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, 2022 and 2021

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

TABLE OF CONTENTS

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
New York City Health and Hospitals Corporation

Report on the financial statements

Opinion

We have audited the financial statements of the business-type activities of New York City Health and Hospitals Corporation (the "Corporation"), 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and its discretely presented component unit as of June 30, 2022 and 2021, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The financial statements as of and for the years ended June 30, 2022 and 2021 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*.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedule of the Corporation's contributions NYCERS pension plan, the schedule of the Corporation's proportionate share of the net pension liability NYCERS pension plan and the schedule of NYC Health + Hospitals' changes in total OPEB liability and related ratios on pages 75, 76 and 77, 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 24, 2022, on our consideration of the Corporation's 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 the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York
October 24, 2022

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, 2022, 2021, and 2020
(In thousands)

	2022 Business-type Activities - H+H	2021 Business-type Activities - H+H	2020 Business-type Activities - H+H
ASSETS			
Current assets	$ 4,263,699	$ 3,984,673	$ 2,826,981
Capital assets, net	4,352,953	4,146,600	3,903,927
Other assets	316,690	216,511	156,815
Total assets	8,933,342	8,347,784	6,887,723
Deferred outflows			
Deferred outflows from pension	1,544,176	430,216	223,784
Deferred outflows from postemployment benefits, other than pension	399,150	596,883	783,244
Unamortized refunding cost	137	468	5,369
Asset retirement obligation	5,000	5,000	5,000
LIABILITIES			
Current liabilities	3,629,522	4,071,661	2,893,574
Long-term debt, net of current installments	679,831	619,376	634,217
Other noncurrent liabilities	530,567	526,224	381,872
Pension, net of current portion	1,845,395	349,877	2,273,422
Postemployment benefits, other than pension, net of current portion	3,902,499	5,060,790	5,077,724
Total liabilities	10,587,814	10,627,928	11,260,809
Deferred inflows			
Deferred inflows from pension	1,433,118	1,932,151	342,681
Deferred inflows from postemployment benefits, other than pension	1,835,060	1,254,063	1,239,560
Unamortized refunding cost	1,142	1,360	-
Net position			
Net investment in capital assets	3,483,741	3,262,196	2,834,053
Restricted	112,433	123,758	152,770
Unrestricted	(6,571,503)	(7,821,105)	(7,924,753)
Total net deficit position	$ (2,975,329)	$ (4,435,151)	$ (4,937,930)

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, 2022, 2021, and 2020
(In thousands)

	2022 Business-type Activities - H+H	2021 Business-type Activities - H+H	2020 Business-type Activities - H+H
OPERATING REVENUES			
Net patient service revenue	$ 7,884,872	$ 7,747,016	$ 6,676,714
Appropriations from City of New York, net	922,959	581,249	673,269
Grants revenue	2,189,232	2,301,793	1,499,213
Other revenue	266,619	259,851	204,242
UPL Conversion Prior Period Revenue	638,300	-	-
Total operating revenue	11,901,982	10,889,909	9,053,438
OPERATING EXPENSES			
Personal services, fringes benefits, and employer payroll taxes	4,343,735	4,273,161	3,868,998
Other than personal services	4,211,887	4,468,596	2,915,080
Pension	238,814	(51,724)	367,234
Postemployment benefits, other than pension	27,055	222,748	236,268
Affiliation contracted services	1,476,128	1,320,717	1,232,026
Depreciation	499,609	473,003	385,375
Total operating expenses	10,797,228	10,706,501	9,004,981
Operating income	1,104,754	183,408	48,457
Nonoperating expenses, net	(118,068)	(126,966)	(85,413)
Gain/(loss) before other changes in net deficit	986,686	56,442	(36,956)
Other changes in net deficit:			
Capital contributions	473,136	446,337	460,460
Increase in net position	1,459,822	502,779	423,504
Net deficit position at beginning of year	(4,435,151)	(4,937,930)	(5,361,434)
Net deficit position at end of year	$ (2,975,329)	$ (4,435,151)	$ (4,937,930)

See accompanying Management's Discussion and Analysis.

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, 2022 and 2021. 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 – the MD&A 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 the Notes to financial statements. These statements present, on a comparative basis, the financial position of NYC Health + Hospitals at June 30, 2022 and 2021, 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 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 $1.5 billion from June 30, 2021 to June 30, 2022, and improved by $502.8 million from June 30, 2020 to June 30, 2021, as adjusted. Net investment in capital assets increased by $221.5 million and $428.1 million in fiscal years 2022 and 2021, respectively, due to increases in spending on the IT implementation and on-going work on Federal Emergency Management Agency ("FEMA") related projects. NYC Health + Hospitals' unrestricted net deficit position decreased by $1.2 billion between June 30, 2022 and June 30, 2021 due primarily to current and prior year Upper Payment Limit ("UPL") Conversion revenue received of $1.2 billion. It ended fiscal year 2022 with operating income of $466.5 million compared with an operating income of $183.4 million for the year ended June 30, 2021. The net deficit position benefited from $261.8 million in capital contributions from the City of New York (the "City") made in fiscal year 2022.

Significant financial ratios are as follows:

	2022	2021	2020
Current ratio	1.17	0.98	0.98
Quick ratio	0.46	0.40	0.57
Days of cash on hand	26.55	27.12	28.23
Net number of days of revenue in patient receivables	57.78	60.26	78.69

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 2022 amounts when compared to fiscal year 2021 amounts and, where appropriate, fiscal year 2021 amounts when compared to fiscal year 2020 amounts.

Statements of Net Position

Cash and cash equivalents – Remained consistent from June 30, 2021 to June 30, 2022. Increased by $93.8 million from June 30, 2020 to June 30, 2021 due to various advance cash receipts from the City and the federal government related to our Test and Trace program.

Patient accounts receivable, net - Remained consistent from fiscal year 2021 to 2022. Decreased by $91.7 million from fiscal year 2020 to 2021 mainly due to a decrease in risk incentive pools receivable of $229.0 million offset by additional revenues related to treating COVID-19 patients of $139.0 million not yet collected.

Estimated third-party payor settlements, receivable - Increased $579.6 million and $324.2 million in fiscal years 2022 and 2021, respectively, due to the change in UPL receivables when compared to the same period during the prior fiscal years.

Estimated pools receivable - Decreased by $581.3 million from June 30, 2021 to June 30, 2022 due to a decrease in Disproportionate Share Hospital ("DSH") receivables. It increased by $147.7 million from June 30, 2020 to June 30, 2021 due to an increase in DSH receivables as a result of a change in estimate for Disproportionate Share Hospital Maximum ("DSH Max") payments.

