

FINANCE COMMITTEE AGENDA

Date: July 11, 2022
Time: 1:00 P.M.
Location: 50 Water Street, 17th Floor,
Boardroom – VIRTUAL

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| I. Call to Order
Adoption of the May 09, 2022 Minutes | <i>Freda Wang</i> |
| II. Financial Update | <i>John Ulberg</i> |
| III. Informational Item: NYPA Loan Refunding | <i>Linda DeHart</i> |
| IV. Old Business | Freda Wang |
| V. New Business | |
| VI. Adjournment | |

Finance Committee VIRTUAL MEETING - May 9, 2022

As Reported By: Freda Wang

Committee Members Present: Freda Wang, Mitchell Katz, MD, Sally Hernandez-Piñero, José Pagán, Feniosky Peña-Mora, Barbara Lowe, Patricia Marthone, MD

CALL TO ORDER

Ms. Wang called the meeting of the New York City Health + Hospitals Board of Directors Finance Committee Meeting to order at 12:38 p.m.

Ms. Wang called for a motion to approve the March 22, 2022 minutes of the Finance Committee meeting.

Upon motion passed and duly seconded the minutes of the Finance Committee meeting held on March 22, 2022 were adopted.

ACTION ITEM: MEDICAL MALPRACTICE LAW FIRMS

Dr. Cheung presented a resolution:

Authorizing the New York City Health and Hospitals Corporation (the "System") to execute three-year agreements with each of the 17 law firms listed in Annex A attached (the "Med Mal Firms") for defending the System in medical malpractice cases on an as-needed basis with the System holding two 1-year options to renew for an amount not to exceed \$86,000,000 over the entire potential five-year term.

Mr. Cheung provided an overview of the background and current state of medical malpractice claims, the use of in-house and outside counsel. NYC H+H uses outside counsel and in-house attorneys in defending medical malpractice suits. The Office of Legal Affairs typically relies on outside firms for defending the most complex, highly specialized or highest dollar exposure cases. The historical expenses associated with hiring outside counsel is roughly \$14 million per year. These expenses have been completely funded by the City. Outside law firm contracts were awarded after an RFP in 2017. The initial three-year contract period expired on 02/28/21. Thereafter, the Office of Legal Affairs exercised its rights to extend the contracts through 02/28/23. An RFP was released early due to current challenges of obtaining the same quality of representation under the existing contractual rates, which were substantially below market, resulting in firms substituting less experienced partners and associates to NYC Health and Hospitals cases and/or declining assignments. The hourly rates being proposed under the new RFP are higher than the prior rates. It is estimated that the annual

spend for outside counsel could increase by about 2 percent based on negotiated rates with the firms in the new RFP.

Mr. Cheung continued by providing an overview of the procurement process, vendor references and RFP criteria. All vendors considered were closely evaluated, provided appropriate references, and have a strong experience with similarly large health care systems. The 17 highest rated firms based on the scoring criteria were selected; 8 were existing firms and 9 new firms. There were no MWBEs found to be able to perform under this RFP. Legal services are exempt from the MWBE program under operating procedure 100-10 as "personal services", services that are to be performed by uniquely qualified individuals. The vendor Diversity team analyzed the availability and capacity of any MWBE law firms able to perform under this RFP and confirmed that there are no MWBE law firms providing the services requested under this RFP.

Ms. Wang polled the committee for questions.

Mr. Pagán asked about the 8 firms' historical performance.

Mr. Cheung confirmed that we have received a lot of feedback which was taken under consideration during the selection process. There are 11 firms existing on the panel and the selection committee only selected 8 out of the 11. Three of them will not be awarded contracts under this RFP.

Dr. Katz added, this is the kind of RFP where it enables the lawyers to choose the firms based on the expertise. Firms are selected in a case by case basis. Dr. Katz continued, commenting positively on how well our staff have controlled costs around malpractice.

Ms. Hernandez-Piñero requested further clarification regarding the number of firms mentioned.

Mr. Cheung confirmed we currently have 11.

Ms. Hernandez-Piñero asked about the reason for the increase from \$70 million to \$86 million, it was mentioned those firms cost \$14 million dollars per year. Therefore, we can state for 5 years it was \$70 million dollars. So, we are going from \$70 million to about \$86 million and the reasoning is to get a better-quality firm and better representation, correct?

Mr. Cheung responded, that it was challenging to maintain the quality with the old contract rates. For which we found it necessary to release a new RFP.

Ms. Cohen added, that the new rates reflects market trends. The quality of the firms at the outset of the earlier period was probably what we thought were adequate and sufficient that the market increases have outpaced what our rates caps were.

Ms. Hernandez-Piñero mentioned, you also had fixed rates at the time. And even the low end of the payment of awards the \$100 million, you

still end up spending half a million dollars per year on awards, is that comparable to other systems of our size?

Mr. Cheung responded, that he was unable to compare what is happening to other systems of our size, however we are extremely large and based on what our outside counsel firms is advising us since they represent other hospital systems in NY state, is that their payouts in terms of severity of cases and the value of payouts has been increasing, however, we continue to maintain lower payouts due in part, to the aggressive approach in defending cases and resolving cases in the earlier phase of the litigation.

FOLLOW-UP

Ms. Hernandez-Piñero requested a chart to look at what lawsuits end up being awarded or settled, when did they occur, what the ultimate payout was, a breakdown of the hospitals and the type of cases.

Ms. Cohen explained that the actual amount of the award often has almost as much to do with the circumstances of the plaintiff the way damages are calculated than it necessarily does with the nature of the medical activity that may have resulted in there being a claim. That is important to understand who your plaintiff is, their age expected earning over their lifetime, and those kinds of things play a significant factor. In terms of looking at areas of alleged errors that may result in cases and where to focus, we do some of that through conferencing with clinical leaders around significant cases to make sure that there is an understanding in leadership, where these happened and where these cases are going. However, to do it in a more systematic database level is a new area that we are hoping to move into but it will probably require us to engage with some more sophisticated and different technology and coding of our cases than we currently have.

