FINANCE COMMITTEE AGENDA

Date: May 10, 2021
Time: 11:00 am
Location: Virtual Meeting

I.	**Call to Order** Adoption of the March 15, 2021 Minutes	Freda Wang
II.	**Finance Update**	John Ulberg James Cassidy Salema Tyler Michline Farag Linda DeHart Krista Olson Matt Siegler Tasha Philogene Sarah Lum
III.	**Old Business**	Freda Wang
IV.	**New Business**	
V.	**Adjournment**	

MINUTES

Finance Committee **Meeting Date: March 15, 2021**
Board of Directors
The meeting of the Finance Committee of the Board of Directors was held on March 15, 2021 virtually with Freda Wang presiding as Chairperson.

ATTENDEES

COMMITTEE MEMBERS

Freda Wang, José Pagán, Mitchell Katz, Sally Hernandez-Piñero, Feniosky Peña-Mora – left at 12:02, Barbara Lowe

H+H STAFF

M. Allen, Senior Vice President, Medical and Professional Affairs
J. Cassidy, Director, Central Finance
L. DeHart, Senior Assistant Vice President, Corporate Reimbursement Services
M. Farag, Assistant Vice President, Corporate Budget
G. Fouks, Assistant Director, Corporate Budget
C. Hercules, Chief of Staff, Board of Directors
J. Jose, Executive Secretary, Board of Directors
M. Karlin, Chief Revenue Officer, Revenue Cycle Services
N. Lauro, Director, Corporate Budget and Financial Planning
A. Marengo, Senior Vice President, Communications
K. Olson, Senior Assistant Vice President, Corporate Budget & Financial Planning
T. Philogene, Director, Corporate Budget
S. Rubin, Associate Director of Operations, T2 Admin
M. Siegler, Senior Vice President, Managed Care and Growth
S. Tyler, Senior Director, Corporate Budget
M. Thompson, Director, Central Finance
J. Ulberg, Senior Vice President, Central Finance

CALL TO ORDER

Ms. Wang called the meeting to of the New York City Health + Hospitals Board of Directors Finance Committee Meeting to order at 11:02 a.m.

Upon motion passed and duly seconded the minutes of Finance Committee meeting held on December 3, 2020 was adopted.

Ms. Wang then deferred John Ulberg to begin the financial report.

FINANCIAL REPORT

Mr. John Ulberg began the financial report for FY-21 Q2 by emphasizing that overall H+H finances are stable. Externalities have a large effect on H+H's current financial position. Recently it was announced that the DSH cuts would be delayed, which has a positive impact on H+H. Additionally, FEMA cost sharing was set at 100%. Other outside forces include the DSH glitch which is an error that was made in the FMAP calculations for H+H, but this was fixed in the American Rescue Plan. The American Rescue Plan has significant relief for the City and State. The State is negotiating their budget due April 1. The last item we are working on is our response to FEMA. Internally we closed February with a cash balance of $400M. We achieved a positive net budget variance of $115M, outpacing budget projections by 2%. Direct patient care receipts came in at $398M higher than Q2 FY-20. Volume is down. Strategic initiatives are staying on track.

Mr. James Cassidy reported that we closed February with $400M cash-on-hand (18 days). We are working with the State to receive our next DSH payment of $511M during the month of March. The installment will enable us to close March with nearly $650M cash-on-hand (29 days). Even with the receipt of the DSH funds, we will continue to face cash flow challenges by the end of the fiscal year. To mitigate these challenges we have written a letter to FEMA requesting expedited processing of our next reimbursement package. We have requested approximately $330M to be received in April.

Ms. Salema Tyler provided a summary of our cash receipts. Although our outpatient, inpatient, and emergency department volume is down, our total cash receipts are up. We are doing well on cash for a number of reasons, including case mix index (CMI) increases, continued revenue cycle and managed care contracting enhancements, and unbudgeted testing revenue.

Mr. Cassidy reported on managing external risks – the check mark on the slide means the risk has been averted. Those include FEMA reimbursement at 100% Federal and Federal DSH cut 3-year delay. The work in progress symbol applies to the Federal DSH eFMAP glitch, State/H+H/City Medicaid Initiatives, and State/City budget risks. The Federal DSH eFMAP glitch is fixed in the House/Senate reconciliation bill, but we are waiting for official guidance and funds to be allotted and we expect this to be checked off soon. The State/H+H/City Medicaid Initiatives are a work in progress because we are finalizing MOU and MCO rates for our supplemental Medicaid lines in the financial plan. Finally, State/City Budget risks include a one-time $212M deb service cut, the Governor's budget could impact H+H by nearly $500M over two years.

Mr. Feniosky Peña-Mora asked Mr. Cassidy if the City's $212M debt service cut means that the City was not previously charging H+H for the debt service and now they are.