Grants receivable - Increased $181.7 million from June 30, 2021 to June 20, 2022 mainly due to a receivable from FEMA in connection with the Test and Treat program (formerly the Test and Trace program). It increased $583.7 million from June 30, 2020 to June 20, 2021 mainly due to $266.2 million in a COVID-19 FEMA grant receivable related to the treatment of COVID-19 patients, $156.4 million related to the FEMA receivable in connection with the Test and Trace program, and $111.9 million of State fiscal year 2020-2021 Value Based Payment Quality Improvement Program ("VBP-QIP") funding.

Assets restricted as to use (current and long term) - Decreased by $32.8 million from June 30, 2021 to June 30, 2022 primarily due to construction fund drawdowns and increased by $69.3 million from June 30, 2020 to June 30, 2021 primarily due to the issuance of 2020 revenue bonds.

Other current assets and Other Assets - Increased by $188.5 million during fiscal 2022 when compared to fiscal 2021 mainly due to increases in inventory of supplies and prepaid IT maintenance fees. It increased by $144.5 million during fiscal 2021 when compared to fiscal 2020 due to increases in supplies required to be on hand during the COVID-19 pandemic.

Capital assets, net - Increased by $206.4 million from June 30, 2021 to June 30, 2022 mainly due to Construction in Progress ("CIP") related to FEMA mitigation projects and by $242.7 million from June 30, 2020 to June 30, 2021 due primarily to increases in CIP for the Electronic Medical Records ("EMR") and FEMA projects.

Deferred outflows of resources - Increased $915.9 million from June 30, 2021 to June 30, 2022 primarily due to the changes in pension and OPEB liabilities as determined by the New York City Office of the Actuary.

Deferred inflows of resources - Increased $82.0 million from June 30, 2021 to June 30, 2022 mainly due to a decrease of deferred inflows from pensions and a corresponding increase of deferred 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) - Decreased by $13.0 million from June 30, 2021 to June 30, 2022 due to more timely fringe benefit payments related to several union agreements and decreased by $44.1 million from June 30, 2020 to June 30, 2021 due in part to exhaustion of the long-term accrual for collective bargaining.

Accounts payable and accrued expenses - Decreased by $593.7 million in fiscal year 2022 due to a decrease in the prior year's cash advances that were recognized as revenue in the current year and increased $1.1 billion in fiscal year 2021 due to costs associated with capital projects and increases in cash advances received throughout the year.

Estimated third-party payor settlements, net payable – Remained consistent from June 30, 2021 to June 30, 2022. It decreased by $11.2 million from June 30, 2020 to June 30, 2021 primarily due to an increase in Medicare rates.

Estimated pools payable- Increased $486.6 million from June 30, 2021 to June 30, 2022 due to a decrease in DSH receivables.

Due to/Due from the City of New York, net - Decreased $414.1 million from June 30, 2021 to June 30, 2022 primarily due to improved timing of payments to the City. It increased $358.8 million from June 30, 2020 to June 30, 2021 primarily due to a debt service obligation of $212.4 million that was newly negotiated with the City for fiscal year 2021.

Long-term debt (includes current installments) - Increased $69.2 million during fiscal year 2022 due to additional financing for IT software and equipment maintenance. It decreased $30.1 million during fiscal year 2021 due largely to scheduled principal payments and extinguishment of a direct borrowing.

Pension (current and long-term) - Increased $1.5 billion from June 30, 2021 to June 30, 2022 primarily due to changes in actual earnings on pension plan investments. It decreased $2.0 billion from June 30, 2020 to June 30, 2021 primarily due to changes in actual earnings on pension plan investments.

Postemployment benefits, other than pension (current and long-term) - Decreased $1.1 billion in fiscal year 2022 mainly due to a change in the discount rate from 2.18% to 4.09% and decreased $59.8 million in fiscal year 2021 due to changes in expected and actual experience and assumptions made in the actuarial calculation such as retirement age, mortality, disability, withdrawal and salary scale. The annual other postemployment 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 $221.5 million in fiscal year 2022, due to FEMA mitigation projects. It increased by $428.1 million in fiscal year 2021, due to the Electronic Medical Records ("EMR") Network Refresh and FEMA projects.

Restricted - Restricted net position decreased $11.3 million from June 30, 2021 to June 30, 2022 due to temporary lower annual bond restrictions resulting from the issuance of the 2020 bonds and remained consistent from June 30, 2020 to June 30, 2021.

Unrestricted - Net position activities, other than those mentioned above, resulted in a deficit decrease of $1.3 billion and a deficit decrease of $103.7 million in the unrestricted net deficit when comparing fiscal years 2022 and 2021 balances, respectively.

Capital Assets, Net and Long-Term Debt Activity

Capital Assets, Net

At June 30, 2022, NYC Health + Hospitals had capital assets, net of accumulated depreciation, of $4.4 billion compared to $4.1 billion at June 30, 2021 and $3.9 billion at June 30, 2020, as shown in the table below (in thousands):

	2022	2021	2020
Land and land improvements	$ 21,306	$ 24,223	$ 24,863
Buildings and leasehold improvements	1,927,663	1,918,622	1,925,662
Equipment	1,320,520	1,398,744	1,216,197
Construction in progress	1,083,464	805,011	737,205
Total Capital Assets, net of Accumulated Depreciation	$ 4,352,953	$ 4,146,600	$ 3,903,927

2022's major capital asset additions include the following:

- NYC Health + Hospitals continued to build projects for three locations: Bellevue Hospital Center ("Bellevue"), Woodhull, and North Central Bronx. This is in an effort to open Therapeutic Housing Units to improve access to care for patients in the custody of the NYC Department of Corrections ("NYC DOC") whose clinical conditions require access to specialty and subspecialty care. This program will provide Out-posted Therapeutic Housing Units ("OTxHU") within an existing NYC Health + Hospitals acute care facility at Bellevue, Woodhull, and North Central Bronx. These secured clinical units will be operated by NYC Health + Hospitals Correctional Health Service ("CHS") with the NYC DOC providing custody management. It is expected that the OTxHU will allow for easier access to specialty services for patients. Development and potential implementation of the OTxHU model will bridge a critical gap in the correctional health care continuum. The additional benefits to patients and clinicians within CHS and NYC Health + Hospitals include closer coordination among the hospitals' inpatient, outpatient, and OTxHU services, promoting continuity of care and opportunities for cross-discipline collaborations. The model also supports more effective leveraging of the full range of clinical resources within the NYC Health + Hospitals system. During fiscal year 2022, $36.6 million was added to the total CIP. The three projects are to be funded through City capital with a total estimated budget amount of $662.5 million and total $625.9 million estimated for completion.