Mr. Peña-Mora thanked the team for the presentation. He asked for clarification on MWBE non-performance.

Ms. Cohen responded, there were no listed MWBE in NYC or NYS that listed Medical Malpractice and had the experience or expertise required under the RFP criteria anywhere in this state.

Mr. Peña-Mora noted he was able to find at least one MWBE firm which seems to meet some of the RFP requirement after a quick internet search. I am looking online and found one with a NYC office and there are others that are woman owned. The one I'm reviewing says it specialize in Mal practice for insurance and for hospitals. For which this statement does not seem accurate to me. I would like to propose this is table until more information is provided.

Mr. Tallbe explained the process used to search for MWBE firms, we did identify that one MWBE firm. Our process is to review all MWBEs listed by keyword in both the city and state directories as well, as push out to SBS, Small Business Services of New York. As well as to the other

certifying diversity agencies we bank in NMSDC. We issued a basic request for services; asked these vendors, these communities if there is capability or interest in performing these services for us? We do this for all solicitation and did indeed reach out to that particular firm you saw there. He stated that particular firm does not have this medical mal practice besides being listed as such, this particular firm does not have an address with the office of Court administration. We proactively reached out to that one firm and they are not doing this work despite being listed as such in the city certified directory. With our other broader wide efforts, we did not receive any response back from any of those entities indicating that there were any diverse firm at that Med Mal Practice period even the minimum criteria for this procurement.

Mr. Peña-Mora added, was not certain it is the same firm as the name has not been disclosed.

Ms. Cohen suggested to go into an executive session.

Mr. Peña-Mora asked once again to table this to another time instead of an executive session. Further discussion on this matter is needed. One of the things the Board has tried to focus on is ensuring that vendors doing business with H+H really share our goals and are able to represent our patients. That has not been illustrated in the information presented about how these firms and their work in diversity; how are they striving to do diversity and how are we working to arrange this contract to give this opportunity. I do have serious concerns with this contract as presented.

Dr. Katz added, that he was uncomfortable with delaying the process and adjudicating at a Board level a process that is the standard process. Feniosky has made it clear why you should vote no. However, we have done an RFP following the procedures of the corporation. It is undisputed that there were no MWBE able to perform under this RFP. Our group followed their entire process and we understand there can be disagreements on that and the result. However, we need the services and the Board has the full rights to not let it go forward and vote no. But not to change the outcome of this RFP process.

Mr. Peña-Mora clarify there has been a misunderstanding as the outcome is not being questioned, but rather the statements that have been made and the criteria that has been used. That is the reason there should be a more thorough discussion on this. In order to understand how critical this is for us to move this forward now instead of having more discussion, he asked when does the current contract is due to expire?

Ms. Cohen responded the contract does not expire by the end of this month. We went ahead to do this because we were not getting the services that we need to get under the existing contract. This contract expires in a bit over a year.

Ms. Wang added, the issue is that you have not been able to get services, not much a question of the expiration but more the ability of having legal defenses.

Dr. Katz added, these kinds of discussions are positive for a Board. The Board should definitely set the policies. If this is a question of how we should procure services moving forward then this committee should take on and decide how to move forward. What I am uncomfortable about is adjudicating processes that were followed at Board meetings as to me this is problematic. However, it is the Boards right to vote against this.

Mr. Peña-Mora clarify his request is for a deeper discussion on this as we are getting services and we can bring it in next month. I would like to understand the breakdown further. In past meetings there have been discussions in procurement for legal services and bringing in the issue on diversity and MWBE but this has not been reflected in this procurement.

Ms. Hernandez-Piñero added, in an effort to cost containment, you felt you could purchase the services at those costs. You have seen the services that you can get at that price and you have concluded that you are not getting the kind of services that you need without increasing the amount of the contract and doing some change up in firms. We should vote on it and between now and the time of next Board meeting we can address the issue and have a special committee meeting. To table it now, it's a little precipitated as we can do some research without holding the resolution.

Mr. Katz added, there is certainly no problem with doing additional procurements.

Mr. Peña-Mora clarify, the questions asked were not intended to change the procurement but rather referred to the statements presented.

Mr. Pagan asked if the process is exclusionary based on the criteria? According to the definition used, there were no MWBEs and even if we expanded the criteria there would not be that many with this type of expertise.

Mr. Tallbe responded that the data received through the analysis will be provided to the Board. We always reviewed those minimum criteria being used and did not find any particular discriminatory criteria that were set here. We often make separate minimum criteria for MWBEs but we did not see our research that there was any justification to do so in this context. We followed standard process and did not find any MWBEs able to participate.

Mr. Pagán questioned if the criteria were expanded, would any MWBE then apply or qualify?

Mr. Tallbe responded, he does not think so. There are minimum criteria such as overall business size and that was not an exclusion we used here. Representation against the City of NY or against NYC Health and

Hospitals would be a qualifying business criteria that we would not change for the benefit of promoting MWBE utilization.

Mr. Pagán added, Feniosky mentioned we do not have any information related to diversity. He asked that the information is provided at the next Board to show that this procurement is aligned with our goals as an organization.

Ms. Cohen responded, our standard process, is to do a workforce diversity analysis when the firm is large enough for that to be statistically valid thing to do. There are only 2 firms on this list large enough to do this and that is underway. This can be completed by the Board. The rest only have 20 to 25 total personnel and it is very difficult to do any kind of valid statistical analysis due to the size.

Ms. Wang added, going forward in our procurement process we should try to identify some diversity efforts and programs, policies and data to the extend permissible, particularly in cases where there are no qualifying firms to contract with. From this discussion, we understand there was a process that was conducted that identified who the available firms were, the criteria are very clear and there are standard criteria that is not discriminatory or exclusionary. I would offer more time if there is a desire to hear a more details on the specific we can go into an executive session. Does anyone want to go into an executive session?