Mr. Cassidy clarified that we were paying debt service to the City until FY-16. As of FY-16 through FY-20, the City forgave us the obligation so we would not have to pay.

Ms. Michline Farag reported on the FY-21 through Q2. December FYTD closed with a positive net variance of $115M where receipts exceeded budget by $252M ($204M in Patient Care) due to COVID patients, Medicare rates, and catch-up risk payment; disbursements are better than budget by $39M in non-COVID OTPS spend due to lower volume and costs associated with COVID. There is COVID not offset amount of $129M which will be offset when additional Federal Relief funds are received. Year over year, patient care receipts are up $480M due to increased patient acuity including COVID patients, increased rates, a higher Medicare advance, as well as revenue cycle, managed care, and other revenue improvement initiatives. CMI is up by 22% from 1.17 in FY20 to 1.49 in FY-21. Disbursements overall are $69M higher mainly due to COVID spending that was not offset.

Ms. Wang asked if the disbursements exceeding budget by $39M.

Ms. Farag replied by clarifying the top half of the graph is better than budget and the bottom half is worse than budget; therefore, the $39M disbursements that exceeded the budget are better than what was budgeted.

Ms. Farag reported on the H+H staffing mix. H+H fully invested in core staffing mix and is now focused on clinical services optimization, quality of care enhancement, and patient care revenue growth. The slide shows the investments made through FY-21 Q2 and investments since the start of FY-19. 877 full time nursing and nursing support positions have been added since FY-19. Since the start of FY21, we are up 122 FTEs, including 82 nurses, 25 physicians/residents, 4 funded business plans, 14 revenue cycle initiatives, 51 clericals, and 62 others which include techs/specs, EVS/FAN, managers, and other.

Ms. Farag reported that the FY-21 patient care revenue is $480M higher than FY-20 actuals. Patient revenue improvements year-over-year can be attributed to a combination of increased patient acuity including COVID patients, increased rates, continued improvement on strategic initiatives, COVID testing revenue, and MetroPlus risk payment timing. CMI is up by 22% from 1.17 in FY-20 to 1.49 in FY-21.

Ms. Krista Olson reported on the strategic initiatives financial update for Q2. H+H is doing well compared to our risk adjusted targets that are in the financial plan and we monitor internally against higher targets. Compared to last quarter the line of sight has increased substantially with the increase being primarily in the revenue cycle and managed care initiatives category. Specific improvements include the AR recovery, one time managed care settlements, enrolling the uninsured, and capturing high cost outliers. Our focus now is on assessing whether these amounts are recurring, what additional opportunities there are, and assessing COVID related risks.

Ms. Olson reported that we are measuring an array of metrics associated with the various initiatives, which include both higher and lower performing items that are listed on the slide. One particular category that is performing very well includes the revenue cycle and managed care contract negotiations initiatives.

Mr. Ulberg outlined the considerations for the FY-22 budget development. Those included building on VBP success, retaining and maximizing attributed membership growth, growing primary care panels, doubling down on access and efficiency gains, patient access improvements, telemedicine and express care, reducing denials and boosting insurance screening, leveraging MyChart, and focusing on COVID readiness and flexibility.

Ms. Linda DeHart reported on the American Rescue Plan Act. This was signed into law on March 11. The healthcare related provisions include the DSH glitch which was already discussed, this restores $893.6M for H+H through FY-22. State and Local relief that can be used for lost revenue and budget shortfalls included $12.6B for NYS and $4B for NYC. Funding for COVID public health response activities including vaccine distribution and promotion ($7.5B), testing ($47.8B), data sharing, and contact tracing ($47.8B) which may provide funds to NYC for support of T2. There is nursing home infection control and outbreak management allocation of $700M. Funding for public health workforce initiatives ($7.8B), strengthening mental health and substance abuse services ($3.9B), community health centers ($7.6B), rural hospitals ($8.5B), and various other public health investments. Medicaid eligibility and coverage enhancements, including mandated COVID vaccine and treatment coverage largely with no cost sharing. Health insurance subsidy enhancements and expansion, including incentives for adoption of Medicaid expansion and additional enhanced federal matching rates for certain services.

Ms. Olson reviewed the T2 FY-20 and FY-21 budget. The T2 budget has increased to $2.1B due to program expansions reflective of local policy changes, a prolonged second surge, and new inclusion of vaccine. This includes expenses for testing, tracing, take care, admin data and evaluation, and public awareness. Additionally, there's the added expense of three vaccine distribution sites. H+H expects to receive a significant allocation of the ELC funding from the December COVID19 relief bill. FEMA will reimburse eligible T2 costs at 100%.

Ms. Wang polled the board members for questions. Mr. José Pagán and Dr. Mitchell Katz commended the finance team for their work but did not have any questions.

Ms. Sally Hernandez-Piñero asked if the 877 nurses we have hired since FY-19 includes COVID, and whether this is a stable number now.

