' annual pension expense for fiscal years ended 2019 and 2018, which includes contributions toward the actuarially determined accrued liability, including the information for MetroPlus, was approximately $527.0 million and $404.2 million, respectively.

11. POSTEMPLOYMENT BENEFITS, OTHER THAN PENSION

The other postemployment benefits ("OPEB") provided to NYC Health + Hospitals is managed by The New York City Other Postemployment Benefits Plan, a fiduciary component unit of the City of New York, and is classified as a single employer plan under GASB 75, as amended by GASB 85.

In accordance with collective bargaining agreements, NYC Health + Hospitals provides OPEB that includes basic healthcare benefits to eligible retirees and dependents at no cost to many of the participants. Basic healthcare premium costs that are partially paid by NYC Health + Hospitals for the remaining participants vary according to the terms of their elected plans. To qualify, retirees must: (i) have at least 10 years of credited service (five years of credited service if employed on or before December 27, 2001) as a member of a pension system approved by the City (requirement does not apply if retirement is as a result of accidental disability); (ii) have been employed by NYC Health + Hospitals prior to retirement; (iii) have worked regularly for at least 20 hours a week at termination of active service; and (iv) be receiving a pension check from a retirement system maintained by the City or another system approved by the City.

At June 30, 2019, the following employees were covered by the benefit terms:

Employees covered by benefit terms	
Active	29,835
Actives Off Payroll	6,172
Deferreds	3,316
Retirees	22,995
Total	62,318

NYC Health + Hospitals' total OPEB liability, deferred inflows of resources, and OPEB expense is calculated by the Actuary, and includes the information for Metroplus.

Contributions: NYC Health + Hospitals funds the postretirement benefits program on a pay-as-you go basis. In 2020 and 2019, NYC Health + Hospitals' contributions were $230.8 million and $171.6 million, respectively, which includes amounts for the implicit rate subsidy. For the years ended June 30, 2020 and 2019, the NYC Health + Hospitals' average contribution rate was 9.9 percent and 7.7 percent, respectively, of covered-employee payroll. Employees are not required to contribute to the plan.

Total OPEB Liability: NYC Health + Hospitals total OPEB liability measured at June 30, 2020 and 2019 of $5.4 billion and $5.6 billion, respectively, were determined by actuarial valuations as of June 30, 2019 and June 30, 2018, respectively.

(a) Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.0 percent per annum
Investment rate of return	4.0 percent, net of investment expenses includes an inflation rate of 2.5 percent
Healthcare cost trend rates	1.5 percent and 2.5 percent for various Tiers
Pre-Medicare Plans	7.0 percent for 2019, remaining level in 2019 and decreasing 0.25 percent per year thereafter to an ultimate rate of 4.5 percent for 2030 and later years
Medicare Plans	5.0 percent for 2019 and 2020, decreasing by .1 percent every two year period thereafter to an ultimate rate of 4.5 percent for 2030 and later years
Welfare Fund Contributions	3.5 percent for 2019 and thereafter

Mortality rates and methods, as well as retirement, disability, withdrawal, and salary scale, used in determination of the total OPEB liability were proposed by the Actuary and adopted by each of the five NYCRS Boards of Trustees during fiscal year 2019. These tables were based primarily on the experience of each system and the application of Mortality Improvement Scale, MP-2018, published by the Society of Actuaries in October 2018 and the Mortality Base Tables as updated by Bolton, Inc. in its 10-year Experience Study ended on June 30, 2017. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCRS are conducted every two years. For more details, see the NYCRS "2019 Assumptions and Methods (A&M)" reports available on the Office of the Actuary's website: https://www1.nyc.gov/site/actuary/reports/reports.page.

(b) Changes in the Total OPEB Liability (in thousands)

	2020 Activity Total OPEB Liability	2019 Activity Total OPEB Liability
Balances at end of prior fiscal year	$ 5,559,104	$ 5,208,916
Changes for the year		
Service cost	264,512	307,104
Interest	159,281	161,840
Difference between expected and actual experience	(450,871)	858,811
Change in assumptions	99,391	(806,009)
Actual benefit payments	(230,815)	(171,558)
Other changes	(41,078)	-
Net changes	(199,580)	350,188
Balances at June 30, 2020 and 2019, respectively	$ 5,359,524	$ 5,559,104

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 and 2019 was 2.66% and 2.79%, respectively, based on the Municipal Bond 20-year high grade index rate.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents NYC Health + Hospitals' total OPEB liability calculated using the discount rate of 2.66%, as well as what NYC Health + Hospitals' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66%) or 1 percentage point higher (3.66%) than the current rate (in millions):

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
NYC Health + Hospitals' total OPEB liability	$ 6,222	$ 5,360	$ 4,675

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents NYC Health + Hospitals' total OPEB liability calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates (in millions):

	1% Decrease (6.0% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% Decreasing to 4.5%)	1% Increase (8.0% Decreasing to 5.5%)
NYC Health + Hospitals' total OPEB liability	$ 4,511	$ 5,360	$ 6,463

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at June 30, 2020 and 2019 (in thousands):

	June 30, 2020		June 30, 2019	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 641,531	$ 436,175	$ 794,375	$ 83,503
Changes in assumptions	141,713	808,734	75,839	1,037,296
Net	$ 783,244	$ 1,244,909	$ 870,214	$ 1,120,799

The net deferred outflows and (inflows) of resources at June 30, 2020 will be recognized as follows (in thousands):

	Amount
Year Ending June 30,	
2021	$ (140,399)
2022	(137,555)
2023	(82,508)
2024	(36,607)
2025	(54,359)
Thereafter	(10,237)
	$ (461,665)

(e) Annual OPEB Expense

NYC Health + Hospitals' annual OPEB expenses for fiscal years ended 2020 and 2019, including the information for MetroPlus, were $242.3 million and $385.4 million, respectively. Implicit rate subsidy credits of $3.5 million and $30.0 million contributed to the reduction of OPEB expenses for 2020 and 2019, respectively.

12. COMMITMENTS AND CONTINGENCIES

(a) Reimbursement

NYC Health + Hospitals derives significant third-party revenue from the Medicare and Medicaid programs. Medicare reimburses most inpatient acute services on a prospectively determined rate per discharge, based on diagnosis-related groups ("DRGs") of illnesses, i.e., the Prospective Payment System ("PPS"). Long-term acute care is also reimbursed under a PPS. For outpatient services, Medicare payments are based on service groups called ambulatory payment classifications.

Medicare provides PPS reimbursement for psychiatric units on a per diem basis, recognizing the intensity of care provided to the patients. NYC Health + Hospitals also receives Medicare payments for rehabilitation services using a PPS methodology, which requires facilities to complete patient health assessments. Using these assessments, Medicare defines a case-based payment, accounting for acuity, and comorbidities.

Medicare adjusts the reimbursement rates for capital, medical education, and the costs related to treating a disproportionate share of indigent patients. Additionally, some physician services are reimbursed on a cost basis. Due to these adjustments and other factors, final determination of the reimbursement settlement for a given year is not known until Medicare performs its annual audit. Medicare cost report audits and final settlements have been completed for most NYC Health + Hospitals facilities through fiscal year 2017; two facilities have outstanding fiscal year 2017 final settlements.

Effective January 1, 1997, the New York State enacted the Healthcare Reform Act ("HCRA"), which covers Medicaid, Workers' Compensation, and No-Fault. In January 2000, the State passed HCRA 2000 extending the HCRA methodology until June 30, 2003, which has subsequently been extended several times, and is now scheduled to expire March 31, 2023.

HCRA continues funding sources for public goods pools to finance healthcare for the uninsured and fund initiatives in primary care. Under HCRA, the State continues to pay outpatient reimbursements under Ambulatory Patient Groups for ambulatory surgery services, emergency room services, diagnostic and treatment center medical services, and most chemical dependency and mental health clinic services, and provides for service intensity adjusted prospective payments based on patient diagnoses and procedures groupings. Outpatient services for all non-governmental payors are based on charges or negotiated rates.

Medicaid pays for inpatient acute care services on a prospective basis using a combination of Statewide and hospital-specific 2015 costs per discharge adjusted to meet State budget targets and for severity of illness based on DRGs. Certain hospital-specific non-comparable costs are paid as flat-rate-per-discharge add-ons to the DRG rate. Certain psychiatric, rehabilitation, long-term acute care, and other services are excluded from this methodology and are reimbursed on the basis of per diem rates. Per diem reimbursement for inpatient psychiatric services is determined by a PPS methodology taking into account comorbidities and length of stay.

Commercial insurers, including Health Maintenance Organization's ("HMO's"), pay negotiated reimbursement rates or usual and customary charges, with the exception of inpatient Medicaid HMO cases that may be paid at the State-determined Payment Rate, which is related to the Medicaid rate. In addition, the State pays hospitals directly for graduate medical education costs associated with Medicaid HMO patients. NYC Health + Hospitals' current negotiated rates include per case, per diem, per service, per visit, partial capitation, and value-based payment arrangements.

NYC Health + Hospitals is in varying stages of appeals relating to third-party payors' reimbursement rates. Management routinely provides for the effects of all determinable prior year appeals, settlements, and audit adjustments and records estimates based upon existing regulations, past experience, and discussions with third-party payors. However, since the ultimate outcomes for various appeals are not presently determinable, no provision has been made in the accompanying financial statements for such issues.

Certain provisions of PPS and HCRA require retroactive rate adjustments for years covered by the methodologies. Those that can be reasonably estimated have been provided for in the accompanying financial statements. However, those that are either (a) without current specific regulations to implement them or (b) are dependent upon certain future events that cannot be assumed have not been recorded in the accompanying financial statements.