Mr. Pagan added, I do not but I would like to see that sort of information provided at the Board meeting so we have better information about alignment.

Dr. Katz added, the information that can also be provided on the agency mentioned and not disclosed earlier. We can investigate the disjunction between what was listed on the web and what we discovered in the due diligence.

Ms. Cohen advised on amended this resolution language, for the Board's consideration.

Ms. Hernandez-Piñero commented, I am uncomfortable with that as the committee is who we look for recommendation and proposed action. That would indicate I am not complying with my responsibility. I do not have a problem with it.

Ms. Wang added, let's take a vote on it.

Dr. Marthone thanked the team for their presentation and questioned the scoring criteria used, what consideration was given to declining of assignments for the 9 firms that did reapply to this RFP and how did you come out with 8 firms that you agreed upon? and what was the weighted value?

Mr. Cheung responded, each of the scoring criteria that fall within the slide were 25 percent. There were several firms that declined the assignments. In instances it did not affect the scoring criteria was when the law firm said the rates did not make it possible to accept

certain assignments and had a different business model and asked to withhold certain assignments for a period of time until they made some adjustments that did not have a huge impact on their score. When a firm suggests that Health and Hospitals is not a priority account and declines certain assignments, that has a huge impact on that category. Ms. Cohen added, it is sometimes just on a pure operational basis a firm does decline assignments because they may be full at a given time to decline assignments. There can be instances a good firm with good communication good collaboration occasionally has to decline assignments.

Mr. Cheung added, in some instances we have very high exposure cases that were headed towards trial and partners on our account would have tried those cases declined based specifically based on the rates and that had an impact on the scoring.

Dr. Marthone expressed her overall concern of the current 8 firms back on the list are they in fact firms that we can trust, that if they could not handle the job due to capacity at the time, regardless of the rate, would not take the assignment because they will not pass it on to associates that are the lesser skilled of the organization to take on the challenge and put Health and Hospitals at risk.

Mr. Cheung responded, that all firms on our panel and the evaluations committee selected, are amongst the ones that have the highest scoring rates and are firms we would like to continue working with.

Dr. Marthone added, in the future I would like to see what dynamic exactly the declining of assignments played and how the decision was made. Ms. Cohen added, we have more firms in the panel this time which allows us to have more choices in selecting firms going forward.

Mr. Pagan asked about the reasoning for requirements of 15 years of very viable medical practice experience. Mr. Tallbe responded, Medical Malpractice cases are so complex. It takes many years of experience to really understand the medical issues law requires many years of working with medical records, doctors and experts. It is, the trial experience in front of a jury and presenting complex medical issues to a layperson. It is a skill that mainly requires many years of experience and as an example when you look at a complex medical malpractice case there are two stages of the litigation, pre-trial and when it goes to trial. Experts looking at a case pretrial and suddenly picking a jury, the case becomes very different, as it becomes focused on what issues the plaintiff can bring to a jury as a potential departure and sometimes the message between that is a little tenuous as what they are able to present as a departure question and what most of our treating doctors perceive to be the real medical issue. It is because of the complexity of the issues and now with stream of COVID related cases it becomes more complex and requires a higher degree of expertise and skill.

Mr. Pagan suggested to vote on the resolution to be approved contingent upon further information being provided to the Board on workforce diversity and MWBE procurement.

Ms. Cohen commented, it is not uncommon for us to get feedback in any number of procurements in the committee and then respond to that at the Board level. It could be built into the resolution.

Ms. Lowe added, I am unable to comment towards the discussion at this time. I will have to review it after the meeting and will address any questions to the committee and legal if needed.

Ms. Wang asked whether the new contracts be set up so we do not fall into that position and how could we track the effectiveness.

Mr. Cheung responded, we track effectiveness on a continuous basis. We have claims attorneys who are responsible for managing the litigation connected to any of our facilities and they oversee day to day of our outside counsel firms. They approve all the important decisions, review all the invoices that are submitted and deal with issues like responsiveness. We monitor performance and get feedback both from facilities and the offices of risk management.

Following the discussion and upon motion made and duly seconded, the Committee voted 5 yes, 1 abstain, 1 no, the motion was adopted and resolution approved contingent upon receiving updates at the upcoming Board meeting.

UPDATED INFORMATION FROM MARCH 22, 2022 FINANCE COMMITTEE MEETING

Ms. Farag provided a correction to the record for the materials and discussion, presented at the March Finance Committee meeting. In the presentation - Quarter 2, slide 7, the year over year revenue bullet quoted \$376M increase for which a correction is needed to reflect the actual revenue increase from prior year actuals when properly adjusting for the FY21 Testing revenue exclusion, the correct number is \$296.5M; which is up 10 percent as opposed to the 15 percent mentioned. When prior year was being reported, former reports included testing. This is to update the records and accurately reporting, as testing is now being excluded for comparison purposes.

Ms. Wang polled for questions from the board regarding this correction.

No questions from the board.

FINANCIAL UPDATE

Ms. Lum commenced the presentation by providing the status on the Test and Trace Corp and the expenses related to the Omicron surge. H+H projects \$1.4B of expenses in FY22 and \$197M in FY23 for Test and Trace Corps. These projected expenses have been updated to include spending for T2's Omicron response. T2 has committed to approximately \$550M in

expenses for the third Quarter in FY-22. OMB has provided H+H with sufficient revenue through the T2 MOU to cover expenses to date.

Dr. Long, contact tracers have helped over 1M cases, reaching nearly 90 percent of cases prior to Omicron and identified 1.8 million close contacts throughout the pandemic. Due to low volume, Test and Trace have closed all isolation hotels in April. Given the very high adult vaccination in NYC, Test and Trace's vaccine canvassing program has concluded. Universal contact tracing has concluded. However, H+H's 212-COVID19 hotline will continue to serve as the one-stop shop for all COVID-19 resources. We continue to provide millions of at-home test kits throughout the city for public distribution. Case investigations and contact tracing for high risk setting will continue through DOHMH and all of FY-23 planned programs will be covered by the OMB MOU.