Mr. Ulberg replied that there are two views – one is the growth from the beginning of the FY and the other is the growth since FY-19 which demonstrates growth in line with our strategic plan. With respect to nurses, when you add the two together is 877 between nurse and nurse support. We have built out the nurse staffing model, which is what is driving this growth. We are comfortable with this level of nurse staffing and its being operationalized despite the volatility of the current times.

Ms. Hernandez-Piñero asked in regards to the American Rescue Act how long until we will know how much funding for mental health and substance abuse services will come to H+H.

Ms. DeHart said we do not know yet but we hope they will take action quickly and they may add funds to existing grants to make funds flow easier.

Mr. Peña-Mora asked a clarifying question about the vaccine expense in the budget for T2. It is not clear the scale of this within the context of the larger City vaccination effort.

Ms. Olson confirmed the value on the slide is for the three vaccination sites that T2 is operating. She further elaborate that vaccines offered at our facilities and Gotham sites focused on our staff and patients are not included in this budget. Also not included here is the larger City vaccination effort.

FOLLOW UP: Mr. Peña-Mora would like to see the total vaccination budget even if they are in different offices to better understand the magnitude of the citywide effort.

Ms. Hernandez-Piñero asked a question on the T2 slide related to the $179M for public awareness. She asked if this would be reimbursed by FEMA.

Ms. Olson said that public awareness is FEMA eligible but FEMA looks at each piece individually to determine but we expect it to be FEMA eligible. This includes activities managed both by T2/H+H but also DOHMH and other city agency expenses.

Ms. Wang went back to Mr. Peña-Mora's request about the larger vaccination costs for H+H for clarification.

Mr. Peña-Mora feels the data presented today is not a full line of sight into the H+H expenses for vaccinations because it does not include the acute facilities and Gotham expenses.

Ms. Olson said she can follow up and provide this number.

Ms. Barbara Lowe ask that two vulnerable populations of school children and nursing home patients needs to be considered in the COVID initiatives.

Mr. Ulberg commented that our skilled nursing facilities are very exceptional and we have done a great job at vaccinating staff at the facilities.

Mr. Siegler commented on our broader staffing model in pediatrics. We have good access in our pediatric clinics overall. We are seeing demand for pediatric services in key areas. One is in adolescent pediatric psychiatry, which we are scaling up to meet demand across the system. The second is a multi-generational pediatric clinical model that targets high risk mothers and their children call the IMPACT program – H+H is looking at sustainable funding sources to try to scale it. Finally, the success that Dr. Long and the T2 team have had in scaling up testing and tracing in schools.

Ms. Lowe emphasized concerns about children returning to school and the school system preparedness for this.

Ms. Wang commended the team on their work and introduced Mr. James Cassidy to review the informational item related to the January Financial Plan.

INFORMATIONAL ITEM

Mr. Cassidy reviewed the January 22 cash plan, which was released in February. Generally two cash plans are released but last year we only released one plan due to COVID. There was a lot of volatility related to COVID but overall the closing cash balance we project for the next few years is strong or in a similar place to our historical levels. Projecting that we will close this year around $550.5M. Mr. Cassidy reviewed the major factors that influence the bottom line. This includes the already discussed DSH eFMAP glitch fix; supplemental Medicaid adjustments, including a large number in FY-21 due to cash payment timing and DSH cut delays; City Changes including the debt service item noted before; COVID is negative in FY-21 but increases in out years because we anticipate FEMA and other Federal Relief to start coming in; one-time MetroPlus changes to risk pool payment timing and one-time COVID clawback; SFY:20-21 State Budget risks (enacted back to April 2020); affiliate contract changes which include investments not previously included; and other revenue/expense changes.

Mr. Peña-Mora asked about the investments made to our facilities for COVID testing and vaccinations and whether FEMA is going to cover the expenses for these.

Mr. Cassidy replied that anything T2 related will be covered in our MOU with the City and therefore H+H is not at financial risk for those expenses.

Mr. Peña-Mora asked about the vaccine expenses and the COVID Centers of Excellence.

Ms. Olson said there are different components to the COVID Centers of Excellence. Those sites were in the works before COVID but now some pieces of these sites will be dedicated to COVID and thus will be FEMA eligible. Two have opened. In terms of an operating function, they are not covered by T2 because they are part of Gotham. Any COVID related expenses for them will be FEMA.

Dr. Katz added that the vaccine comes to H+H for free but that we do bill insurance for the administration fee. There is an open question whether the uninsured administration fees can be claimed to FEMA.

Mr. Peña-Mora asked if we are still using our FEMA consultant that we have used previously.

Mr. Ulberg confirmed that yes we are.

Ms. Hernandez-Piñero asked about the reduction in about $2B in PS and OTPS.