There are various proposals at the federal and State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Laws and regulations governing Medicaid and Medicare are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. NYC Health + Hospitals believes that it is in compliance with all applicable regulations and that any pending or possible investigations involving allegations of potential wrongdoing will not materially impact the accompanying financial statements. While certain regulatory inquiries have been made, compliance with the regulations can be subject to future government review and interpretation as well as significant regulatory action, e.g., fines, penalties, and possible exclusion from Medicaid and Medicare, in the event of noncompliance. NYC Health + Hospitals has a Corporate Compliance Committee and a Corporate Compliance Officer to monitor adherence to laws and regulations.

(b) Risks to Supplemental Medicaid Reimbursement

As the country's largest municipal provider of safety net care to low income and uninsured patients, NYC Health + Hospitals relies heavily on a variety of supplemental safety net funding programs, to augment below cost reimbursements received from government and subsidized insurances, and to support care for the uninsured and underinsured. Chief among these is the Medicaid DSH program, from which NYC Health + Hospitals' facilities received $1.3 billion in fiscal year 2020. These programs are subject to many laws and regulations at both the State and federal level, changes to which may result in significant implications for NYC Health + Hospitals.

i. Federal Medicaid DSH Reductions

The ACA included reductions in Medicaid DSH funds that were originally scheduled to begin in federal fiscal year 2014, and totaled $18.0 billion through federal fiscal year 2020. The ACA DSH

cuts were premised on the expectation that growth in insurance coverage through Medicaid expansion and the new ACA offerings would reduce hospital need for DSH funds. However, since passage of the ACA, lawmakers have recognized hospitals' ongoing need for Medicaid DSH funding, by delaying or eliminating the cuts five times. The most recent DSH cut delay came via the Coronavirus Aid, Relief, and Economic Security (CARES) Act which scheduled $4.0 billion in Medicaid DSH cuts for the period December 1, 2020 to September, 30 2021, and $8.0 billion annually in federal fiscal years 2022 through 2025.

NYC Health + Hospitals, along with the entire hospital industry and a broad coalition of stakeholders in the provision of care to low income patients, has advocated for further delay and ultimate repeal of the federal Medicaid DSH cuts. The coronavirus pandemic has only highlighted the urgent need to maintain and support critical safety net hospital services, and strengthened the case against Medicaid DSH cuts. It is widely anticipated that the cuts will be delayed or possibly eliminated for at least two more years. Absent this additional delay in the DSH cuts, NYC Health + Hospitals projects net revenue reductions of $435.1 million in fiscal year 2021 and $611.5 million in fiscal year 2022.

ii. MetroPlus Enhanced Rate Pass Through

Since the State fiscal year beginning in April 2011, NYC Health + Hospitals has received supplemental revenue averaging approximately $120.0 million per year related to an enhanced Medicaid managed care premium rate paid to MetroPlus by New York State, which was directed to be passed from the plan to NYC Health + Hospitals. As a result of changes in federal Medicaid managed care regulations, the State's ability to provide these enhanced rates to MetroPlus ended on March 1, 2019. NYC Health + Hospitals is working with New York State to implement other permissible funding opportunities that may offset this loss of revenue.

(c) Audits

Federal and State governmental entities have a variety of audit programs to review and recover potential improper payments to providers from the Medicare and Medicaid programs. Stated below are various recovery audits of which NYC Health + Hospitals continues to be subject to:

i. Medicare Recovery Audit Contractor Program ("RAC")

The RAC program, which primarily reviews medical necessity of inpatient admissions and hospital coding practices was implemented by CMS on a demonstration basis for 2002 through 2008, and as a full program for 2009, although implementation was delayed until 2012. Subsequently, in 2013 CMS implemented a policy, known as the "Two-Midnight" rule, which establishes that hospital stays expected to span two or more midnights after the beneficiary is properly and formally admitted as an inpatient, are reasonable and necessary proper admissions for reimbursement. Related to the Two-Midnight Rule, CMS implemented a "Probe and Educate" training period beginning May 4, 2016, during which RAC audits for medical necessity were temporarily suspended until September 2016. Since the suspension has been lifted, RAC audit activities for NYC Health and Hospitals have continued to be minimal. NYC Health + Hospitals maintains distinct estimates of liabilities for RAC audits related to the demonstration period, and for fiscal years 2009 through 2014 for which we have received final settlement notices indicating a reopening to account for adjustments due to an issue where the claim payments on the Provider Statistical and

Reimbursement report ("PS&R") were not accounting for the RAC adjustments applicable to claims paid on a Periodic Interim Payment basis. As of June 30, 2020, all RAC liabilities for fiscal years 2009 through 2014 have been resolved. RAC liabilities for the demonstration period remain open. For fiscal years after 2014, RAC liabilities are reflected in the PS&R data used to estimate Medicare cost report final settlements, therefore no separate RAC liability estimate is developed.

ii. Disproportionate Share Hospital ("DSH") Payment Audits

Pursuant to federal regulations, all New York State hospital recipients of DSH participate in Medicaid DSH Audits to determine the final calculation of limits on hospital-specific DSH payments. Since 2014, these audits have been conducted for each Medicaid State Plan Rate Year ("SPRY") on an approximate three-year lag. DSH Audits have been completed through SPRY 2016; the SPRY 2017 audit is currently in progress.

(d) Budget Control Act

The Budget Control Act of 2011 (the "Budget Control Act") mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a requirement for Congress to enact recommendations of a bipartisan "super committee" achieving at least $1.2 trillion in deficit savings over a 10-year period by January 1, 2013, otherwise $1.2 trillion of across-the-board-reductions, known as the "sequester," would be triggered. The super committee failed to produce recommendations and after passing the American Taxpayer Relief Act to provide a two-month delay, Congress was unable to reach an agreement to avoid imposition of the sequester. As a result, Medicare reimbursement was reduced by 2% effective April 1, 2013, known as Sequestration. The Sequestration period was extended by legislation until 2029. However, sequestration was suspended for the period May 1, 2020 through December 31, 2020 by the CARES Act.

(e) Delivery System Reform Incentive Payment ("DSRIP") Program

In April 2014, the federal government approved a New York State Medicaid waiver request to reinvest $8.0 billion in federal savings to support implementation of transformative reforms to the State's healthcare system. Delivery system reforms will primarily be implemented through $7.4 billion of DSRIP Incentive payments for community-level collaborations to achieve programmatic objectives with a goal of reducing avoidable hospital use by 25% over five years.

As the DSRIP program requires, NYC Health + Hospitals serves as fiduciary or lead partner for a coalition of Medicaid provider and social services organizations referred to as a Performing Provider System ("DSRIP PPS"). The NYC Health + Hospitals-led DSRIP PPS is referred to as OneCity Health PPS and the constellation of partner organizations was established via a NYSDOH-mandated attestation process that began in December 2014. Since April 2014, NYC Health + Hospitals has dedicated significant effort to enterprise-level and DSRIP PPS-level preparation for participation in the DSRIP program, and in execution of NYSDOH-required organizational and project planning essential to implementing and managing DSRIP program efforts. Notable activities include the establishment of DSRIP PPS governance structures and the operationalization of a NYC Health + Hospitals subsidiary (OneCity Health Central Services Organization, or "CSO") dedicated to DSRIP implementation and management.

OneCity Health DSRIP PPS governance structures include an Executive Committee of 15 to 18 members with expertise in fields related to the mission of OneCity, three subcommittees to the Executive Committee,

and four Hub Steering Committees, for each of four OneCity Health hubs corresponding to four New York City boroughs: Bronx, Brooklyn, Queens, and Manhattan. All governance approvals are made by the Executive Committee, and NYC Health + Hospitals has the final approval authority in its role as fiduciary of the DSRIP PPS. The OneCity Health CSO is charged with supporting NYC Health + Hospitals and all DSRIP PPS partners in implementing all aspects of the DSRIP program. The CSO Board comprises NYC Health + Hospitals leadership plus a minority (<25%) of outside members. Since the establishment of the CSO, the CSO team of NYC Health + Hospitals employees has advanced the planning and implementation work of the DSRIP PPS by completing a complex partner readiness assessment of over 220 partner organizations, over 1,200 sites of care and over 12,000 individual practitioners; performing initial project planning for the eleven selected DSRIP projects; and committing to a high-level DSRIP budget and flow of funds, which was approved by the DSRIP PPS Executive Committee and included in the NYSDOH-required State Implementation Plan submitted in August 2015.

In June 2015, the NYSDOH announced DSRIP valuation awards, which represent the total potential amount that each DSRIP PPS is eligible to earn in performance payments over the five years of the DSRIP program. OneCity Health, the HHC-led DSRIP. PPS received a valuation award of $1.2 billion. Through the fiscal year ended June 30, 2019, NYC Health + Hospitals recorded DSRIP grant revenue totaling $712.7 million, based on meeting the applicable eligibility requirements for the first three and a half years of the DSRIP program.

During 2020, NYC Health + Hospitals received additional DSRIP payments from NYSDOH in the amount of $336.1 million after meeting the applicable eligibility requirements for the second half of DSRIP year four and the first half of DSRIP year five. The system remitted required intergovernmental transfer ("IGT") payments in the amount of $186.4 million to fund the non-federal share of the DSRIP program. In addition, NYC Health + Hospitals made payments to SUNY in the amount of $15.8 million in recognition of DSRIP IGT payments remitted by SUNY to NYSDOH. As of June 30, 2020, an additional IGT payment required to fund the non-federal share of the DSRIP program totaling $21.8 million had yet to be scheduled by NYSDOH, and therefore was recorded as a reduction to fiscal year 2020 grants revenue. The net amount of these transactions, $112.0 million, was recorded as DSRIP grant revenue for the fiscal year ended June 30, 2020.