- FEMA funds of $1.7 billion were secured to advance New York's comprehensive, five borough resiliency plan to repair and protect four public hospitals damaged during Hurricane Sandy in October 2012. The funds support improvements at four NYC Health + Hospitals facilities: Bellevue and Metropolitan Hospital Center ("Metropolitan") in Manhattan, Coler Rehabilitation and Nursing Care Facility ("Coler") on Roosevelt Island, and Coney Island Hospital in Brooklyn. In order to complete this work, the projects were split into two major categories: immediate priority mitigation projects and long-term major resiliency projects. All immediate priority mitigation projects are substantially complete while multiple long-term major resiliency projects are in the design or construction phase. A majority of the projects were managed by New York City agencies, NYC Economic Development Corporation ("NYC EDC") and NYC Department of Design and Construction ("NYC DDC"), while several others were managed directly by NYC Health + Hospitals. These FEMA projects represented an addition of $229.8 million of CIP in fiscal year 2022, with a total CIP of $637.5 million as of June 30, 2022. As of the end of fiscal year 2022, $7.6 million was placed in service. This consisted of projects located at Bellevue, Metropolitan, and Coler.

- The energy projects undertaken are mostly comprehensive energy upgrades that seek to reduce our greenhouse gas emissions and energy consumption. These comprehensive energy upgrades focus on lighting upgrades, upgrades to air handling units, chillers, cooling towers, and other HVAC equipment. We also have specialty projects, namely the Combined Heat and Power ("CHaP") installation at Bellevue and a boiler upgrade at Harlem which also has a CHaP component. Energy efficiency upgrade projects at multiple facilities represented an addition of $23.4 million for fiscal year 2022 in CIP, with CIP totaling $32.3 million as of June 30, 2022. These projects have a total budget of $271.0 million and a total of $206.7 million estimated for completion.

- NYC Health + Hospitals continued work on its EMR system. Known as H2O Epic (which contains work for both the Clinical and Revenue departments), it has been implemented at all acute care hospitals, Gotham clinics, outpatient facilities, Henry J. Carter Long Term Acute Care facility, Roosevelt Island Medical Center, which is onsite at Coler Hospital, and COVID-19 Support Hotels. NYC Health +

Hospitals continues to enhance and develop additional modules for the H2O Epic 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 2022 added $14.5 million of CIP related to this project which was inclusive of capitalizable expenditures of $14.4 million for the Clinical portion and $0.1 million for the Revenue Cycle portion. As of June 30, 2022, the total amount placed in service was $14.5 million. This amount excluded the costs of capitalized in-house payroll assigned to this project.

- NYC Health + Hospitals had a project to upgrade its system-wide network infrastructure called Network Refresh. During fiscal year 2022, $33.7 million was added to CIP and $29.0 million was placed in service. This project is mostly funded through City capital dollars with a total estimated cost of $180.5 million.

- Health + Hospitals' Center of Excellence sites substantially completed projects in three locations in the Bronx, Queens, and Brooklyn. These comprehensive health centers were initiated and completed as an emergency response to COVID-19. They are designed to meet the unique needs of patients recovering from COVID-19, including specialized services like cardiology care and diagnostic services. These projects are located in communities most heavily impacted by COVID-19 and are in alignment with the Mayor's initiative and rapid response to the COVID-19 pandemic. These three projects are managed by NYC DDC and NYC Health + Hospitals. The construction was managed by NYC DDC and the design, furniture, fixtures, and equipment purchases were managed by NYC Health + Hospitals. Through fiscal year 2022, $137.0 million was added to the CIP total. The projects are to be funded through City capital with a total estimated amount of $141.0 million as of June 30, 2023.

2021's major capital asset additions include the following:

- NYC Health + Hospitals continued work on its EMR system. Known as H2O Epic (which contains work for both the Clinical and Revenue departments), it has been implemented at all acute care hospitals, Gotham clinics, outpatient facilities, Henry J. Carter Long Term Acute Care facility, Roosevelt Island Medical Center, which is onsite at Coler Hospital, and COVID-19 Support Hotels. NYC Health + Hospitals continues to enhance and develop additional modules for the H2O Epic 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 2021 added $10.2 million of CIP related to this project which was inclusive of capitalizable expenditures of $7.7 million for the Clinical portion and $2.5 million for the Revenue Cycle portion. As of June 30, 2021, the total amount placed in service was $10.2 million which consisted of $5.0 million related to Clinical and $5.2 million related to Revenue Cycle capital. This amount excluded the costs of capitalized in-house payroll assigned to this project.

- NYC Health + Hospitals had a project to upgrade its system-wide network infrastructure called Network Refresh. During fiscal year 2021, $4.0 million was added to the CIP total and $70.0 million was placed in service as of June 30, 2021. It was funded through City capital in the total amount of $160.0 million as of June 30, 2021.

- There were also FEMA projects at multiple facilities for priority mitigation and major work components which represented $245.7 million of CIP in fiscal year 2021, with CIP totaling $415.2 million as of June 30, 2021. As of 2021's fiscal year end, $9.0 million was placed in service with an estimated cost to complete of $1.4 billion.

- The energy projects undertaken were mostly comprehensive energy upgrades that seek to reduce our greenhouse gas emissions and energy consumption. These comprehensive energy upgrades focus on lighting upgrades, upgrades to air handling units, chillers, cooling towers, and other HVAC equipment. We also have specialty projects, namely the CHaP installation at Bellevue and a boiler upgrade at Harlem which also has a CHaP component. Energy efficiency upgrade projects at multiple facilities represented an addition of $11.3 million for fiscal year 2021 in CIP, with a total CIP of $39.1 million placed in service during fiscal year 2021. These projects have total budget of $317.0 million and total $222.2 million estimated for completion.

- Health + Hospitals' Center of Excellence sites continued to build projects for three locations in the Bronx, Queens, and Brooklyn. These comprehensive health centers were initiated and completed as an emergency response to COVID-19. They were designed to meet the unique needs of patients recovering from COVID-19, including specialized services like cardiology care and diagnostic services. These projects are located in communities most heavily impacted by COVID-19 and are in alignment with the Mayor's initiative and rapid response to the COVID-19 pandemic. These three projects are managed by NYC DDC and NYC Health + Hospitals. The construction was managed by NYC DDC and the design, furniture, fixtures, and equipment purchases were managed by NYC Health + Hospitals. During fiscal year 2021, $133.0 million was added to the CIP total. The projects are to be funded through City capital with a total estimated amount of $141.0 million as of June 30, 2021.

- Construction work was conducted throughout multiple acute facilities, long-term acute care hospitals, and Gotham sites to help facilitate the care of COVID-19 patients. Work included creating infrastructure to support additional patient beds, adding equipment to improve indoor air quality, and adjusting existing oxygen farms to increase oxygen capacity, thereby allowing NYC Health + Hospitals to care for an increased number of COVID-19 patients. As of June 30, 2021, $58.6 million of CIP that was added during the fiscal year.