Mr. Cassidy said that this includes one-time T2 and COVID costs which, between the two, is about $2.1B. This is offset by City services, grants lines and the net difference is shown in the plan adjustments slide. For COVID we are down about $350M this year but we have positives in the later years.

Dr. Katz praised the H+H team for the DSH eFMAP glitch fix efforts, especially praising Deborah Brown and her team.

ADJOURNMENT

There being no further business the meeting was adjourn at 12:06 p.m.

NYC HEALTH + HOSPITALS

NYC Health + Hospitals
Finance Committee Meeting
May 10, 2021

FY21 Quarter 3 Highlights

- Closing Cash Balance of **$350M** through March.

- Achieved a net budget variance of $65M, beating the budget by 1%. The variance excludes T2 revenue and includes $368M in COVID costs that we have not received Federal relief for yet.

- Direct Patient Care Receipts came in **$331M higher than Q3 FY20** continuing the pace of positive performance that we experienced during FY20, where direct patient care revenue came in $500M over the prior year.

- Patient care volume is returning to pre-COVID levels in Q3 of FY21 but is still below Q3 FY20. Revenue base is strong and resilient primarily driven by Medicare rate increases and the stability of VBP/sub-cap contracts.

- Overall, our Strategic Financial Initiatives remain on track with our post-COVID strategies, generating $431M with a line of sight of $530M. Strong areas of performance include:
  - Value Based Payment Initiatives (e.g., HARP conversions & panel management)
  - Managed Care Contract Negotiations
  - Revenue Cycle Improvement

- Staffing investments are consistent with our overall system needs with additional RN and targeted nursing support positions (specifically Patient Care Associates and Behavioral Health Associates) to help support COVID surge needs and stabilize ongoing services.

NYC HEALTH+ HOSPITALS

FY21 Cash Projection

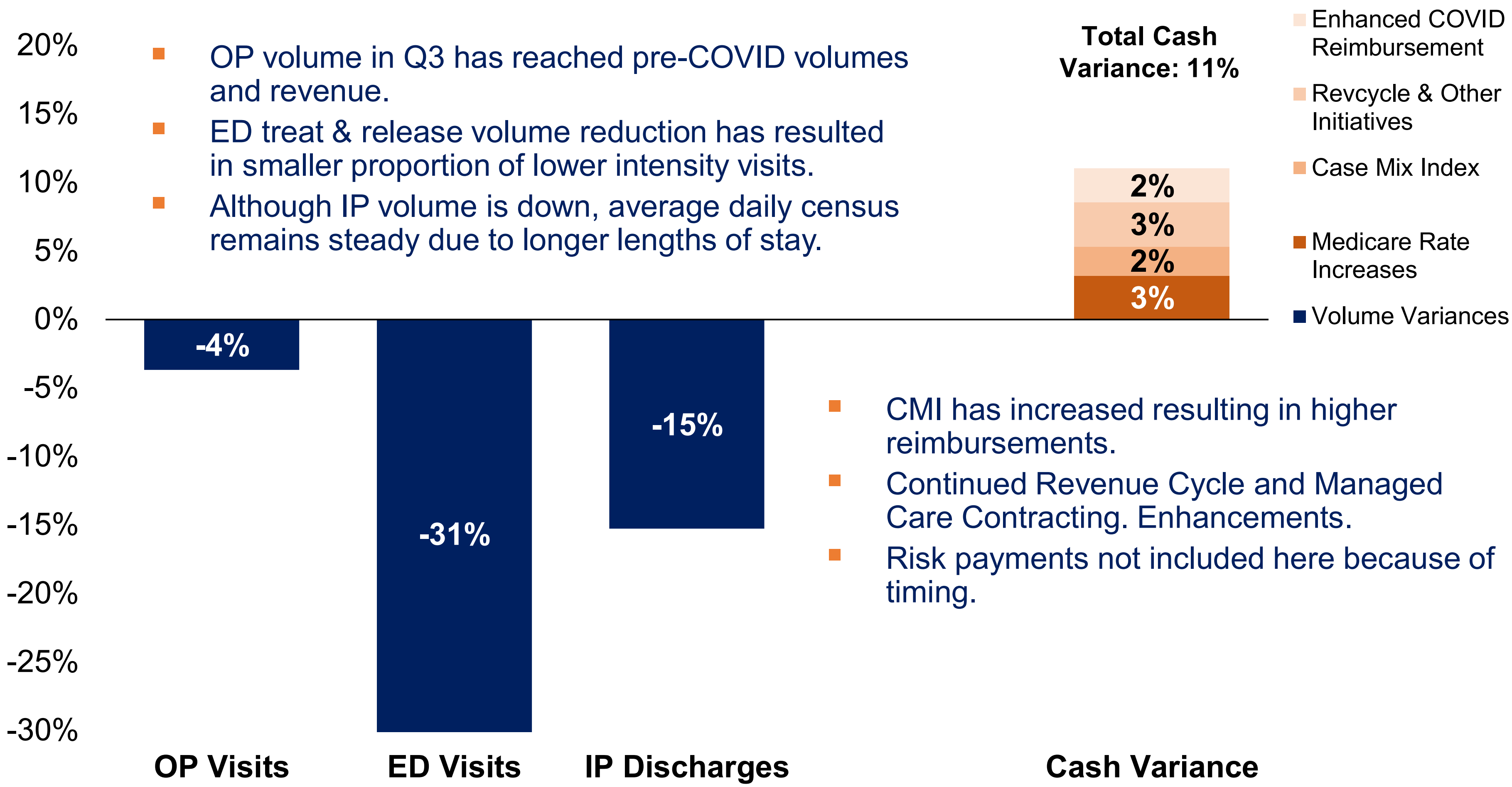
- The system closed March with approximately $350M cash-on-hand (16 days).
  - This included $109M in DSH funds.
- The system is expected to close April with approximately $300M cash-on-hand (13 days).
- We will receive two DSH payments in early May totaling $470M.
  - These funds would allow us to close May with approximately $550M cash-on-hand (26 days).
- Even with the receipt of the DSH funds, we will continue to face cash flow challenges by the end of the fiscal year.
  - To mitigate these challenges, we have written a letter to FEMA requesting expedited processing of our next reimbursement package.