New York State's request to continue the DSRIP program was denied by CMS.

(f) Value-Based Quality Improvement Program ("VBP QIP")

VBP QIP is a New York State Medicaid Managed Care initiative that pairs hospital providers, DSRIP PPS', and managed care plans to improve quality and support transformation to value-based purchasing arrangements. The purpose of VBP QIP is to transition financially distressed facilities to a value-based payment, improve the quality of care, and as a result, achieve financial sustainability over the five years of the program, which commenced in April 2015 and is scheduled to end with the State fiscal year commencing in April 2020. This program is meant to ensure long-term financial sustainability through active changes in the delivery and contracting of healthcare services, not to solely sustain operations.

NYC Health + Hospitals was allocated $120.0 million per year for the five-year program which started as of the State fiscal year April 1, 2015 to March 31, 2016 ("Year 1"). For Year 1, NYC Health + Hospitals, through OneCity Health, worked with EmblemHealth, HealthFirst, and MetroPlus. In April 2016 ("Year 2"), HealthFirst was reassigned to a different VBP QIP Partnership. In Years 1 and 2, there were planning

and reporting milestones. Year 2 started to incorporate DSRIP VBP baseline metrics, and in Years 3 through 5 (April 1, 2017 to March 31, 2020), providers are required to maintain or improve performance on selected quality metrics. Additionally, Years 4 and 5 funding required providers to demonstrate by April 1, 2018 that 80% of Medicaid Managed Care revenue is paid through value-based payment arrangements.

During the fiscal year ended June 30, 2020, NYC Health + Hospitals received $120.0 million related to meeting the reporting and performance metrics established by NYSDOH for Year 4. Agreements between NYC Health + Hospitals and NYSDOH, and the City and NYSDOH related to IGT funding for Year 5, had not been executed as of June 30, 2019. Therefore, no additional revenue for Year 5 was recorded for fiscal year 2020. It is anticipated that Year 5 agreements will be executed during fiscal year 2021.

(g) Care Restructuring Enhancement Pilot ("CREP")

CREP is a New York State initiative funded through the State's 1115 Medicaid Waiver. CREP is designed to meet programmatic goals and support the expansion of Medicaid Managed Care in two specific special need areas - Home and Community Based Behavioral Health ("HCBS") services and MLTC. Under CREP, selected public hospitals assess HCBS needs and gaps for the HARP population, and develop workforce training initiatives for both HCBS and MLTC. NYC Health + Hospitals was awarded $432.3 million over four years beginning in April 2016.

CREP program funds are paid to participating facilities for completion of program-related deliverables defined by the NYSDOH and evaluated by Fidelis Care, NYS' administrator for the program. Similar to the DSRIP funds, CREP requires provisions of matching funds through IGTs from NYC Health + Hospitals to the State.

During the year ended June 30, 2020, NYC Health + Hospitals earned $44.5 million in grants revenue related to CREP Year 4, and completed the CREPs program having earned and received the full grant award.

(h) Legal Matters

There are a significant number of outstanding legal claims against NYC Health + Hospitals for alleged negligence, medical malpractice, and other torts, and for alleged breach of contract. Pursuant to the Agreement, NYC Health + Hospitals is indemnified by the City for such costs. In fiscal years 2020 and 2019, NYC Health + Hospitals agreed to reimburse the City $96.1 and $118.3 million, respectively. NYC Health + Hospitals records these costs when settled by the City as appropriations from the City and as other than personal services expenses in the accompanying financial statements (Note 9). Accordingly, no provision has been made in the accompanying financial statements for unsettled claims, whether asserted or unasserted.

(i) Operating Leases

NYC Health + Hospitals leases equipment, off-site clinic space, and office space under various operating leases. Total rental expense for operating leases was approximately $81.0 million in 2020 and $42.0 million in 2019 and is included in other than personal services in the accompanying financial statements.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020 (in thousands):

Years	Amount
2021	$ 34,813
2022	34,184
2023	32,862
2024	39,758
2025	47,513
Thereafter	865,682
Total minimum payments required	$ 1,054,812

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of the following as of June 30th (in thousands):

	2020	2019
Vendors payable		$ 519,858
Accrued interest		12,004
Affiliations payable		58,313
Affiliations vacation accrual		30,894
Pollution remediation liability		16,049
Asset retirement obligation		5,000
Other		8,997
		$ 651,115

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83") establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations ("ARO"s). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. In accordance with GASB 83, the Corporation completed an analysis of assets meeting the criteria of an ARO for specific types of medical equipment such as medical imaging equipment (e.g., MRIs, CT scanners, and PET scanners), X-Rays, and ultrasounds as well as computers containing information protected by HIPPA laws, and certain types of laboratory equipment. NYC Health + Hospitals determined, based on industry standards for disposition of similar equipment and other known costs, that the future cost for disposition of these assets, in the aggregate, totals less than $5.0 million.

14. INCENTIVE PAYMENTS FOR MEANINGFUL USE OF ELECTRONIC HEALTH RECORDS

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). These provisions were designed to increase the use of Electronic Health Record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible hospitals and providers that adopt meaningful use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments.

During the years ended June 30, 2020 and 2019, NYC Health + Hospitals recognized revenue of approximately $11.7 million and $2.6 million, respectively, of HITECH incentives from the Medicare and Medicaid programs that are related to NYC Health + Hospitals meeting the requirements of the Meaningful Use Incentive program. NYC Health + Hospitals elected to recognize the revenue associated with the EHR incentive payment under the grant model and included such amounts in grants revenue in the accompanying Statements of Revenue, Expenses, and Changes in Net Position. EHR amounts received are subject to audit by CMS or its intermediaries and amounts recognized are subject to change.

15. CORRECTIONAL HEALTH SERVICES

On August 9, 2015, NYC Health + Hospitals, via a Memo of Understanding with the City, assumed from the New York City Department of Health and Mental Hygiene ("NYCDOHMH") its contracts for the provision of medical, mental health, and dental services for the inmates of correctional health facilities maintained and owned by the City of New York's Correctional Health Services, from other providers of care for the duration of their terms. Included is the understanding that NYC Health + Hospitals assumed the transfer of staff from NYCDOHMH otherwise engaged in the performance of correctional health functions, together with the transfer of all real and personal property, as used by NYCDOHMH, in its provision of correctional health services. Total expenses funded through appropriations by the City was $238.5 million and an additional $43.4 million was funded through grants and intra-city agreements for a total funding for the year ended June 30, 2020 of $281.9 million. For the year ended June 30, 2019, $237.3 million was funded through appropriations by the City with an additional $53.3 million funded through grants and intra-city agreements for a total funding of $290.6 million.

16. METROPLUS

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market funds. MetroPlus considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

U.S. Government Securities

U.S. government securities consist of U.S. Treasury bills, U.S. Treasury notes, and U.S. Treasury zero-coupon strips. These securities are stated at fair value, with unrealized and realized gains and losses included in investment income. Securities maturing within a year are presented as current assets in the

balance sheets. Securities presented as noncurrent assets mature after a year. Possible exposure to fair value losses arising from interest rate volatility is limited by investing in securities with maturities of less than one year and, at most, five years, and by intending to hold the security to maturity.

As of June 30, MetroPlus had the following U.S. government securities (in thousands):

			Investment Maturities (in Years)	
Year	Investment Type	Fair Value	Less than 1	1 to 5
2020	U.S. Treasury bills, notes, bonds, and strips	$ 620,241	$ 243,012	$ 377,229
2019	U.S. Treasury bills, notes, bonds, and strips	$ 562,687	$ 296,642	$ 266,045

Premiums Receivable and Premium Revenue

Premiums earned are recorded in the month in which members are entitled to service for primarily medical, pharmacy, and dental benefits. Medicaid and HIV-SNP premiums are based upon several factors, including age, aid category, and health status of the enrollee; and plan premium rates are risk-adjusted to reflect historical medical cost experience. In addition, Medicaid makes one-time maternity and newborn supplemental payments for the delivery of each child born to a member of MetroPlus. Medicaid, CHP, and HIV-SNP premium revenue received from the DOH represents a substantial portion of MetroPlus' premium revenue and is subject to audit and adjustment by the DOH. Medicare premiums are based on rates approved by CMS.

QHP premiums are based on the plan type (Bronze, Silver, Gold or Platinum) and coverage level (standard or nonstandard) selected by the enrollee. In addition to premiums from enrolled QHP members, MetroPlus receives subsidies from CMS under the Advanced Premium Tax Credit program provided under the ACA, which were included in premiums earned.

The Essential Plan covers major health benefits, including inpatient and outpatient care, physician services, diagnostic services, and prescription drugs among others, with no annual deductible and low out-of-pocket costs. Preventive care, such as routine office visits and recommended screenings, are free. Essential Plan members with income at or below 150% of the federal poverty level do not pay any monthly premiums. Essential Plan members with incomes at 200% of the federal poverty level pay a monthly premium of $20. Essential Plan is administered under an agreement between MetroPlus and NYSDOH and is under negotiation to extend through December 31, 2021.