Mr. Ulberg presented the FY-22 YTD highlights. The System expects to close March with approximately \$550M. We beat the budget by \$150M. Direct patient care receipts came in \$272M higher than the same period in FY-21.

Patient care volume is returning to pre-COVID levels in FY-22, but is still 4 percent below in discharges. Overall, our strategic financial initiatives remain on track with our post-COVID strategies, generating over \$595.8M through February with a line of sight of \$679.3M. Mr. Ulberg provided an overview of the external risks. FEMA reimbursement to date totals \$620M. H+H hopes to receive an additional FEMA payment of \$161M by the end of FY22. Current inflationary costs and wage pressures present a challenge to recruitment and staffing.

Mr. Ulberg presented the City's Executive Budget which includes funding for the System's expense priorities. We received funding for SHOW, B-HEARD, Plant-Based Lifestyle Medicine Expansion and Public Health Corps. There is \$30M for Far Rockaway Primary Care Center and \$37M allocated in FY23 Borough President Capital Funding awarded to H+H including funding for Women and Family Birth Centers in Brooklyn as well as infrastructure renovations and medical equipment at various H+H facilities.

Mr. Ulberg continued presenting the FY-23 Enacted State Budget. Medicaid cuts were restored and an additional 1 percent was added. There is \$1.6B in capital infrastructure pool funds, \$800M for Safety Net Hospitals which we are eligible for.

Mr. Ulberg provided performance drivers updates. The spending is high but revenue is covering that. Risk performance is better than planned. Cash disbursement is over budget by 6 percent primarily resulting from unbudgeted COVID and vaccine mandate related expenses and Temp rates.

The presentation continued with Mr. Ulberg providing a walkthrough of the major themes of FY-23.

Ms. Wang polled the committee for questions.

Ms. Hernandez-Piñero congratulated Dr. Long. She asked for clarification on the funding source for the Far Rockaway primary care center.

Mr. Ulberg responded, it is a \$30 million grant coming from BDC as a project that we have been working on.

Ms. Lowe requested clarification regarding our submission of the Community health needs assessment and whether we will meet the same benchmark or not?

Mr. Ulberg responded, Yes.

Mr. Peña-Mora requested clarification regarding the FEMA reimbursements dollars and do we have it or not, how much money has come, or owed. what is reimbursable.

Mr. Ulberg responded, it continues to be an evolving number as we continue to work on it daily.

Mr. Peña-Mora clarified, my question is more towards how much money still being questioned on eligibility and we are not entitled to be reimbursed, do we have a number for that?

Ms. DeHart responded that at this moment we do not have issues where there are questions on eligibility.

Mr. Peña-Mora and Ms. Wang thanked the team.

ADJOURNMENT

There being no further business before this committee, the meeting adjourned at 1:59 PM.






NYC Health + Hospitals
Finance Committee Meeting
July 11, 2022



- The system closed May with approximately **\$375 Million (16 days cash-on-hand)**.
- Closed April with a **positive Net Budget Variance of \$270M**.
- Direct Patient Care Receipts (I/P and O/P) came in **\$550.2M higher than the same period in FY21** with patient volume coming back, our revenue initiatives maintenance of effort and UPL conversion coming through patient care.
- Patient care **volume** in FY22 **is returning to pre-COVID levels**, but still 4% below FY20 in discharges. Revenue base remains strong and resilient primarily driven by returning volume and higher average collectability rate.
- Overall, our strategic Financial Initiatives remain on track with our post-COVID strategies, generating over **\$691.3M thru April of FY22**. Areas of strongest net performance as of April include:
 - Revenue Cycle Improvement (\$339.3M)
 - Growth & Service Line Improvements (\$163.6M)
 - Value-Based Payment Initiatives and Managed Care Initiatives (\$166.6M)

- The system closed May with approximately \$375 million (16 days cash-on-hand).
- The system expects to close June with approximately \$700 million (30 days cash-on-hand).
- We continue to work closely with the City on our remaining liabilities due to them as we continue to closely monitor our cash position in relation to any ongoing uncertainty around COVID-19.

Risk	Status
<p>Future FEMA/Federal Reimbursement (FEMA reimbursement to-date totals \$620M. There is currently an additional \$137M in FEMA PPR reimbursement packages under review. The Uninsured Program administered by HRSA stopped accepting claims for COVID testing and treatment (3/22/22) and vaccine administration (4/5/22) due to a lack of funding.)</p>	
<p>Wage Pressures/Inflationary Costs (Wage pressures and competing for a shrinking workforce is presenting challenges to recruitment and retention of staff, which we are working on addressing.)</p>	
<p>Staffing Models Development & Implementation (Rightsizing the number and complement of staff through continued work on staff models. Industry standard models under development include Nursing, Behavioral Health, Radiology, and Hospital Police.)</p>	