NYC HEALTH+ HOSPITALS

Q3 Cash Receipts & Volume FY 2021 vs. FY 2020

Cash receipts in FY21 Q3 are 11% higher than FY20 Q3 despite service volume being lower.

- OP volume in Q3 has reached pre-COVID volumes and revenue.
- ED treat & release volume reduction has resulted in smaller proportion of lower intensity visits.
- Although IP volume is down, average daily census remains steady due to longer lengths of stay.



- CMI has increased resulting in higher reimbursements.
- Continued Revenue Cycle and Managed Care Contracting. Enhancements.
- Risk payments not included here because of timing.

* OP Volume Excluding COVID Community Testing

Managing External Risks

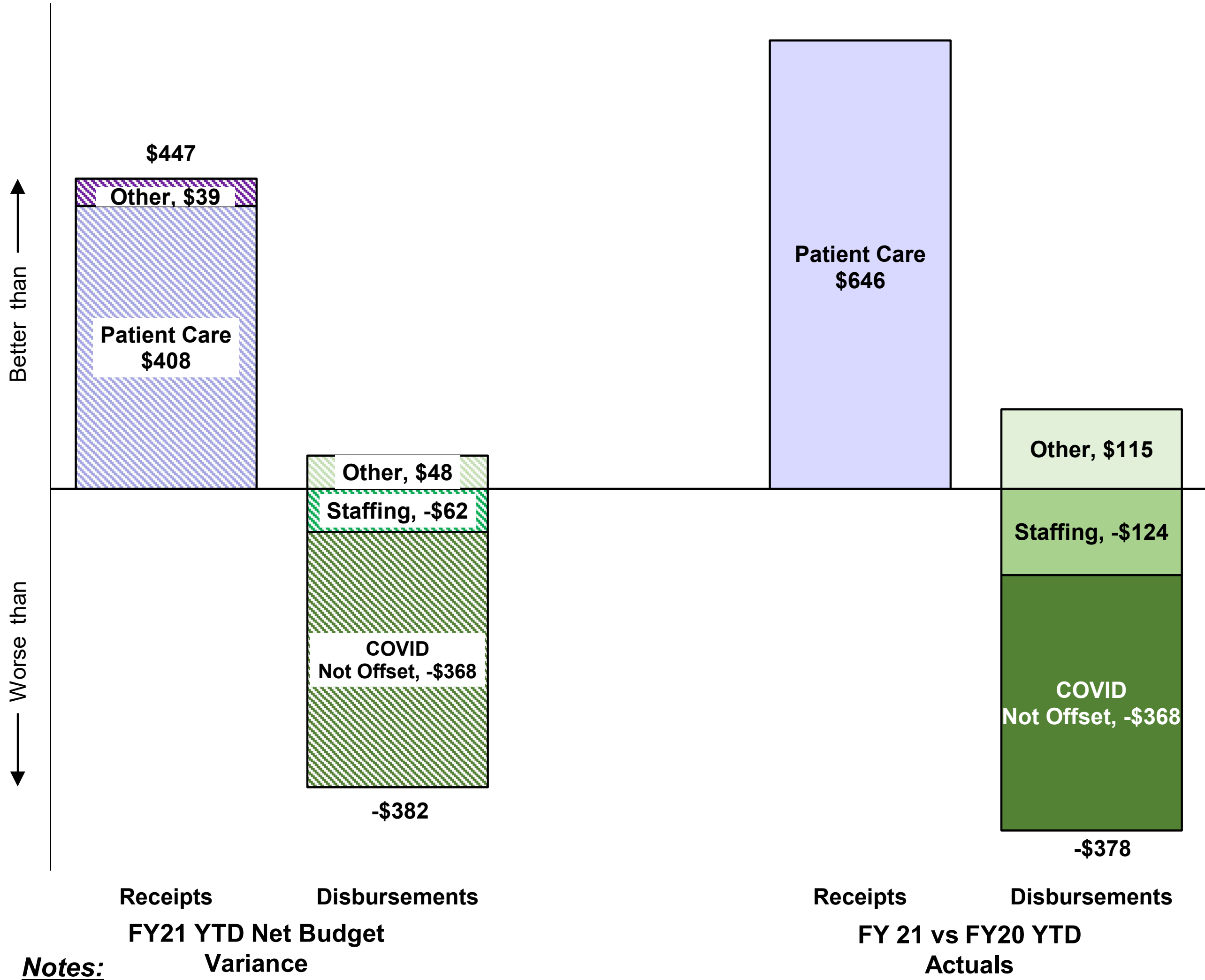
Risk	Status
FEMA Reimbursement at 100% Federal	✓
Federal DSH Cut 3-Year Delay	✓
Federal DSH eFMAP Glitch (Still awaiting receipt of funds)	✓
State/H+H/City Medicaid Initiatives (Ongoing meetings with State DOH on the implementation timeline and next steps)	
State/City Budget Risks (Nearly all State budget cuts were restored in the Enacted budget.)	✓
FEMA Reimbursement Package #2: Temporary Staffing (Under review by FEMA)	