Premium revenue, by percentage, from members and third-party payors for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Medicaid	54 %	57 %
Essential Plan	14	13
HARP	11	11
HIV-SNP	7	7
Medicare	3	3
MLTC	4	3
Others *	7	6
	100 %	100 %

* Included in Others are MetroPlus Gold, CHP, QHP, SHOP, GoldCare I, and GoldCare II

Assets Restricted as to Use

Assets restricted as to use consist of the following as of June 30 (in thousands):

	2020	2018
MetroPlus statutory reserve investments	$ 159,739	$ 155,758

NYSHOH Rules and Regulations Section 98-1.11(f) requires that a plan operating under the authority of Article 44 of the public health law, establish a statutory escrow reserve account for the protection of its enrollees, and that this balance be maintained at 5% of the healthcare expenditures, as defined, and projected for the following calendar year. The statutory escrow reserve is computed in accordance with the regulations.

The statutory escrow reserve account of $159.7 million and $155.8 million at June 30, 2020 and 2019, respectively, is invested in U.S. government securities with original maturity dates of six months or more and are measured at fair value based on Level 2 inputs. The account is in the form of an escrow deposit, maintained in a trust account under a custodian arrangement with Citibank approved by the NYSDFS.

In accordance with NYSDOH Rules and Regulations, MetroPlus is also required to maintain a contingent surplus reserve equal to 12.5% of net premiums earned for the prior year. The contingent surplus reserve as of June 30, 2020 and 2019 was $400.5 million and $394.5 million, respectively.

Change in Claims Payable

Accounts payable and accrued expenses include MetroPlus claims payable of $911.5 million and $783.2 million at June 30, 2020 and 2019, respectively. Activity in the liability for claims payable, which primarily includes medical claims, the risk sharing agreement with NYC Health + Hospitals, and claim adjustment expenses is summarized as follows (in thousands):

	2020	2019
Balance, July 1	$ 783,156	$ 935,001
Less drug rebates receivable	(29,205)	(19,329)
Net balance	753,951	915,672
Incurred related to:		
Current year	2,970,810	3,069,076
Prior years	(1,244)	26,134
Total incurred	2,969,566	3,095,210
Paid related to:		
Current year	2,432,318	2,464,794
Prior years	428,626	792,137
Total paid	2,860,944	3,256,931
Net balance at June 30	862,573	753,951
Plus drug rebates receivable	48,930	29,205
Balance, June 30	$ 911,503	$ 783,156

Net reserves for unpaid claims and claim adjustment expenses attributable to insured claims of prior years' decreased by $1.2 million and increased by $26.1 million in 2020 and 2019, respectively. These changes are generally the result of ongoing analysis of recent loss development trends that include expected healthcare cost and utilization.

Risk Sharing Agreement with NYC Health + Hospitals

MetroPlus entered into a risk sharing agreement with NYC Health + Hospitals in July 2000. The agreement is open to annual negotiation, with the most recent negotiation on March 25, 2020. The agreement shifts all medical risk from MetroPlus to NYC Health + Hospitals, for Medicaid, CHP, HIV-SNP, HARP, Essential Plan, MetroPlus Gold, Gold Care I, and Gold Care II. The risk sharing agreement is 88% for Medicaid, CHP and HIV-SNP, 92% for Essential Plan, HARP, MetroPlus Gold, Gold Care I, and Gold Care II in 2020 calendar year of the premiums collected for those members. NYC Health + Hospitals is also entitled to 99.55% for Medicaid, 98.25% for HARP and 100% for HIV-SNP of the one-time maternity and newborn supplemental payments for those members. After the end of the calendar year risk period, both parties settle the net amount remaining after payment of all capitated and fee-for-service medical expenses regardless of whether the provider was part of NYC Health + Hospitals network or not.

In addition, the risk sharing agreement shifts the prescription drug risk cost component for most Medicaid members from MetroPlus to NYC Health + Hospitals, for 97.5% of the prescription drug premium collected for those members. MetroPlus assumes full risk for operations, including paying medical claims and providing administrative services to its members and providers, and other services required by contract with NYC Health + Hospitals, the State of New York, and CMS for its business lines.

The risk sharing agreement provides for an annual settlement, within six months of the end of the risk period, or later as mutually agreed upon. Risk sharing payables were $428.0 million and $287.2 million at June 30, 2020 and 2019, respectively, representing net amounts payable to NYC Health + Hospitals pursuant to the agreement. NYC Health + Hospitals has reported a corresponding receivable at June 30, 2020 and 2019, respectively. Amounts are included in eliminations in the Statement of Net Position. Net payments pursuant to the agreement were $142.2 million and $207.0 million in 2020 and 2019, respectively.

Risk-Sharing Program of the Affordable Care Act

MetroPlus is required to participate in the Risk Adjustment program under the ACA: permanent risk adjustment, temporary reinsurance, and temporary risk corridors. The risk adjustment program spreads risk of adverse selection among all QHP plans within the same state; the reinsurance program protects the Plan from unexpectedly high medical costs on QHP members; and under the risk corridors program, the Plan shares risk, associated with uncertainty in pricing during the initial years of the ACA implementation, with HHS. The reinsurance and risk corridors programs ended in 2016.

The risk adjustment program, based on Section 1343 of the ACA, was effective beginning with the 2014 benefit year and continues as a permanent program. The program covers both QHP and SHOP and transfers funds from lower risk plans to higher risk plans, within the same state, to adjust premiums for adverse selection among the plans. HHS operates the program for the State of New York and may set an annual user fee payable by plans.

MetroPlus estimates its risk adjustment amount based on an estimate of its risk score relative to an estimate of the average risk score of all QHP and SHOP plans in New York State. MetroPlus reported a risk adjustment liability, including high risk pool and risk adjustment data validation, of $3.9 million and $17.1 million, respectively, which is included in accounts payable and accrued expenses. The 2019 and 2018 calendar benefit year estimates were settled in August 2020 and 2019 for $3.0 Million and $15.8 million, respectively.

Stop-Loss and Reinsurance

MetroPlus uses stop-loss insurance to minimize medical expense losses as a result of a Medicaid member incurring excessive expenses in any one calendar year. Such insurance is provided by the State of New York for Medicaid enrollees with coverage as follows:

- Medical inpatient is reimbursed at 80% of the lower of contractual or Medicaid calculated rate for expenses between $100,000 and $250,000 in any one calendar year. Over $250,000, the coverage is increased to 100% of the excess amount over $250,000.

- Psychiatric, alcohol and substance abuse inpatient stays are covered for members who exceed 45 inpatient days in any one calendar year.

- Residential Health Care Facility inpatient stays are covered for members who exceed 60 inpatient days in any one calendar year.

- Stop-loss insurance is also provided by the State of New York for HIV-SNP members, with coverage for hospital inpatient at 85% of the lower of contractual or Medicaid calculated rate for expenses between $100,000 and $300,000 in any one calendar year. Over $300,000, the coverage is increased to 100% of the excess amount over $300,000.

- Stop-loss reinsurance is also provided by the State of New York for certain mental health costs of its Medicaid members. The State reimburses 50% of payments made for the 46th through the 60th day of the episode and 100% of payments made for the days in the episode beyond the 60th day.

In addition, MetroPlus contracts with Zurich American Insurance Company ("Zurich") for stop-loss coverage for its CHP, Medicare Advantage, MetroPlus Gold, QHP, and SHOP lines of business. The coverage has a per member threshold of the first $500,000 of loss incurred in any one calendar year and covers 80% of eligible medical services, though there are daily limits for certain types of services. The contract with Zurich was terminated on December 31, 2019.

Premiums for the reinsurance provided by the State of New York and any related recoveries on paid losses are netted and reported within other than personal services expenses. Premiums for the reinsurance coverage provided by Zurich are reimbursed to MetroPlus by NYC Health + Hospitals, for lines under the risk sharing agreement, and related recoveries on paid losses are passed through to NYC Health + Hospitals pursuant to the agreement. MetroPlus has two years from the close of the benefit year to file a claim for all stop-loss coverages. Reinsurance recoverable, mainly from the State of New York, was $32.2 million and $30.4 million at fiscal years ended June 30, 2020 and 2019, respectively.

Value-based Payment Quality Improvement Program (VBP QIP)

MetroPlus and NYC Health + Hospitals were selected to participate as part of the VBP QIP program administered by the NYSDOH. MetroPlus received $85.0 million and $64.6 million inclusive of administrative fee and surplus per member per month rate increases during fiscal year 2020 and 2019, respectively. MetroPlus released the award pass-through payments of $70.6 million and $60.0 million to NYC Health + Hospitals in 2020 and 2019, respectively. The administrative fee and surplus amounts are reported within other revenue in the amount of $4.0 million and $3.8 million for fiscal years ended June 30, 2020 and 2019, respectively. MetroPlus reported $12.5 million and $2.1 million due to the State of New York within accounts payable and accrued expenses at June 30, 2020 and 2019, respectively.

Due to State of New York

The State of New York has advised MetroPlus of instances where it will need to return premium payments as a result of State audits and adjustments of its payments made to MetroPlus. Management's estimate of such amounts is included in due to the State of New York and reported within accounts payable and accrued expenses, is $69.4 million and $57.9 million at June 30, 2020 and 2019, respectively. Premiums returned to the State of New York are charged against premiums earned.

Medical Loss Ratio

The ACA Medical Loss Ratio ("MLR") standards require that the MLR for MetroPlus' commercial lines of business individual ("QHP"), small group ("SHOP"), and large group (MetroPlus Gold, GoldCare I, and GoldCare II) meet specified minimums for the fiscal year ended June 30, 2020 of 82% for QHP and SHOP and 85% for large group. In addition, MetroPlus is also required to meet the MLR minimum of 85% for Medicare and Essential Plan, 86% for Medicaid lines of business, and 89% for HARP. The MLR represents the percentage of premium dollars spent on healthcare claims and quality improvement activities. MetroPlus is in compliance with these requirements. No MLR liability was required at June 30, 2020 and 2019.