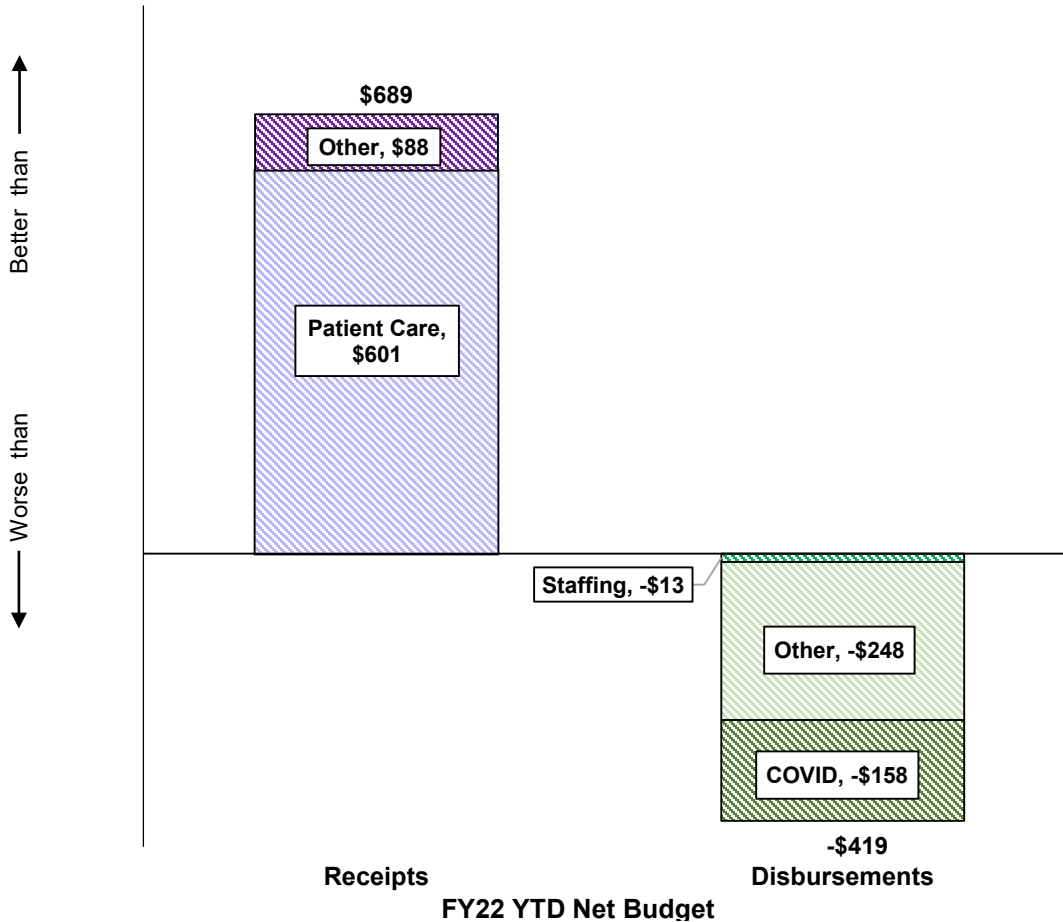
Financial Performance

FY 2022 April YTD



Highlights

Ended April with a net budget variance of \$270M 2% where



- Receipts exceed budget by \$689.2M Primarily driven by Patient Care Revenue. I/P and O/P volume and average collectability rates are higher than budgeted. Risk is higher due to MetroPlus payment on behalf of prior year.
- Disbursements exceed budget by \$419M, which includes vaccine mandate, expenses associated with COVID, and Temp coverage costs.

Notes:

- Test and Trace not included in the Net Budget Variance.
- Vaccine Mandate included in costs.

H+H exceeded the revenue target due to outperformance of revenue cycle and service line initiatives as well as returning patient volume

Cash receipts are 10% ahead of budget as patient volume returns at a higher percentage than anticipated, and as H+H meets and exceeds planned strategic service line improvement, managed care contract performance and revenue cycle initiatives. Risk pool performance exceeding target is also a contributing factor.

- Increased Volume (\$257.3M) - IP discharges are 9% ahead of the budget target, yielding over \$239M in YTD cash. OP volume 7% ahead of the budget target, yielding over \$25M in YTD cash receipts.
- Higher Collected Rates (\$216.8M) - Increases are mainly attributable to better than budgeted Revenue Cycle and other strategic initiatives performance.
- Risk Pool Performance and Timing (\$97.4M) - Medicaid Risk performance is coming in \$127.8M better than planned. Also, Prior Year unbudgeted reconciliations of \$39.3M are hitting in FY 22.
- Other Revenue (\$117.8M) – 340B pharmacy, Direct Medical Education exceeding target, Medicare Appeals

Summary Receipts Performance (FY22 thru Apr)	YTD Variance against Budget (\$M)
Increased Volume (IP/OP)	\$257.26
Increased Rates (primarily due to Rev Cycle and other initiative improvements)	\$216.80
Risk Pool	\$97.36
Other Revenue (340B pharmacy, DME, App/Set)	\$117.79
Grand Total	\$689.2[+10%]

*excludes testing

Higher needs due to COVID and staff vaccine mandate coupled with increasing non-COVID patient volume

Cash disbursements are over budget by 6% primarily from unbudgeted COVID and vaccine mandate related expenses, and Temp rates.

- COVID Emergency Spend (\$158.2M) – 66% of the spend is on staffing and temp costs particularly in the areas of Nursing and Credentialed Providers addressing COVID coverage needs. Remaining spend is on non-staffing costs including PPE, medical supplies, labs and other COVID support needs.
- Vaccine Mandate Staffing preparedness and coverage (\$42.4M)
- Non-COVID Spend attributable to volume increasing to pre-COVID levels with associated need for immediate patient care coverage as the system rebounds from the COVID emergency impact and redirects its attention to full time staff recruitment in alignment with established staffing models.
 - Agency Patient Care Temp Staffing (\$241.1M)
 - Other Discretionary Spend (\$22.4M) [mainly associated with prior year payment catch up and some vendor transition to EFT]

Summary Disbursements Performance (FY22 thru Apr)	YTD Variance against Budget (\$M)
COVID Emergency Coverage (Staffing and Non-Staffing OTPS)	(\$158.2)
Vaccine Mandate Agency & Emergency OT Staffing Preparedness and Coverage	(\$42.4)
Agency Patient Care Temp Staffing Coverage	(\$241.1)
Other Discretionary Spend	\$22.4
Grand Total	(\$419.2) (-6%)

Strategic Initiatives Financial Update – FY22 Q4 (YTD Apr)