Financial Performance

Quarter 3, FY 2021

FY21 thru March

Net Budget Variance and Prior Year Comparison



Highlights

March FYTD closed with a positive net budget variance of $65M where

- Receipts exceeded budget by $447M ($408M in Patient Care) due to COVID patients, Medicare rates, and risk payment catch-up and better performance ($234M)
- Disbursements exceeded budget by $382M in OTPS spend due to lower volume and costs associated with COVID.

Year over year,

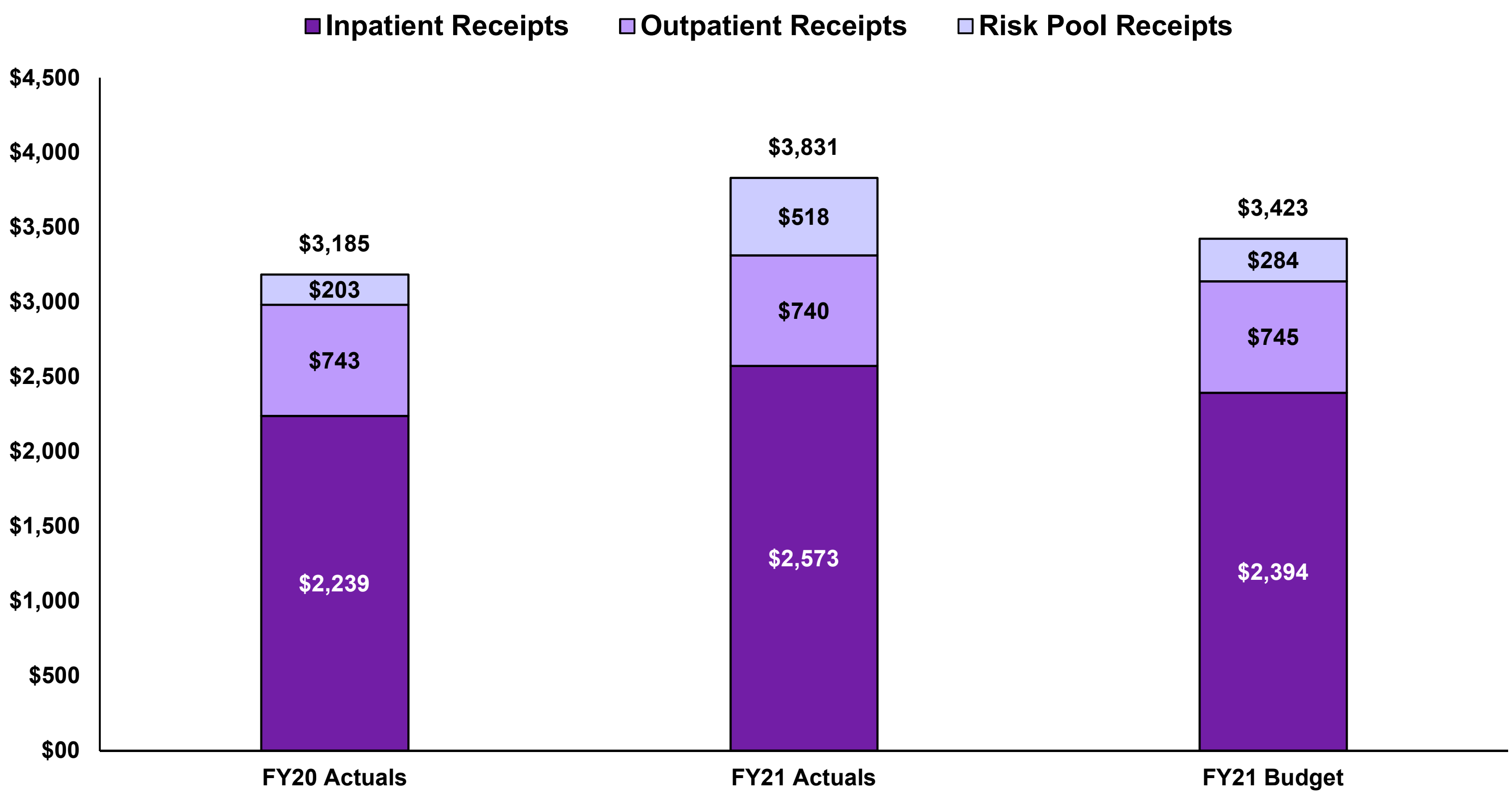
- Patient Care revenue is up $646M (in inpatient and risk payments) due to increased patient acuity including COVID patients, increased rates, a higher Medicare advance, as well as revenue cycle, managed care, and other revenue improvement initiatives. Case Mix Index (CMI) is up by 25% from 1.18 in FY20 to 1.47 in FY21.
- Disbursements overall are $378M higher mainly due to $368M COVID spending that was not offset in FYTD.