Operating Leases

MetroPlus leases equipment and office space under various operating leases. Total rental expense for operating leases was approximately $96.0 million in 2020 and $42.0 million in 2019 and is included in other than personal services.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2020 (in thousands):

Years:	
2021	$ 34,813
2022	34,184
2023	32,862
2024	39,758
2025	47,513
Thereafter	865,682
Total minimum payments required	$ 1,054,812

17. OTHER LONG-TERM LIABILITIES

Other long-term liabilities for the years ended June 30, 2020 and 2019 was as follows (in thousands):

	June 30, 2018 Balance	Additions	Reductions	June 30, 2019 Balance
Accrued compensated absences	$ 282,833	$ 40,396	$ -	$ 323,229
Accrued salaries, finge benefits, and payroll taxes	300,000	-	(138,145)	161,855
	$ 582,833	$ 40,396	$ (138,145)	$ 485,084

18. COVID-19

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which continues to spread throughout the United States. As a result of the COVID-19 pandemic, NYC Health + Hospitals experienced a decline in patient visits, elective surgery, and other medical procedures beginning in mid-March through late May 2020. Additionally, in response to the pandemic, NYC Health + Hospitals incurred additional costs for personal protective equipment and other operating costs associated with ensuring employee and patient safety while operating during a pandemic. Since late spring, NYC Health + Hospitals began to see increases in its patient visits, admissions, and medical procedures, however volumes have not returned to pre-pandemic levels. Management is actively monitoring operating revenues and expenses for COVID-19 and other services.

Federal funding for COVID-19 includes the Coronavirus Aid, Relief, and Economic Security ("CARES") Act that ensured the Corporation would have the cash flow needed for COVID related expenses and revenue shortfalls. Cares Act funds are to be used to prevent, prepare for, and respond to coronavirus, and are only for health care related expenses or lost revenues that are attributable to coronavirus and not covered by other funding sources, including FEMA.

NYC Health + Hospitals received grant payments, which are considered nonexchange transactions, from the federal government distributed under the CARES Act. For the year ended June 30, 2020, payments were received in the amount of $1.0 billion and are included in grants revenue in the Statement of Revenues, Expenses and Changes in Net Position. These payments are subject to audit and compliance with federal regulations. While the federal regulations have not been finalized as of issuance of these financial statements, NYC Health + Hospitals believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2020, in the accompanying Statements of Net Position.

The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program for patient services. NYC Health + Hospitals did not participate in this program.

The course of the COVID-19 virus and its effect in the coming months are unknown. Because of the uncertainty and evolving nature of the pandemic, the full impact on NYC Health + Hospitals financial position and operations (including regulatory requirements, federal and state funding, reduced revenue stream, constraints on operations, higher cost of resources) cannot be fully determined at this time.

19. SUBSEQUENT EVENTS

From July through September 2020, NYC Health + Hospitals received additional grant payments under the CARES Act in the amount of $166.0 million and FEMA payments in the amount of $199.6 million which have not been recognized in revenue during 2020 as NYC Health + Hospitals had not met the conditions to retain these funds as of June 30, 2020. Future grant payments are uncertain at this time.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Schedule of NYC Health + Hospitals' Contributions NYCERS Pension Plan - (Unaudited)
Years ended June 30, 2019, 2018, 2017, 2016 and 2015
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 515,454	$ 507,335	$ 492,161	$ 497,715	$ 443,386	$ 435,678
Actual contributions as related to the contractually required contribution	515,454	507,335	492,161	497,715	443,386	435,678
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
HHC covered payroll	$ 2,207,943	$ 2,122,448	$ 2,177,897	$ 2,232,187	$ 2,166,797	$ 2,081,328
Contributions as a percentage of covered payroll	23.35 %	23.90 %	22.60 %	22.30 %	20.46 %	20.93 %

See accompanying notes to the basic financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Schedule of NYC Health + Hospitals' Proportionate Share of the Net Pension Liability
NYCERS Pension Plan - (Unaudited)
Years ended June 30, 2019, 2018, 2017, 2016 and 2015
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014
HHC proportion of the net pension liability	13.959 %	15.023 %	14.788 %	14.789 %	14.030 %	13.991 %
HHC proportionate share of the net pension liability	$ 2,585,414	$ 2,751,874	$ 3,070,928	$ 3,593,257	$ 2,832,753	$ 2,521,076
HHC covered payroll	2,207,943	2,122,448	2,177,897	2,232,187	2,166,797	2,081,328
HHC proportionate share of the net pension liability as a percentage of its covered payroll	117.10 %	129.66 %	141.00 %	160.97 %	130.73 %	121.13 %
Plan fiduciary net position as a percentage of the total pension liability	78.84%	78.83%	74.80%	69.57%	73.12%	75.32%

See accompanying notes to the basic financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Schedule of NYC Health + Hospitals' Changes in Total OPEB Liability and Related Ratios - (Unaudited)
Years ended June 30, 2019, 2018 and 2017
(Dollar amounts in thousands)

	2019	2018	2017	2016
Total OPEB liability				
Service cost	$ 307,105	$ 279,874	$ 274,749	$ 326,174
Interest	161,840	158,153	147,667	139,260
Differences between expected and actual experience	858,811	104,933	(122,396)	(43,448)
Changes of assumptions	(806,009)	110,707	(661,094)	-
Benefit payments	(171,559)	(235,395)	(56,087)	(96,000)
Net change in total OPEB liability	350,188	418,272	(417,161)	325,986
Total OPEB liability - beginning	5,208,916	4,790,644	5,207,805	4,881,819
Total OPEB liability - ending	$ 5,559,104	$ 5,208,916	$ 4,790,644	$ 5,207,805
Covered employee payroll	$ 2,222,409	$ 2,211,014	$ 2,283,056	$ 2,171,336
Total OPEB liability as a percentage of covered employee payroll	250.1 %	235.6 %	209.8 %	239.8 %
Changes of assumptions				
Changes of assumptions reflect the effects of changes in the discount rate.				
The following are the discount rates used in each period:	2.79 %	2.98 %	3.13 %	2.71 %

See accompanying notes to the basic financial statements.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
New York City Health and Hospitals Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Health and Hospitals Corporation (NYC Health + Hospitals), a discretely presented component unit of the City of New York, and the discretely presented component unit as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise NYC Health + Hospitals' basic financial statements, and have issued our report thereon dated October 16, 2018. The financial statements of NYC Health + Hospitals and its discretely presented component unit as of and for the year ended June 30, 2017 were audited by other auditors in their report dated October 25, 2017.

The financial statements of MetroPlus Health Plan, Inc., a discretely presented component unit, and HHC Insurance Company, Inc., a blended component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYC Health + Hospitals' internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of NYC Health + Hospitals' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NYC Health + Hospitals' financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Grant Thornton

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over the reconciliation process between the general ledger and the supporting detail for vendor accounts payable that we consider to be a significant deficiency in NYC Health + Hospitals' internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NYC Health + Hospitals' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYC Health + Hospitals' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYC Health + Hospitals' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

New York, New York
October 16, 2019

NYC HEALTH+ HOSPITALS

OFFICE OF INTERNAL AUDITS

AUDIT COMMITTEE BRIEFING
OCTOBER 2020

Index

A. EXTERNAL AUDITS

1. *NYC Health + Hospitals Oversight of Auxiliaries – NYC Comptroller's Office*

Audit Notification Letter Received – March 13, 2020
Preliminary Entrance Conference – June 23, 2020
Status – Ongoing

The Audit Engagement Letter stated that the purpose of the audit was to "determine whether Health + Hospitals implemented sufficient control procedures to effectively monitor the performance and fiscal activities of its auxiliaries." The scope of the audit is January 1, 2018 to the present.

The twenty-two Auxiliaries that exist within the various facilities of NYC Health + Hospitals are separate 501c3 not-for-profit corporations whose primary function is to enhance the quality of patient care. They do this by receiving and administering funds received from fund raising activities, gifts, and donations and distributing those funds for activities or projects which enhance the quality of patient care and for selected amenities not otherwise available to patients.

A meeting was held on June 23, 2020 with the Sr. Vice President of External & Regulatory Affairs to discuss her department's involvement with the Auxiliaries. An additional meeting was held with the Corporate Finance Department to determine which Auxiliaries were provided assistance from Health + Hospitals Finance personnel.

The following documents were requested by the Comptroller's Office:

1. Organizational Chart of the entire NYC Health + Hospitals;
2. Detailed organization chart of all departments, personnel and third party organizations related to the oversight of auxiliary organizations;
3. List of all auxiliary organizations;
4. All relevant internal policies and procedural manuals and operational guidelines related to auxiliary organizations;
5. All financial and operational reports provided by the auxiliaries;
6. Internal and external audit reports related to the auxiliaries.

The Comptroller's Office also met with representatives from the Auxiliaries and facilities from NYC Health + Hospitals/Woodhull, Metropolitan and Queens to understand the day-to-day interaction between the hospitals and Auxiliary.

The Office of Internal Audits assisted with the scheduling of all meetings, reviewed the documents requested by the Comptroller's Office prior to submission and participated in all meetings.

2. *NYC Health + Hospitals Controls Over Nursing Homes – NYC Comptroller's Office*

Audit Notification Letter Received – August 13, 2020
Preliminary Entrance Conference – August 19, 2020
Status – Ongoing

The Audit Engagement Letter stated that the purpose of the audit was to review "Health + Hospitals controls over nursing homes compliance with rules and guidelines." The scope of the audit is June 2017 to the present.