Summary Initiative Category	FY22 Net Target	FY22 YTD Apr Performance	Initiative highlights
Growth and Other Service Line Improvements	\$181.2	\$163.6	<ul style="list-style-type: none"> • 340B Contract Pharmacy (\$66M) • Medical Necessity Denials Reduction (\$27.3M) • Service Line Improvements (\$24.6M) • Growth/Retention Strategies (63M)
Revenue Cycle	\$242.6	\$339.3	<ul style="list-style-type: none"> • Administrative Denials Reduction (\$101M) • Coverage for Eligible Uninsured (\$72M) • Accounts Receivables Initiatives (\$27.6M) • CDI Process Improvement (\$28.4M) • Medicaid HCO (\$9.3M) • Misc. Revenue Initiatives (\$4.2M)
System Efficiencies	\$34.1	\$21.7	<ul style="list-style-type: none"> • EITS Initiatives (\$16.2M) • Labs Services (\$4M) • Restructuring and PS (\$10M) • Supply Chain Initiatives (\$5.5M)
Value-Based Payment Initiatives and Managed Care Initiatives	\$156.3	\$166.6	<ul style="list-style-type: none"> • HARP/SNP Conversions (\$36.8M) • Amb Care Initiatives & Panel Size Alignment (\$6.5M) • Improve CRG & Close Care Gaps (\$8M) • Managed Care High Cost Outliers and Contract Negotiations (\$95M) • Additional one-time settlements (\$10M)
Grand Total	\$614.2	\$691.3	

FY23 Budget Development



- **Continued Progress on Budgeting Process**
 - Implementing Staffing Models
 - Implementing Workforce Plans
- **Value Based Payment and Ambulatory Care 2.0**
 - Advancing Special Populations proposal and necessary value based care infrastructure
 - Focus on access, continuity, and panel management in ambulatory care
- **Core Infrastructure and Re-building for the Future**
 - Staff Core Services (e.g.: BH, Radiology, Peri-op and Anesthesia)
 - Capital Projects and connecting to systemwide growth strategy, Pharmacy, and other key operational areas
 - Cross facility/cross department initiatives
 - Continued revenue cycle improvements moving from median to top 25% performance on claim denials

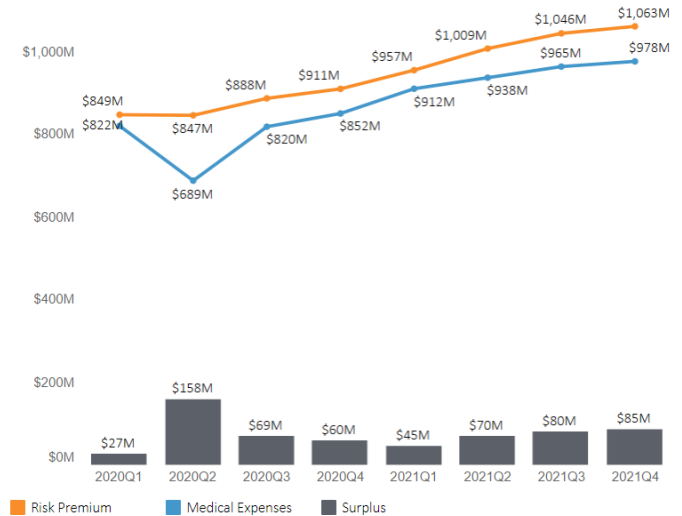
H+H drives success in Value Based Payment via three key strategies

1. **Growing attributed membership:** Overall membership growth and growth in key specialized programs (HIV SNP and HARP)
2. **Growing Risk surplus**
 - Improving the productivity and efficiency of our services – reducing unnecessary external referrals, better care coordination, high value care
 - Accurately capturing the health conditions and risk of our patients
 - Opening up access to address gaps in care, promote longitudinal care and help non users get care
 - Implementing outpatient risk adjustment coding tool to support physicians in helping to improve CRG and HCC scores
3. **Improve quality of care and boost quality bonus payments**
 - E.g.: closing gaps in care, successful chronic disease programs, readmission reduction programs

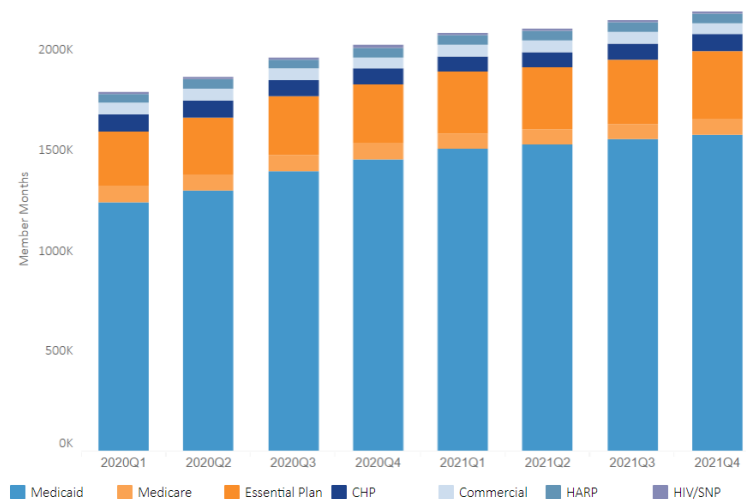
H+H is making progress in all three domains

- Risk surplus is steady since the start of the pandemic and has remained high compared to prior years
- Membership is up over 110K since January 2020 in part due to pause in Medicaid recertifications
- H+H continues to improve quality scores in key areas