2020's major capital asset additions include the following:

- NYC Health + Hospitals continued to develop an EMR system which had 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 excluded the costs of capitalized in-house payroll assigned to this project.

- NYC Health + Hospitals continued to capitalize net interest costs on Transitional Finance Authority ("TFA") debt, City of New York General Obligation Bonds, and NYC Health + Hospitals' own bonds in fiscal year 2020. 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 had 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 was 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 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.

NYC Health + Hospitals' fiscal year 2023 capital budget projects spending of $619.0 million, which includes acquisition of medical equipment, information technology upgrades, continued additions to the EMR system, and construction work on rehabilitation and infrastructure projects. The 2023 capital budget is expected to be primarily financed by New York City General Obligation Bonds, HHC 2020 Bonds, TFA 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.

Current and Long-Term Debt

At June 30, 2022, NYC Health + Hospitals had approximately $778.9 million in current and long-term debt financing related to its capital assets, as shown with comparative amounts at June 30, 2021 and 2020 (in thousands):

	2022	2021	2020
Bonds payable	$ 533,086	$ 586,343	$ 574,897
New York Power Authority ("NYPA") financing	39,751	39,418	40,892
Equipment and renovation financing (Sodexo)	2,483	4,476	4,165
Henry J. Carter capital lease obligation	14,063	16,632	16,632
JP Morgan Equipment financing	3,145	12,483	24,715
Revolving loan (Citibank)	13,500	19,500	24,000
Term Loan (Citibank)	6,265	12,395	18,390
CISCO Maintenance	166,620	18,441	36,124
Total	$ 778,913	$ 709,688	$ 739,815

At June 30, 2022, NYC Health + Hospitals' outstanding bonds at par were approximately $471.9 million, with 73.8% uninsured fixed rate and 26.2% variable rate secured by letters of credit. NYC Health + Hospitals is rated Aa3, A+, and A+ 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 August 25, 2022, the Moody's, S&P, and Fitch long-term/short-term ratings for TD Bank and JPMorgan Chase Bank are A1/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 $137.9 million during fiscal year 2022 due to an increase in patient volume. Increased by $1.1 billion during fiscal year 2021 due to additional DSH and UPL revenue of $170.3 million, increases due to Case Mix Index of $297.5 million and increased outpatient revenue due to Test and Trace-related patient revenue of $571.4 million.

Appropriations from the City of New York, net - Increased $341.7 million from June 30, 2021 to June 30, 2022 due to an increase in cash received from the City and being relieved of the fiscal 2022 obligation to pay the City back for debt service it pays on behalf of NYC Health + Hospitals. It decreased $92.0 million from June 30, 2020 to June 30, 2021 due to an increase in cash received from the City netted against an increase in amounts paid to the City for annual debt service requirements that occurred during fiscal year 2021.

Grants revenue - Decreased by $112.6 million from June 30, 2021 to June 30, 2022 mainly due to a $101.9 million decrease in VBP-QIP program revenue. During fiscal year 2021 NYC Health + Hospitals recognized two years of VBP-QIP program revenue due to the timing of the contract execution. It increased by $802.6 million from June 30, 2020 to June 30, 2021 primarily due to Test and Trace program revenue and FEMA grant revenue offset by decreases in Coronavirus Aid, Relief, and Economic Security Act ("CARES") funding when compared to fiscal year 2020.

Other revenue - Increased by $6.8 million during fiscal year 2022 due to an increase in New York City Health and Hospitals Accountable Care Organization's revenue of $6.7 million. Increased by $55.6 million during fiscal year 2021 due largely to increases in the 340B Drug Discount Program.

UPL Conversion Prior Period Revenue- Total UPL Conversion payments of $1.2 billion are included in total operating revenue for 2022 of which $638.3 million relates to prior years and $566.7 million relates to fiscal year 2022. There was no UPL Conversion payments reported in fiscal year 2021. (Note 12f)

Personal services - Increased by $44.8 million in fiscal year 2022 due to an increase in staff nurse emergency overtime. Increased by $246.9 million in fiscal year 2021 due to increased headcount.

Other-than-personal services - Decreased by $256.7 million during fiscal year 2022 due primarily to shifts in COVID-19 and non-COVID-19 OTPS resulting in a net decrease of $96.7 million as well as a decrease in Test and Treat OTPS of $140.4 million. Increased by $1.6 billion during fiscal year 2021 due to expenditures resulting from the COVID-19 pandemic, inclusive of costs related to the Test and Trace program.

Fringe benefits and employer payroll taxes - Remained consistent during fiscal year 2022. Increased by $157.2 million during fiscal year 2021 due to increased headcount.

Pension - Increased by $290.5 million resulting from decreases in investment income over the course of fiscal year 2022. Decreased by $419.0 million resulting from increases in investment income over the course of fiscal year 2021. Pension plan expense as of June 30, 2022 and 2021 is determined by the New York City Office of the Actuary (Note 10).

Postemployment benefits, other than pension - Decreased by $195.7 million from June 30, 2021 to June 30, 2022 and decreased by $13.5 million from June 30, 2020 to June 30, 2021 due largely to a change in the discount rate from 2.18% to 4.09% as well as to changes in expected and actual experience and assumptions made in the actuarial calculation such as retirement age, mortality, disability, withdrawal and salary scale. Postemployment benefits, other than pension as of June 30, 2022 and 2021 is determined by the New York City Office of the Actuary (Note 11).

Affiliation contracted services - Increased by $155.4 million and $88.7 million during fiscal years 2022 and 2021, respectively, due to contractual increases and cost of living adjustment settlements.

Capital contributions funded by the City of New York, net - Remained consistent during fiscal year 2022 when compared to the prior year. Decreased by $47.3 million during fiscal year 2021 because there were more projects funded by NYC Health + Hospitals bonds, CARES and the Capital Restructuring Financing Program-Delivery System Reform Incentive Payment program ("CRFP-DSRIP") funding when compared with the prior year.

Capital contributions funded by grantors and donors - Remained consistent during fiscal year 2022 when compared to the prior year. Increased by $33.2 million in fiscal year 2021 due to FEMA and CRFP-DSRIP spending.

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 reimbursement rates to meet the costs of caring for low-income New Yorkers;
- Potential risks in Medicaid supplemental funding;
- Operational and financial uncertainties due to the COVID-19 pandemic and its lingering impact on workforce and pricing;
- Replacing and updating infrastructure to meet the healthcare needs of the public we serve.