The participants of the entrance conference were the SVP of Post-Acute Care, the SVP of External & Regulatory Affairs, the SVP & General Counsel, the Post-Acute Care Chief Medical Officer and the Internal Audit staff.

The initial documents requested were as follows:

1. Organizational Chart of the entire NYC Health + Hospitals;
2. Detailed organization chart of the division or unit within Health + Hospitals that is responsible for the oversight of nursing homes compliance with rules and guidelines;
3. Current list of System run facilities operating as nursing homes;
4. Federal, State and Local laws, regulations and guidance, including the System's own internal policies and procedures that relate to the operation of the nursing homes;
5. Internal or external audits and/or consultant reports relating to nursing homes compliance with rules and guidelines.

On September 17th, the Auditors held an individual meeting with the SVP of Post-Acute for the purpose of learning about the process and controls set up by a nursing home, as well as methods used to oversee and carry out those controls on a day-to-day basis.

The Office of Internal Audits assisted with the scheduling of all meetings, reviewed the documents requested by the Comptroller's Office prior to submission and participated in all meetings.

B. OTHER AUDIT ACTIVITIES

1. Anonymous Letters

The Office of Internal Audits received four (4) letters from the President's Office with negative allegations regarding various functions within the System. After some research and inquiry, it was learned that the Office of Corporate Compliance and the Office of Inspector General had already initiated investigations related to two of the letters. Hence, the investigations were deferred to them. The results of the investigation of the other two letters are as follows:

Hospital Police at NYC Health + Hospital/Harlem

This was the third letter received about the Hospital Police during the last two years. As a result, our review focused only on those accusations not previously investigated. The primary allegation in this letter was about the personal usage of a System-owned vehicle by Hospital Police.

Overall, we concluded that all of the allegations in the letter could not be substantiated. However, we did note that certain controls over the use of a System-owned vehicle by Hospital Police had been relaxed. We recommended that the mileage log, which is utilized by the Transportation Department, also be used by Hospital Police for the vehicle used exclusively by them. The CEO of Harlem Hospital advised that the mileage log is in place for the vehicle and that it is used now by both Transport and Hospital Police.

Claims Department of MetroPlus

There were numerous allegations asserted in this letter. Because some of the accusations involved Labor issues, a meeting was held with the Deputy Counsel/Chief Employment Counsel to collaborate on the responsibility between the two departments. It was decided that all Equal Employment Opportunity (EEO) related allegations would be handled by the Legal Department and the others by Internal Audits.

Overall, we investigated thirteen (13) allegations. Most of the accusations involved critical timesheet recording errors and favoritism by management within the Claims Department.

We concluded that ten (10) of the accusations could not be substantiated. The review of the other three (3) allegations revealed:

a) Timesheet vs. swipe report discrepancies in two instances. A report, that was not substantiated by Internal Audits, provided by MetroPlus management, indicated that one employee logged on to her computer from the office on three of the five days in which there was no swipe-in. The other two days showed that the log-in was done remotely via VPN although this was not indicated on the timesheet. The unsubstantiated report showed that the other employee logged in from the office on only seven of the nineteen days in which there was no swipe-in. For the

other twelve days, there was no log-in activity in nine instances; on the other three days it appeared that automated e-mails were sent via the office network. The CEO from MetroPlus later advised that the timesheet discrepancies for the first employee was within reason and discrepancies for the second employee was a result of recording errors. Hence, no action needed to be done.

b) Implied favoritism and bad optics in one case. Upon becoming the Interim Director of Claims in November 2019, two direct reports were promoted the next month, in December. Although both employees may be deserving of the promotions, this action gave the appearance that favoritism may have existed as all three employees worked at Emblem Health during the same period of time and knew each other. The CEO believed that no action was needed as both individuals were qualified for the promotions.

AUDIT COMMITTEE OF THE NYC HEALTH + HOSPITALS BOARD OF DIRECTORS

Audit Committee Meeting

Corporate Compliance Report

October 8, 2020

AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS
Corporate Compliance Report
125 Worth Street, Room 532
New York, NY 10013
October 8, 2020 @ 9:00 AM

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AUDIT COMMITTEE OF THE
NYC HEALTH + HOSPITALS
BOARD OF DIRECTORS
Corporate Compliance Report
125 Worth Street, Room 532
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I. Monitoring Excluded Providers

Responsibilities of the System for Sanction List Screening

1) To comply with Federal and state regulations, and consistent with the recommendations of the NYS Office of the Medicaid Inspector General ("OMIG") and the U.S. Department of Health and Human Services Office of Inspector General ("OIG"), each month the Office of Corporate Compliance ("OCC") reviews the exclusion status of the System's workforce members, vendors, and New York State Department of Health ("DOH") Delivery System Reform Incentive Payment ("DSRIP") program Partners.

2) To ensure that NYC Health + Hospitals (the "System") does not conduct business with individuals or entities that are a threat to the security, economy or foreign policy of the United States, the OCC also screens all NYC Health + Hospitals workforce members, vendors, and DSRIP Partners against the databases of the United States Department of Treasury Office of Foreign Asset Control ("OFAC").

Exclusion and Sanction Screening Report May 27, 2020 through September 23, 2020

3) During the period from May 27, 2020 through September 23, 2020, there two agency nurses who were excluded from a federal health care program. Both of them were immediately terminated. One exclusion necessitated disclosure to National Government Services ("NGS"), the Medicare intermediary, and the other necessitated disclosure to the OMIG. The OCC is working with NGS on the overpayment amount for one of the excluded individuals. For the other excluded individual, the OMIG determined that there was an overpayment in the amount of $3,315.15.

Death Master File and National Plan and Provider Enumeration System Screening

4) The Centers for Medicaid and Medicare Services' ("CMS") regulations and the contractual provisions found in managed care organization provider agreements require screening of the System's workforce members, certain business partners, and agents to ensure that none of these individuals are using the social security number ("SSN") or National Provider Identifier ("NPI") number of a deceased person. This screening may be accomplished by vetting the SSNs and NPIs of such

individuals through the Social Security Administration Death Master File ("DMF") and the National Plan and Provider Enumeration System ("NPPES"), respectively.

5) No providers were identified on the DMF or NPPES during the period May 27, 2020 through September 23, 2020.

II. Privacy Incidents and Related Reports

Breach Defined

6) A breach is an impermissible use, access, acquisition or disclosure (collectively referred to as "use and/or disclosure") under the Health Insurance Portability and Accountability Act ("HIPAA") of 1996 Privacy Rule that compromises the security and privacy of protected health information ("PHI") maintained by the System or one of its business associates.

7) Pursuant to 45 CFR § 164.402(2), unless an exception applies, the unauthorized use and/or disclosure of PHI is presumed to be a breach unless the System can demonstrate, through a thorough, good faith risk assessment of key risk factors, that there is a low probability that the PHI has been compromised.[1]

Reported Breaches for the Period of May 27, 2020 through September 23, 2020

8) During the period of May 27, 2020 through September 23, 2020, thirty-nine (39) incidents were entered in the System's RADAR Incident Tracking System. Of the thirty-nine (39) incidents entered in the tracking system, twenty-seven (27) were found after investigation to be violations of NYC Health + Hospitals HIPAA Privacy and Security Operating Procedures ("OPs"); nine (9) were found not to be a violation of NYC Health + Hospitals HIPAA Privacy and Security OPs; and three (3) are still under investigation.

9) Of the twenty-seven (27) incidents confirmed as violations, six (6) were determined to be breaches. These breaches involved an incident where the medical records retrieval vendor sent patient records to the wrong recipient; an incident where a patient grabbed discharge papers of other patients before leaving the facility; an incident where a letter containing PHI requested by one patient was emailed to

[1] *See* 45 CFR § 164.402(2); *see also* 78 Fed. Reg. 5565, 5643 & 5695 (Jan. 25, 2013).

another patient's employer; an incident where a detailed bill of one patient was sent to another patient.

Office for Civil Rights ("OCR") Reports Regarding HIPAA Incidents

10) The OCC received three reports from the OCR between May 27, 2020 and September 23, 2020.

11) On July 28, 2020, the OCC received a letter from the OCR regarding a HIPAA incident at NYC Health + Hospitals/Elmhurst ("Elmhurst"). The letter, dated July 28, 2020, concerned a complaint from a patient alleging that Elmhurst failed to provide him with a copy of his medical records.

12) The OCC conducted an investigation into this matter, and discovered that the patient had made several requests to Elmhurst for medical records for dates of service in 1982. Elmhurst responded to each request by stating that the records had been destroyed in accordance with the System's record retention policy. On August 17, 2020, the OCC responded to the OCR explaining the results of its investigation.

13) On July 10, 2020, the OCC received a letter from the OCR regarding a complaint by a record retrieval company alleging that NYC Health + Hospitals/Lincoln ("Lincoln") failed to provide a patient with access to the patient's complete electronic medical record. Although the OCR stated in its letter that it was closing the case, the OCC investigated the matter to find the root cause of this incident.

14) The OCC's investigation concluded that the complainant was not the patient's personal representative under HIPAA, which would have allowed it to request medical records on the patient's behalf. Therefore, the complainant's request for records on the patient's behalf was processed as a third party request.

15) On August 5, 2020, the OCC received a letter from the OCR regarding complaints it received alleging that Elmhurst might not be in compliance with the HIPAA Privacy Rule. The response to this letter is being prepared.