Notes:

1. Net Budget Variance and YTD Actuals do not include COVID expense and receipts of $543M.
2. The “COVID Not Offset” amount of $368M can be offset once additional Federal relief funds are received.
3. Receipts in YTD Actuals only reflect Patient Care Receipts.
4. Test and Trace not included in the Net Budget Variance and YTD Actuals.

Revenue

- FY21 patient care revenue is $646M higher than FY20 actuals.
- Patient revenue improvements year-over-year can be attributed to a combination of increased patient acuity including COVID patients, increased rates, continued improvement on strategic initiatives, and MetroPlus risk payment timing.
- Case Mix Index (CMI) is up by 25% from 1.18 in FY20 to 1.47 in FY21.



FY21 Systemwide Strategic Initiatives and FY22 Budget Strategy

Strategic Initiatives Financial Update – Q3

In millions

Summary Initiative Category	FY 21 Revenue Target*	FY21 Line of Sight
Growth and Other Service Line Improvements	$86.2	$112.1**
Revenue Cycle and Managed Care Initiatives	$149.9	$378.6
System Efficiencies	$11.3	$15.7
Value-Based Payment Initiatives	$22.7	$23.6
Grand Total	**$270.1**	**$530.0**

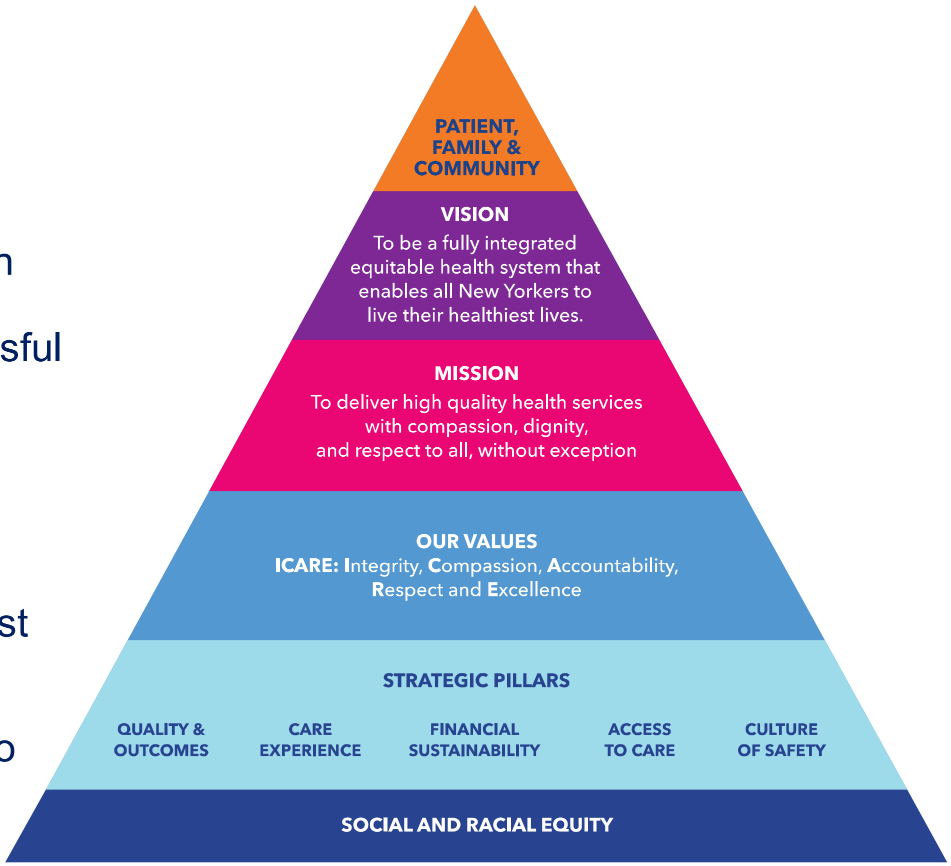
**Risk-adjusted incremental target*
*** **Correction** Q2 LOS was $115.2 not $155.2. LOS was slightly reduced in Q3 to account for COVID testing*