NYC Health + Hospitals continues to respond to these challenges by implementing strategic financial initiatives to strengthen revenue cycle operations. Through clear strategy and proper investments, our goal is to build competitive healthcare offerings available to all New Yorkers and to ensure Health + Hospitals maintains robust and sustainable operations. Despite the challenges of COVID-19, NYC Health + Hospitals remains on track to achieve a balanced financial plan through fiscal year 2023 to further stabilize the health system for the City of New York.

Federally Qualified Health Center

NYC Health + Hospitals has 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 a 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, 50 Water Street, 3rd Floor, New York, New York 10004.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Statement of Net Position
As of June 30, 2022
(In thousands)

	2022			
Assets	**Business-type Activities – HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**
Current assets:				
Cash and cash equivalents	$ 748,982	$ 541,480	$ -	$ 1,290,462
U.S. government securities	-	165,740	-	165,740
Patient accounts receivable, net	919,202	-	(363,351)	555,851
Premiums receivable	-	391,836	(9,847)	381,989
Estimated third-party payor settlements	1,216,800	-	(156,200)	1,060,600
Estimated pool receivable	-	-	-	-
Grants receivable	844,980	202	-	845,182
Assets restricted as to use and required for current liabilities	22,498	-	-	22,498
Due from City of New York	31,891	-	-	31,891
Other current assets	479,346	60,430	-	539,776
Total current assets	4,263,699	1,159,688	(529,398)	4,893,989
Assets restricted as to use, net of current portion	183,385	180,852	-	364,237
U.S. government securities	-	434,290	-	434,290
Capital assets, net	4,352,953	17,718	-	4,370,671
Other Assets	133,305	-	-	133,305
Total assets	8,933,342	1,792,548	(529,398)	10,196,492
Deferred Outflows of Resources				
Deferred outflows from pension	1,544,176	45,532	-	1,589,708
Deferred outflows from postemployment benefits, other than pension	399,150	11,371	-	410,521
Unamortized refunding cost	137	-	-	137
Asset retirement obligation	5,000	-	-	5,000
	$ 10,881,805	$ 1,849,451	$ (529,398)	$ 12,201,858
Liabilities				
Current liabilities:				
Current installments of long-term debt	$ 99,082	$ -	$ -	$ 99,082
Accrued salaries, fringe benefits, and payroll taxes	388,233	10,308	(9,847)	388,694
Accounts payable and accrued expenses	1,461,717	1,011,729	(519,551)	1,953,895
Estimated third-party payor settlements	90,442	-	-	90,442
Estimated pool payable	486,600	-	-	486,600
Due to City of New York	359,341	-	-	359,341
Current portion of pension	451,079	12,851	-	463,930
Current portion of postemployment benefits obligation, other than pension	293,028	8,348	-	301,376
Total current liabilities	3,629,522	1,043,236	(529,398)	4,143,360
Long-term debt, net of current installments	679,831	-	-	679,831
Accrued compensated absences, net of current portion	530,567	10,208	-	540,775
Long-term pension, net of current portion	1,845,395	46,990	-	1,892,385
Postemployment benefits obligation, other than pension, net of current portion	3,902,499	12,125	-	3,914,624
Total liabilities	10,587,814	1,112,559	(529,398)	11,170,975
Deferred Inflows of Resources				
Deferred inflows from pension	1,433,118	29,612	-	1,462,730
Deferred inflows from postemployment benefits, other than pension	1,835,060	52,279	-	1,887,339
Unamortized refunding cost	1,142	-	-	1,142
	13,857,134	1,194,450	(529,398)	14,522,186
Net position				
Net investment in capital assets	3,483,741	3,699	-	3,487,440
Restricted:				
For debt service	102,599	-	-	102,599
Expendable for specific operating activities	8,906	-	-	8,906
Nonexpendable permanent endowments	928	-	-	928
Contingent surplus reserve	-	485,407	-	485,407
Unrestricted	(6,571,503)	165,895	-	(6,405,608)
Total net (deficit) surplus position	$ (2,975,329)	$ 655,001	$ -	$ (2,320,328)

The accompanying notes are an integral part of this financial statement.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Statement of Net Position
As of June 30, 2021
(In thousands)

	2021			
Assets	**Business-type Activities – HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**
Current assets:				
Cash and cash equivalents	$ 760,367	$ 340,073	$ -	$ 1,100,440
U.S. government securities	-	282,145	-	282,145
Patient accounts receivable, net	883,157	-	(269,561)	613,596
Premiums receivable	-	453,340	(6,276)	447,064
Estimated third-party payor settlements	637,200	-	(120,000)	517,200
Estimated pool receivable	581,300	-	-	581,300
Grants receivable	663,292	234	(62,178)	601,348
Assets restricted as to use and required for current liabilities	22,187	-	-	22,187
Due from City of New York	13,011	-	-	13,011
Other current assets	424,159	61,871	-	486,030
Total current assets	3,984,673	1,137,663	(458,015)	4,664,321
Assets restricted as to use, net of current portion	216,511	160,470	-	376,981
U.S. government securities	-	338,774	-	338,774
Capital assets, net	4,146,600	13,690	-	4,160,290
Other Assets	-	-	-	-
Total assets	8,347,784	1,650,597	(458,015)	9,540,366
Deferred Outflows of Resources				
Deferred outflows from pension	430,216	10,895	-	441,111
Deferred outflows from postemployment benefits, other than pension	596,883	-	-	596,883
Unamortized refunding cost	468	-	-	468
Asset retirement obligation	5,000	-	-	5,000
	$ 9,380,351	$ 1,661,492	$ (458,015)	$ 10,583,828
Liabilities				
Current liabilities:				
Current installments of long-term debt	$ 90,312	$ -	$ -	$ 90,312
Accrued salaries, fringe benefits, and payroll taxes	405,538	8,817	(6,276)	408,079
Accounts payable and accrued expenses	2,055,366	899,484	(451,739)	2,503,111
Estimated third-party payor settlements	89,773	-	-	89,773
Estimated pool payable	-	-	-	-
Due to City of New York	754,605	-	-	754,605
Current portion of pension	490,050	12,411	-	502,461
Current portion of postemployment benefits obligation, other than pension	186,017	4,711	-	190,728
Total current liabilities	4,071,661	925,423	(458,015)	4,539,069
Long-term debt, net of current installments	619,376	-	-	619,376
Accrued compensated absences, net of current portion	526,224	10,549	-	536,773
Long-term pension, net of current portion	349,877	6,288	-	356,165
Postemployment benefits obligation, other than pension, net of current portion	5,060,790	46,146	-	5,106,936
Total liabilities	10,627,928	988,406	(458,015)	11,158,319
Deferred Inflows of Resources				
Deferred inflows from pension	1,932,151	46,484	-	1,978,635
Deferred inflows from postemployment benefits, other than pension	1,254,063	10,418	-	1,264,481
Unamortized refunding cost	1,360	-	-	1,360
	13,815,502	1,045,308	(458,015)	14,402,795
Net position				
Net investment in capital assets	3,262,196	3,071	-	3,265,267
Restricted:				
For debt service	109,442	-	-	109,442
Expendable for specific operating activities	13,388	-	-	13,388
Nonexpendable permanent endowments	928	-	-	928
Contingent surplus reserve	-	409,781	-	409,781
Unrestricted	(7,821,105)	203,332	-	(7,617,773)
Total net (deficit) surplus position	$ (4,435,151)	$ 616,184	$ -	$ (3,818,967)

The accompanying notes are an integral part of this financial statement.