Risk Premium, Medical Expenses, and Surplus Trend



Member Months by Product



Notable VBP Interventions: CY2021

Intervention	CY 2021 Highlights
Live, central outreach for VBP gaps	<ul style="list-style-type: none"> > 15,000 members outreached 2,003 mbrs were scheduled for appts to address VBP gaps
MyChart Messages to encourage scheduling appts to address VBP gaps	<ul style="list-style-type: none"> > 54,000 messages sent across multiple VBP measures and programs
MyChart Surveys used as Virtual Visits for VBP metrics	<ul style="list-style-type: none"> H+H is the only system in HF or M+ network to successfully use Pt Portal surveys to meet VBP metric reqs > 5k Healthy Habits Survey sent > 200 Healthy Aging Surveys were sent
Supplemental Data Exchanges w MCOs	<ul style="list-style-type: none"> Supplemental data for VBP measures was provided for > 100,000 members Monthly supplemental data exchanges earned NYC H+H a bonus point in the M+ VBP program
Care Gap Tool	<ul style="list-style-type: none"> The Care Gap Tool including all CRG, HCC, and Care Gaps for all members in each VBP program was provided monthly for all facilities
VBP Program Support	<ul style="list-style-type: none"> Monthly Care Gap Community meetings were held to review performance and share improvement strategies Numerous individual facility trainings and strategy sessions were held
Eye Camera	<ul style="list-style-type: none"> Eye Camera were implemented by Amb Care across 15 sites resulting in > 15,000 Eye Exams and considerable performance improvement on the Diabetes Eye Exam VBP measures
End of Year Chart Review	<ul style="list-style-type: none"> Coordinated chart review process and data submission to MCOs to improve performance and earnings across numerous VBP metrics



Performance on Healthfirst HQIP VBP Program: Final 2021 Results

System	CY2021 Total Earnings	Change in Total Earnings vs 2020	% Change in Earnings
Total NYC H+H	\$4,816,365	+\$659,811	+ 16%

Facility Highlights

- Elmhurst achieved the greatest earnings (\$652,670)
- Morrisania achieved the greatest improvement in earnings (+\$359,897)
- Metropolitan achieved the greatest percentage of maximum opportunity earned (47%)
- No facilities triggered the minimum Overall Quality Rating (OQR) financial penalty

NYC H+H System Highlights

- H+H outperformed the Healthfirst (HF) network on 13/14 (93%) Medicare measures
- H+H outperformed the HF network on 10/15 (67%) Medicaid measures
- H+H improved from 2020 to 2021 on 83% and 75% of Medicare and Medicaid measures respectively
- On average, H+H improved by a 0.25 stars in Medicare OQR
- H+H facilities had the highest score in HF's entire network on six VBP measures
- For the first time in 4 years, no facility had a raw score OQR < 2.0

Revenue Cycle Initiatives Gross Revenue Target Grows From \$454 Million to \$503 Million in FY23

Initiative	FY22	
	Budget	FY23 Budget
Accounts receivable	\$59.4	\$29.6
Administrative Denial Reduction	\$101.1	\$148.6
CDI/CDCQ	\$54.0	\$62.1
Coverage for the Eligible Uninsured	\$149.2	\$160.0
Medicaid FFS High Cost Outliers	\$49.4	\$59.3
Medical Necessity Denials	\$36.6	\$36.3
Miscellaneous Revenue Initiatives	\$3.0	\$4.0
Professional Billing	\$1.2	\$2.5
Grand Total	\$454.0	\$502.5

**Administrative Denials Target moves from median to top
25% as compared to other Epic customers**



Test and Trace



Test and Trace Financial Update

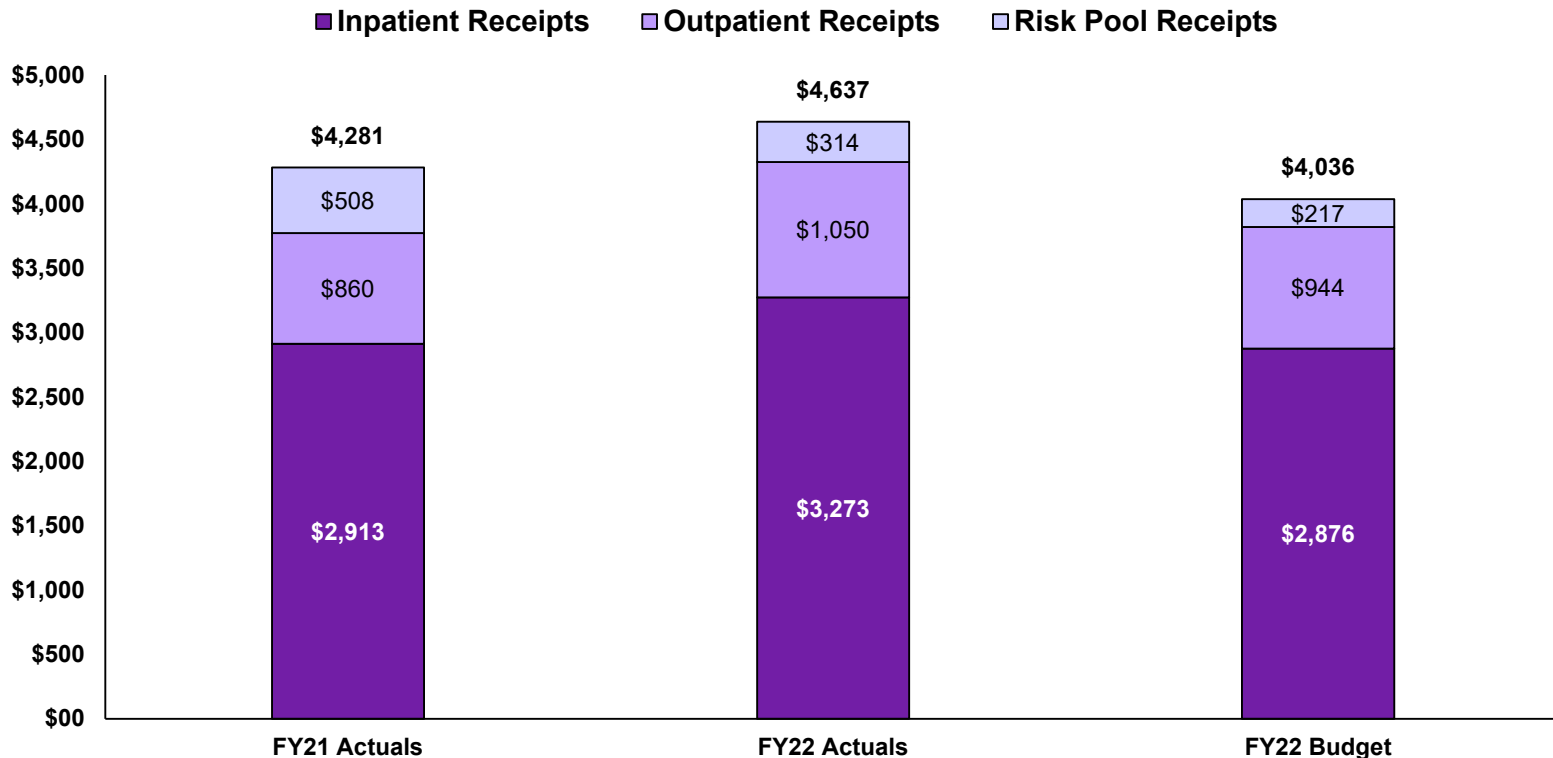
- ❑ H+H projects expenses of \$1.364 billion in FY22 and \$197 million in FY23 for Test and Trace Corps.
- ❑ T2 has committed approximately \$226 million in expenses for Q4 in FY22.
- ❑ OMB has provided H+H with sufficient revenue through the T2 MOU to cover expenses to date.