- Risks include timing of payments and the impact of COVID-19 on patient volume.
- H+H is managing to more ambitious internal targets to mitigate these and other risks.

FY22 Budget Development Strategy

- FY21 Budget
  - Developed with limited clarity on COVID financial impact, city/state/federal policy direction
  - Focused on executing on the basics and improving system/facility budget accountability
    - Limit risk and preserve flexibility given COVID and policy environment
  - FY21 strategic priorities were very successful even in midst of major efforts on second surge, T2, and vaccination

- FY22 Budget
  - COVID financial impact more clear; city/state/federal picture more positive; post vaccine utilization trends will evolve
  - Build on FY21 successes, learn from opportunities and initiatives delayed due to COVID
  - Support city-wide COVID recovery and overall H+H Vision, Mission and Values



FY22 Budget Strategy Builds on FY21 Successes and Lessons

FY21 Strategic Focus	Result	FY 22 Initiative
Improve surgical efficiency and margin; grow surgical volume	System-wide performance improvement and accountability; meaningful revenue even given COVID surge and OR reductions; improved incoming referral processing and scheduling	• Continue OR efforts with updated targets • Facility level outpatient specialty and radiology performance improvement and growth targets
Succeed in Value Based Payment	Grew attributed membership and grew HARP/HIV SNP enrollment; successful performance in managed care quality programs	• More granular focus on panel management • Grow primary care patient panel sizes • Retain substantial growth in membership • Build on other efforts and incorporate into standard work
Revenue cycle and managed care	Continued improvement in operations and contracting; certain denial types still too high	• Multi disciplinary teams efforts on key denial types and insurance enrollment • Contract renegotiations and additional oversight
Ambulatory care and telehealth	Major My Chart growth and huge testing/vaccine success; some improvement in Gotham margin and ambulatory care efficiency	• Optimize in person vs video vs phone visit mix • My Chart outreach, engagement, and performance improvement • Grow virtual express care
Be Great at the Basics	Post acute margin improvement, IT savings, hit pharmacy revenue target, lab efficiencies	• Community Care strategic plan • Continued pharmacy and supply chain improvements
MRTII and special populations opportunities	UPL Conversion signed	• Advance special populations proposal

FY22 Budget Phases

Phase I
(April 30)

- Base-level Budget
  - Base Assumptions
  - Approved Facility Growth and Business Plans
  - Approved Strategic Initiatives

Phase II
(May 14)

- Financial Impact of Externalities (City/State/Fed)

Phase III/ Roll-Out
(June 30)

- FY22 Post-COVID Recovery Plans
- FY22 New Service and Strategic Opportunities
- Budget Roll-out

Federal Relief

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COVID-19 Federal Relief

- H+H has paid out approximately $1.7B on COVID-19 through March 2021. Current commitments are about $2.0B.
- We have received $266M in FEMA advances to-date.
- A second drawdown package is under FEMA review and we have submitted a letter requesting an expedited payment.
- To date, H+H has received $1.2B thus far, largely from the High Impact ($754M), Safety-Net ($359M), and General Allocation Provider Relief Fund ($69M)
- Unallocated Provider Relief Funds from the $175B CARES Act Allocation remain. We continue to advocate for any unallocated funds to prioritize and any new funds should prioritize high-Medicaid and safety-net hospitals.

Test and Trace

Test and Trace Financial Update

- Through March, H+H paid out approximately $745 million of $1.5 billion estimated expenses.
- The City has provided H+H with sufficient funding to cover expenses to date.
- Additional federal funds for New York City have been announced for Test and Trace Corps.
  - H+H was awarded $270 million for a CDC ELC Expansion Grant to cover testing and tracing.
  - H+H was awarded $251 million for a CDC ELC School Testing Grant.
  - FEMA is expected to reimburse eligible T2 testing and vaccine costs at 100%.
  - OMB expects there will be additional federal funding allocated for the American Rescue Plan.