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, 2022
(In thousands)

	2022			
	Business-type Activities - H+H	Discretely Presented Component Unit - MetroPlus	Eliminations	Total
OPERATING REVENUE				
Net patient service revenue	$ 7,884,872	$ -	$ (1,031,315)	$ 6,853,557
Appropriations from City of New York, net	922,959	-	-	922,959
Premium revenue	-	4,276,821	(58,601)	4,218,220
Grants revenue	2,189,232	578	(62,178)	2,127,632
Other revenue	266,619	6,084	-	272,703
UPL Conversion Prior Period Revenue	638,300	-	(123,900)	514,400
Total operating revenue	11,901,982	4,283,483	(1,275,994)	14,909,471
OPERATING EXPENSES				
Personal services	3,271,702	105,625	-	3,377,327
Other than personal services	4,211,887	4,069,796	(1,217,393)	7,064,290
Fringe benefits and employer payroll taxes	1,072,033	35,603	(58,601)	1,049,035
Pension	238,814	6,898	-	245,712
Postemployment benefits, other than pension	27,055	771	-	27,826
Affiliation contracted services	1,476,128	-	-	1,476,128
Depreciation	499,609	2,789	-	502,398
Total operating expenses	10,797,228	4,221,482	(1,275,994)	13,742,716
Operating income	1,104,754	62,001	-	1,166,755
NONOPERATING REVENUE (EXPENSES)				
Investment income	828	(26,741)	-	(25,913)
Interest expense	(115,712)		-	(115,712)
Contributions restricted for specific operating activities	(3,184)	-	-	(3,184)
Total nonoperating revenue/(expenses), net	(118,068)	(26,741)	-	(144,809)
Gain/(Loss) before other changes in net position	986,686	35,260	-	1,021,946
OTHER CHANGES IN NET POSITION				
Capital contributions funded by City of New York, net	261,810	3,557	-	265,367
Capital contributions funded by grantors and donors	211,326	-	-	211,326
Total other changes in net position	473,136	3,557	-	476,693
Increase in net position	1,459,822	38,817	-	1,498,639
Net (deficit) surplus position at beginning of period	(4,435,151)	616,184	-	(3,818,967)
Net (deficit) surplus position at end of period	$ (2,975,329)	$ 655,001	$ -	$ (2,320,328)

The accompanying notes are an integral part of this financial statement.

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, 2021
(In thousands)

	2021			
	Business-type Activities - H+H	Discretely Presented Component Unit - MetroPlus	Eliminations	Total
OPERATING REVENUE				
Net patient service revenue	$ 7,747,016	$ -	$ (980,126)	$ 6,766,890
Appropriations from City of New York, net	581,249	-	-	581,249
Premium revenue	-	3,516,200	(53,650)	3,462,550
Grants revenue	2,301,793	426	(124,290)	2,177,929
Other revenue	259,851	2,718	-	262,569
UPL Conversion Prior Period Revenue	-	-	-	-
Total operating revenue	10,889,909	3,519,344	(1,158,066)	13,251,187
OPERATING EXPENSES				
Personal services	3,226,915	92,463	-	3,319,378
Other than personal services	4,468,596	3,363,714	(1,104,416)	6,727,894
Fringe benefits and employer payroll taxes	1,046,246	32,162	(53,650)	1,024,758
Pension	(51,724)	(1,258)	-	(52,982)
Postemployment benefits, other than pension	222,748	5,244	-	227,992
Affiliation contracted services	1,320,717	-	-	1,320,717
Depreciation	473,003	2,053	-	475,056
Total operating expenses	10,706,501	3,494,378	(1,158,066)	13,042,813
Operating income	183,408	24,966	-	208,374
NONOPERATING REVENUE (EXPENSES)				
Investment income	627	1,384	-	2,011
Interest expense	(135,442)	-	-	(135,442)
Contributions restricted for specific operating activities	7,849	-	-	7,849
Total nonoperating revenue/(expenses), net	(126,966)	1,384	-	(125,582)
Gain/(Loss) before other changes in net position	56,442	26,350	-	82,792
OTHER CHANGES IN NET POSITION				
Capital contributions funded by City of New York, net	244,471	9,104	-	253,575
Capital contributions funded by grantors and donors	201,866	-	-	201,866
Total other changes in net position	446,337	9,104	-	455,441
Increase in net position	502,779	35,454	-	538,233
Net (deficit) surplus position at beginning of period	(4,937,930)	580,731	-	(4,357,199)
Net (deficit) surplus position at end of period	$ (4,435,151)	$ 616,185	$ -	$ (3,818,966)

The accompanying notes are an integral part of this financial statement.

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, 2022 and 2021
(In thousands)

	2022 Business-type Activities - H+H	2021 Business-type Activities - H+H
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	$ 8,982,039	$ 7,353,297
Cash appropriations received from City of New York	815,000	680,168
Cash appropriations remitted to City of New York	(196,739)	(41,114)
Receipts from grants	1,435,412	2,315,118
Other receipts	266,619	261,215
Cash paid for personal services, fringe benefits, employer payroll taxes, and postemployment benefits obligation, other than pension	(4,596,067)	(4,316,679)
Cash paid for pension	(459,370)	(516,867)
Cash paid for other than personal services	(4,392,875)	(3,955,096)
Cash paid for affiliation contracted services	(1,397,580)	(1,326,436)
Net cash provided by operating activities	456,439	453,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from contributions restricted for specific operating activities	(3,184)	7,849
Net cash (used in) provided by noncapital financing activity	(3,184)	7,849
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(691,451)	(672,203)
Capital contributions by grantors and donors	206,441	126,061
Capital contributions by the City of New York	135,047	248,366
Cash paid for capital retainage	(238)	(613)
Payments of long-term debt	(85,311)	(361,730)
Proceeds from the issuance of long-term debt	65,700	384,997
Interest paid	(127,851)	(21,431)
Net cash used in capital and related financing activities	(497,663)	(296,553)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of assets restricted as to use	(35,071)	(151,674)
Proceeds from sales of assets restricted as to use	67,892	80,245
Interest received	202	331
Net cash provided by (used in) investing activities	33,023	(71,098)
Net (decrease) increase in cash and cash equivalents	(11,385)	93,804
Cash and cash equivalents at beginning of year	760,367	666,563
Cash and cash equivalents at end of year	$ 748,982	$ 760,367
Supplemental disclosure:		
Change in fair value of assets restricted as to use	$ (194)	$ (1,748)
Capital assets included within accounts payable and accrued expenses	107,099	43,103