Projected Expenses		
	FY22	FY23
Testing	\$ 904M	\$ 143M
Tracing	\$ 206M	\$ -
Take Care	\$ 79M	\$ 32M
Vaccine	\$ 62M	\$ -
Data Analytics, Program Management, and Public Awareness	\$ 113M	\$ 22M
Total Projected Expenses	\$ 1,364M	\$ 197M

Appendix



- FY22 direct patient care revenue (I/P & O/P) is \$550.2M higher than FY21 actuals.
- Patient revenue improvements year-over-year can be attributed to a combination of higher patient volume, solid performance and maintenance of effort in revenue cycle and other strategic initiatives, as well as UPL conversion coming through patient care.
- Compared to same time last year, discharges are up 13.7%, visits are down -5.1% and Case Mix Index (CMI) is lower by -3.7%.



Informational Item:
NYPA Loan Refunding – Activity Under
Authorized Equipment Financing Resolutions

Linda DeHart, Vice President, Finance



Equipment Financing Authorization

- Through resolutions approved in July 2013, April 2015 and September 2015, the NYC Health + Hospitals Board authorized the system's CFO to obtain equipment and other related capital financing up to an aggregate amount of \$120 million from one or more lenders, with the goal of allowing the system to establish a flexible equipment financing program with access to capital funds as needed from time to time.
- Under this authority, on June 15, 2022 H+H entered into agreements for two loans with JPMorgan Chase Bank, totaling \$39.7 million to refinance existing New York Power Authority (NYPA) loans for boiler projects.
- There have been three previous borrowings under this authority, with combined outstanding balances of \$22.9 million.
- All of these agreements are secured by a secondary lien on the system's Health Care Reimbursement Revenue (i.e. after the bondholders lien).

NYPA Loan Refunding - Background

- In March 2013, the H+H Board approved resolutions authorizing negotiation and execution of tax-exempt financing with NYPA to partially finance boiler replacement and energy efficiency projects at Elmhurst and Metropolitan Hospitals.
- Following substantial completion of the projects in 2018, variable rate initial loans were executed with NYPA, with the variable rate reset annually based on NYPA's cost of borrowing.
- In 2021 a revision in NYPA borrowing policies would have affected the variable rate charged on these loans. H+H determined that it was in its best interest to seek competitive refinancing options.

Facility	Original NYPA Loan July 2018	Outstanding Balance	Net Project Close Out Cost*	Net Total Owed to NYPA
Elmhurst	21,481,775	19,102,434	250,092	19,352,526
Metropolitan	22,845,709	20,315,298	8,981	20,324,279
Total	44,327,484	39,417,732	259,073	39,676,806

*Net of Con Ed reimbursement for soil remediation at Metropolitan

NYPA Loan Refunding - Selection

- In February 2022 H+H, through its financial advisor PFM, issued a RFP to solicit bids for financing. In March 2022 proposals were received from Bank of America, JPMorgan Chase Bank, Morgan Stanley, Siemens and TD Bank
- JPMorgan was selected as the lowest cost lender in April 2022
- Industry reviews by both the H+H EEO and PFM indicated that MWBE bank capacity for this financing was unlikely, and no proposals were received from MWBE lenders.
 - The RFP required proposers to disclose recent Diversity, Equity and Inclusion policies and initiatives. Highlights of JPMorgan's DEI response follow:
 - In 2020, committed \$30 billion (including loans, equity and direct funding) as a 5-year goal to address racial wealth divide and to provide economic opportunity to underserved communities; as of October 2021, more than \$13 billion has been deployed or committed.
 - In 2020, hired a new Global Head of DEI for an expanded function to create and execute a holistic internal and external strategy further incorporating diversity into how JPM develops products and services, serves clients, helps communities, and support employees.
 - JPM reports that as of March 2022, 55% of its total US workforce and 25% of its US executive and senior level managers were non-white; 53% of the total global workforce and 33% of global executive and senior level managers were women.



NYPA Loan Refunding - Terms

- Two 15 year, tax-exempt loans executed on June 15, 2022
 - 2022A Loan - \$19.4 million for Elmhurst Hospital
 - 2022B Loan - \$20.4 million for Metropolitan Hospital
- Fully amortizing, with final maturity on June 15, 2037
- Fixed rate of 2.6436% (rate lock-in executed in May 2022)

Facility	Net Total Owed to NYPA	Cost of Issuance	Net Total for Financing
Elmhurst	19,352,526	36,179	19,388,705
Metropolitan	20,324,279	37,996	20,362,275
Total	39,676,806	74,175	39,750,981