III. Compliance Reports

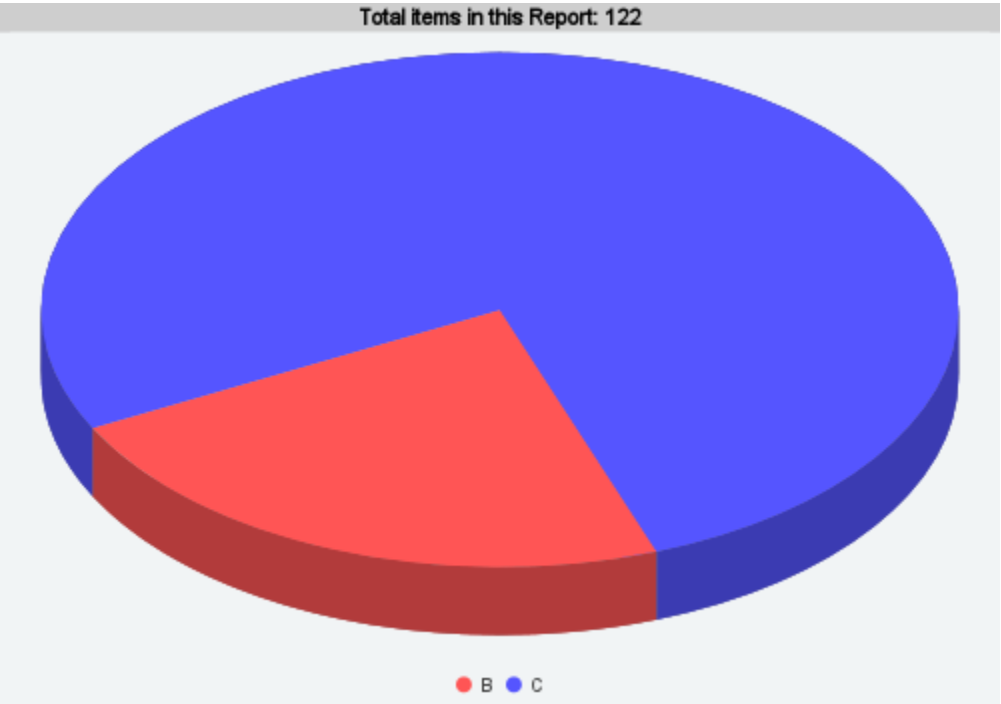
Summary of Reports for the Period of May 27, 2020 through September 23, 2020

16) For the period of May 27, 2020 through September 23, 2020, there were one hundred twenty-two (122) compliance reports, none of which were classified as Priority "A,"[2] twenty-eight (28) (23%) were classified as Priority "B," and ninety-four (94) (77%) were classified as Priority "C" reports. For purposes here, the term "reports" means compliance-based inquiries and compliance-based complaints.

a. PRIORITY CLASSIFICATION

PRIORITY - CHART DATA	
	Frequency (Percentage)
B	28.0 (23 %)
C	94.0 (77 %)
Totals	122.0 (100%)

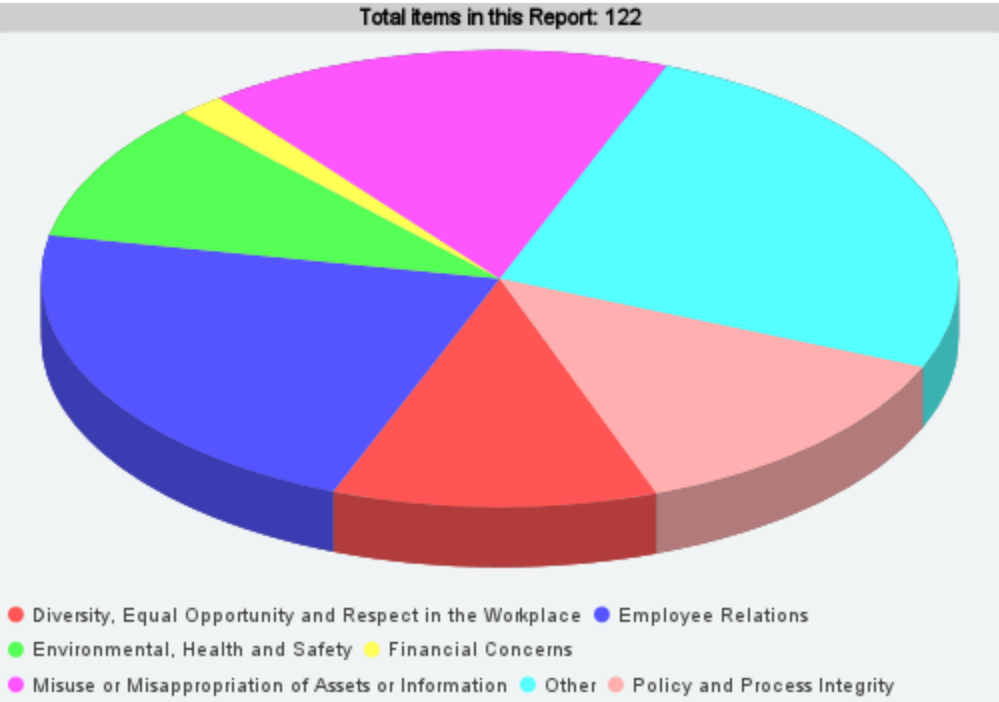
[2] There are three (3) different report categories: (i) Priority "A" reports are matters that require immediate review and/or action due to an allegation of an immediate threat to a person, property or environment; (ii) Priority "B" reports are matters of a time-sensitive nature that may require prompt review and/or action; and (iii) Priority "C" reports are matters that do not require immediate action.



b. PRIMARY ALLEGATION CLASS

PRIMARY ALLEGATION CLASS - CHART DATA

	Frequency (Percentage)
Diversity, Equal Opportunity and Respect in the Workplace	14.0 (11.5 %)
Employee Relations	27.0 (22.1 %)
Environmental, Health and Safety	12.0 (9.8 %)
Financial Concerns	2.0 (1.6 %)
Misuse or Misappropriation of Assets or Information	20.0 (16.4 %)
Other	31.0 (25.4 %)
Policy and Process Integrity	16.0 (13.1 %)
Totals	122.0 (100%)



c. PRIMARY ALLEGATION SOURCE

SOURCE - CHART DATA	
	Frequency (Percentage)
E-Mail	22.0 (18 %)
Hotline	91.0 (74.6 %)
Mail	1.0 (0.8 %)
Referral from other HHC Office	1.0 (0.8 %)
Telephone	5.0 (4.1 %)
Voicemail	2.0 (1.6 %)
Totals	122.0 (100%)

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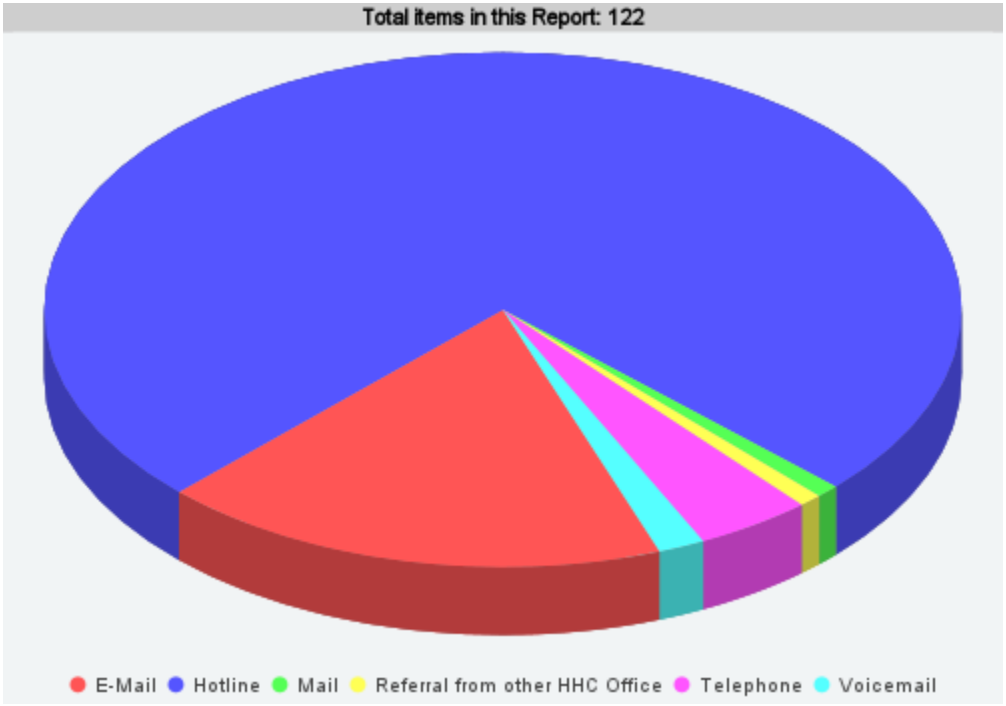
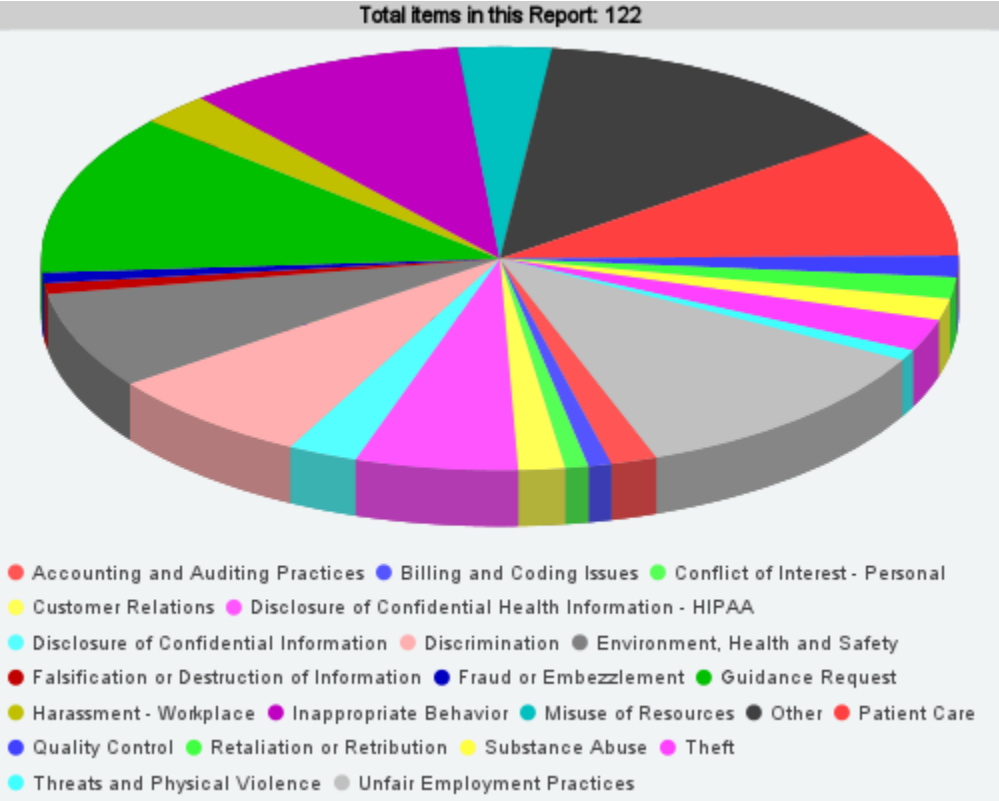