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, 2022 and 2021
(In thousands)

	2022 Business-type Activities - H+H	2021 Business-type Activities - H+H
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,104,754	$ 183,408
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	499,609	473,003
Provision for bad debts	139,140	249,351
Changes in assets and liabilities:		
Patient accounts receivable, net	(175,185)	(157,668)
Estimated third-party payor settlements, net	(578,931)	(335,423)
Estimated pools receivable	1,067,900	(147,700)
Grants receivable	(181,688)	(583,733)
Other current assets	(40,299)	(144,454)
Accrued salaries, fringe benefits, payroll taxes, and compensated absences	(12,962)	(44,075)
Pension	(156,446)	(568,013)
Accounts payable and accrued expenses	(629,465)	1,140,605
Due to City of New York	(307,438)	247,226
Postemployment benefits obligation, other than pension	(272,550)	141,079
Net cash provided by operating activities	$ 456,439	$ 453,606

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Annual Comprehensive 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 – H+H 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 to remit monthly, from such assigned payments, amounts required for debt service on the 2008, 2013, and 2020 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 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.

- New York Community IPA, Inc. ("NYC IPA") was formed in April 2022 as a not-for-profit corporation for the purposes of engaging in the business of an independent practice association ("IPA") to enter into population-based total cost of care Value Based Program ("VBP") contracts with managed care organizations in the region for the needs of "Special Populations" patients (i.e. those experiencing homelessness or were formerly incarcerated). This innovative model will be one of the first of its kind in that it is based on a patient's social status in addition to their financial status. Further, the IPA network of providers will be providers that have demonstrated experience with delivering care to these special populations. NYC Health + Hospitals continues to work with the State toward final CMS review and approval of the program.

- HHC Assistance Corporation ("HHCAC"), a membership not-for-profit corporation, was formed in October 2012 by NYC Health + Hospitals and it 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. 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 operated under the d/b/a "OneCity Health" ("OneCity Health"). The DSRIP program ended March 31, 2020 and as a result, HHCAC is currently a dormant entity with no immediate plans for future use.

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"), Health and Recovery Plan ("HARP"), MetroPlus Gold, and the Individual Qualified Health Plan ("QHP"). Beginning September 1, 2021, the Plan offers the Medicaid Advantage Plus ("MAP") plan for people who are dual eligible for Medicare and full Medicaid, live in New York City, and need long-term care services such as home care and personal care.

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 Small Business Health Options Program ("SHOP") through the New York State of Health Plan Marketplace (Exchange) or directly with MetroPlus (Off Exchange). Effective January 1, 2022, the Plan is no longer offering SHOP coverage to new enrollees and is expected to sunset this program by the end of calendar year 2022.

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, 50 Water Street, 3rd Floor, New York, New York 10004. 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:

(b) Basis of Presentation

The accompanying basic financial statements of NYC Health + Hospitals are presented in conformity with generally accepted accounting principles ("U.S. 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.

(c) 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, 2022 and 2021. 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, 2022 and 2021. 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.

(d) 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).

(e) 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 a decrease and an increase to net patient service revenue of $107.0 million and $480.4 million for the years ended June 30, 2022 and 2021, respectively.

(f) 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.

(g) 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 $139.1 million in 2022 and $249.4 million in 2021.

The allowance for doubtful accounts is 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, 2022 and 2021 was approximately $532.2 million and $638.8 million, respectively.

(h) 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 debt and Transitional Finance Authority ("TFA") debt on assets acquired through lease purchase agreements.

- 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 2022 and 2021, the medical malpractice and general liability settlements paid by the City were $91.6 million and $91.1 million, respectively. As the City obligates NYC Health + Hospitals to pay back amounts paid on its behalf, NYC Health+ Hospitals records the amount obligated as a liability, or increase, in Due to the City of New York, net. 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 NYC Health + Hospitals. The City's assumption of payments of debt service in fiscal year 2022 alleviated $266.9 million owed to the City by NYC Health + Hospitals. In fiscal year 2021, NYC Health + Hospitals paid to the City $212.4 million for debt service paid on its behalf. As the City obligates NYC Health + Hospitals to pay back amounts paid on its behalf, NYC Health+ Hospitals records the amount obligated as a liability, or increase, in Due to the City of New York, net. The debt service reimbursements made as a result of the obligation to the City are recorded by NYC Health + Hospitals as a reduction of Due to the City, net.

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

(i) 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. Beginning in fiscal year 2021, in accordance with GASB reporting requirements, interest on borrowedfunds related to construction is no longer capitalized.

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, 2022 and 2021.

Capital retainage is held for some capital projects. Those projects have small amounts retained within the contracted amounts. Only a certain percentage of a project's costs is paid until the project is completed, at which point the balance of the contract amount due is paid.

(j) Custodial Funds

NYC Health + Hospitals holds funds for safekeeping, primarily cash held for the benefit of its long-term care patients, amounting to approximately $2.0 million in each fiscal year ended June 30, 2022 and 2021. These amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Net Position.

(k) 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.

(l) 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.

(m) 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 ("IRC") 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 IRC, as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(n) Grants Receivable

Grants receivable relate to various healthcare provision programs under contract with the State and other grantors, including amounts related to the Value Based Payment Quality Improvement Program ("VBP QIP") and the Federal Emergency Management Agency ("FEMA") (Notes 12 and 18). 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.

(o) 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 consist 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.

(p) 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 three 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, accrued time is paid out at the current rate.

(q) 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 substantiallythe 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.

(r) Reclassifications

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

(s) New Accounting Standard Adopted

There were no new Standards issued by the GASB effective during fiscal year 2022 that affected New York Health + Hospitals' reporting.

(t) Subsequent Events

NYC Health + Hospitals has evaluated subsequent events through October 24, 2022, which is the date the financial statements were issued. NYC Health + Hospitals is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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, 2022 and 2021, 100% of NYC Health + Hospitals cash and cash equivalents bank balances were insured or collateralized.