d. PRIMARY ALLEGATION TYPE

PRIMARY ALLEGATION TYPE - CHART DATA	
	Frequency (Percentage)
Accounting and Auditing Practices	2.0 (1.6 %)
Billing and Coding Issues	1.0 (0.8 %)
Conflict of Interest - Personal	1.0 (0.8 %)
Customer Relations	2.0 (1.6 %)
Disclosure of Confidential Health Information - HIPAA	7.0 (5.7 %)
Disclosure of Confidential Information	3.0 (2.5 %)
Discrimination	9.0 (7.4 %)
Environment, Health and Safety	9.0 (7.4 %)
Falsification or Destruction of Information	1.0 (0.8 %)
Fraud or Embezzlement	1.0 (0.8 %)
Guidance Request	15.0 (12.3 %)
Harassment - Workplace	3.0 (2.5 %)
Inappropriate Behavior	12.0 (9.8 %)
Misuse of Resources	4.0 (3.3 %)
Other	16.0 (13.1 %)
Patient Care	12.0 (9.8 %)
Quality Control	2.0 (1.6 %)
Retaliation or Retribution	2.0 (1.6 %)
Substance Abuse	2.0 (1.6 %)
Theft	3.0 (2.5 %)
Threats and Physical Violence	1.0 (0.8 %)
Unfair Employment Practices	14.0 (11.5 %)
Totals	122.0 (100%)



IV. Status Update – OneCity Health

Independent Assessor Audit of OneCity Health

17) In December 2019, the DSRIP Independent Assessor ("IA") conducted its Year 4 Onsite Audit to determine whether OneCity Health correctly received DSRIP funds. To accomplish this objective, the IA reviewed OneCity Health's documentation to: (i) substantiate that it adequately supported DSRIP required activities and funding; (ii) determine that OneCity Health was in compliance with published DSRIP Program goals, requirements, and guidance; and (iii) determine the adequacy of OneCity Health's documentation previously submitted with the Quarterly Reports Review process. A preliminary scorecard with findings from OneCity Health's Year 4 Audit was received in early March, which requested additional supporting documentation for completion of patient engagement

activities and justification of OneCity Health's workforce spend. OneCity submitted its response to the scorecard in May 2020. OneCity Health did not receive a final scorecard; however, based on the final payment scorecard received from the New York State Department of Health in September 2020, there were no signification findings. In addition, OneCity Health exceeded its projections by hitting several high performance metrics. The State has also announced that there will be no Year 5 onsite audit by the IA.

OneCity Health's Partner Compliance Attestation

18) OneCity Health Partners must certify annually to OneCity Health that they have met their DSRIP compliance training obligations and certain other compliance-related obligations. Accordingly, on May 12, 2020, the OCC, on behalf of OneCity Health, distributed a Memorandum to OneCity Health Partners with a link to a *Compliance Attestation of OneCity Health Partners* ("Attestation"). The Attestation, which provides OneCity Health and the OCC with a critical snapshot of the compliance foundation of its DSRIP Partners, was required to be completed by all OneCity Health Partners by May 29, 2020. To date, 112 Attestations out of 156 have been received. The OCC is following up with the remaining Partners who have not completed the Attestation.

V. Status Update – HHC ACO, Inc.

19) On June 1, 2020, Dr. David Stevens was appointed as the new Chief Medical Officer of HHC ACO, Inc. ("HHC ACO"). And On June 25, 2020, the NYC Health + Hospitals' Board of Directors passed a resolution designating Matthew Siegler (as successor to Dr. Dave Chokshi) to serve on the Board of Directors of HHC ACO. The HHC ACO Board of Directors nominated Mr. Seigler during its May 21, 2020 meeting.

20) On September 14, 2020, CMS released the 2019 performance year ("PY") results for the Medicare Shared Savings Program ("MSSP"). HHC ACO earned a performance payment of $4,621,337, compared to $2,967,275 in PY2018, and a quality score of 92.17%, compared to 83.39% in PY2018.

21) HHC ACO is currently working with NYC Health + Hospitals' Comptroller's office on finalizing the FY2020 HHC ACO Financial Audit, which will be presented to the HHC ACO Board of Directors during its December 2020 meeting.

VI. HIPAA Risk Analysis and Security Assessment

22) To ensure the System's compliance with the requirements of HIPAA and HIPAA regulations, the System has engaged a third party vendor, Coalfire Systems, Inc. ("Coalfire"), to conduct a HIPAA enterprise-wide Risk Analysis and Security Assessment. In 2019, Coalfire conducted on-site reviews at all of the System's acute care facilities, skilled nursing facilities, and Diagnostic and Treatment Centers, and a sample of the Gotham clinics. It also conducted virtual reviews of fourteen (14) other Gotham clinics.

23) In addition, Coalfire performed penetration tests of NYC Health + Hospitals' systems and applications to determine their vulnerability to unauthorized access. It also assessed a sample of the System's vendors to determine their compliance with HIPAA and the security of the System's PHI that they maintain.

24) At the end of 2019, Coalfire provided NYC Health + Hospitals with a Risk Management Plan, which identifies the high and very high security risks to NYC Health + Hospitals based in its Risk Analysis. The Risk Management Plan was shared with senior leadership to determine what treatment to give each of the risks (*e.g.* accept, mitigate, transfer, or share). The risks to be mitigated were assigned to the appropriate individuals to implement the mitigation plans, which are being tracked.

25) Coalfire is wrapping up its year two (2020) risk analysis engagement. Year two consists of revalidating the findings from 2019, reviewing the status of the remediation plans from the 2019 Risk Management Plan, and conducting initial reviews of twenty (20) clinics and all five (5) skilled nursing facilities. Final analysis workbooks and reports are expected at the end of 2020.

VII. Deficit Reduction Act of 2005 ("DRA")

26) The Deficit Reduction Act of 2005 ("DRA") requires NYC Health + Hospitals to establish written policies and procedures that inform its workforce members and business partners about the System's internal policies covering fraud, waste, and abuse; the Federal False Claims Act and any similar state law that governs false claims and statements; and whistleblower protections under Federal and state law. In accordance with this requirement, the OCC distributed to all of its workforce members, business partners, OneCity Health Partners, and HHC ACO participants Operating Procedure ("OP") 50-2 *Policy on Fraud, Waste, & Abuse, and False Claims*, which provides the System's policy and procedure regarding the requirements of the DRA, and an overview of the relevant laws.

VIII. Fiscal Year 2021 Draft Risk Assessment

27) As part of NYC Health + Hospitals' compliance program, and as required by the Social Services Law and regulation, the OCC developed a draft Risk Assessment for fiscal year 2021 ("FY2021 Draft Risk Assessment"). The risks described in the FY2021 Draft Risk Assessment are derived from risks identified by the OMIG in its FY2020 Work Plan, and the OIG Work Plans and updates thereto, both of which identify risks that these agencies have determined to be areas of concern for overpayment and/or noncompliance. Other risks in the FY2021 Draft Risk Assessment were identified internally.

28) As part of the risk assessment process, the Compliance Officers within the OCC met with their facilities' Compliance Committees to review the FY2021 Draft Risk Assessment. The members of the Compliance Committees were also asked what risks are of the greatest concern to them and their facilities.

29) Following the meetings of the Compliance Committees, on September 10, 2020, the Chief Corporate Compliance Officer ("CCO") presented the FY2021 Draft Risk Assessment to the Executive Compliance Workgroup ("ECW") for its analysis and input. Based on this analysis and input, the ECW determined which of the risks in the FY2021 Draft Risk Assessment should be included in the FY2021 Corporate Compliance Work Plan, which will be presented to the Audit Committee for review and approval later this year.