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):

	2022	2021
Charges foregone, based on established rates	$ 983,321	$ 880,511
Estimated expenses incurred to provide charity care	748,018	581,637

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):

	2022		2021	
Medicaid	$ 2,343,451	29.7 %	$ 1,199,375	15.5 %
Medicare	944,363	12.0	1,042,990	13.5
Bad debt/charity care pools	440,751	5.6	436,967	5.6
Disproportionate share supplemental pool	765,950	9.7	1,432,507	18.5
Other third-party payors that include Medicaid and Medicare managed care	2,211,415	28.0	2,764,097	35.7
MetroPlus	1,155,215	14.7	855,867	11.0
Self-pay	23,727	0.3	15,213	0.2
	$ 7,884,872	100.0 %	$ 7,747,016	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):

	2022		2021	
Medicaid	$ 99,228	10.8 %	$ 136,828	15.5 %
Medicare	102,855	11.2	79,127	9.0
Other third-party payors, that include Medicaid and Medicare managed care	351,598	38.3	396,215	44.9
MetroPlus	363,351	39.5	269,561	30.5
Self-pay	2,170	0.2	1,426	0.1
	$ 919,202	100.0 %	$ 883,157	100.0 %

5. CAPITAL ASSETS

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

	2022	2021
Land and land improvements	$ 59,420	$ 59,014
Buildings and leasehold improvements	4,888,077	4,735,250
Equipment	4,988,590	4,868,748
	9,936,087	9,663,012
Less: accumulated depreciation	6,666,598	6,321,423
	3,269,489	3,341,589
Construction in progress	1,083,464	805,011
Capital assets, net	$ 4,352,953	$ 4,146,600

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, 2020 balance	$ 58,296	$ 4,613,145	$ 4,406,979	$ 737,205	$ 9,815,625
Acquisitions, net of transfers	660	140,035	522,779	67,806	$ 731,280
Sales, retirements, and adjustments	58	(17,930)	(61,010)	-	$ (78,882)
June 30, 2021 balance	59,014	4,735,250	4,868,748	805,011	10,468,023
Acquisitions, net of transfers	640	153,966	285,618	278,453	718,677
Sales, retirements, and adjustments	(234)	(1,139)	(165,776)	-	(167,149)
June 30, 2022 balance	$ 59,420	$ 4,888,077	$ 4,988,590	$ 1,083,464	$ 11,019,551

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, 2020 balance	$ 33,434	$ 2,687,482	$ 3,190,782	$ 5,911,698
Depreciation expense	1,361	139,159	332,483	473,003
Sales, retirements, and adjustments	(4)	(10,013)	(53,261)	(63,278)
June 30, 2021 balance	34,791	2,816,628	3,470,004	6,321,423
Depreciation expense	3,334	144,904	351,371	499,609
Sales, retirements, and adjustments	(9)	(2,131)	(152,294)	(154,434)
June 30, 2022 balance	$ 38,116	$ 2,959,401	$ 3,669,081	$ 6,666,598

NYC Health + Hospitals continued to build projects for three locations: Bellevue, Woodhull and North Central Bronx. This is in an effort to open Therapeutic Housing Units to improve access to care for patients in the custody of the NYC Department of Corrections ("NYC DOC") whose clinical conditions require access to specialty and subspecialty care. This program will provide Out-posted Therapeutic Housing Units ("OTxHU") within an existing NYC Health and Hospitals acute care facility at Bellevue, Woodhull, and North Central Bronx. These secured, clinical units will be operated by NYC Health + Hospitals Correctional Health Service ("CHS") with the NYC DOC providing custody management. It is expected that the OTxHU will allow for easier access to specialty services for patients. Development and potential

implementation of the OTxHU model will bridge a critical gap in the correctional health care continuum. The additional benefits to patients and clinicians within CHS and NYC Health + Hospitals include closer coordination among the hospitals' inpatient, outpatient, and OTxHU services, promoting continuity of care and opportunities for cross-discipline collaborations. The model also supports more effective leveraging of the full range of clinical resources within the NYC Health + Hospitals system. During fiscal year 2022, $36.6 million was added to the total CIP. The three projects are to be funded through City capital with a total estimated budget amount of $662.5 million and total $625.9 million estimated for completion.

FEMA funds of $1.7 billion were secured to advance New York's comprehensive, five borough resiliency plans to repair and protect four public hospitals damaged during Hurricane Sandy in October 2012. The allocation will fund improvements at four New York City Health + Hospitals' facilities: Bellevue Hospital Center and Metropolitan Hospital Center in Manhattan, Coler Rehabilitation and Nursing Care Facility on Roosevelt Island, Coney Island Hospital in Brooklyn. To implement, the projects were split into two major categories: immediate priority mitigation projects and long-term major resiliency projects. All immediate priority mitigation projects are substantially complete while multiple long-term major resiliency projects are in the design or construction phase. A majority of the projects were managed by fellow city agencies: the NYC Economic Development Corporation ("NYC EDC") and the NYC Department of Design and Construction ("NYC DDC") while several others were managed directly by NYC Health + Hospitals. These FEMA projects represented an addition of $229.8 million of CIP in fiscal year 2022, with a total CIP of $637.5 million as of June 30, 2022. As of the end of fiscal year 2022, $7.6 million was placed in service. This consisted of projects located at Bellevue, Metropolitan, and Coler.

The energy projects undertaken are mostly comprehensive energy upgrades that seek to reduce our greenhouse gas emissions and energy consumption. These comprehensive energy upgrades focus on lighting upgrades, upgrades to air handling units, chillers, cooling towers, and other HVAC equipment. We also have specialty projects, namely the Combined Heat and Power ("CHaP") installation at Bellevue and the Boiler upgrade at Harlem which also has a CHaP component. Energy efficiency upgrade projects at multiple facilities represented an addition of $23.4 million for fiscal year 2022 in CIP, with CIP totaling $32.3 million as of June 30, 2022. These projects have a total budget of $271.0 million and a total of $206.7 million estimated for completion.

NYC Health + Hospitals continued work on its Electronic Medical Record ("EMR") system. Known as H2O Epic (Clinical and Revenue), it has been implemented at all acute care hospitals, Gotham clinics, outpatient facilities, Henry J. Carter Long Term Acute Care facility, Roosevelt Island Medical Center, which is onsite at Coler Hospital, and COVID-19 Support Hotels. NYC Health + Hospitals continues to enhance and develop additional modules for the H2O Epic 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 2022 added $14.5 million of CIP related to this project which was inclusive of capitalizable expenditures of $14.4 million for the Clinical portion and $0.1 million for the Revenue Cycle portion. As of June 30, 2022, the total amount placed in service was $14.5 million. This amount excluded the costs of capitalized in-house payroll assigned to this project.

NYC Health + Hospitals had a project to upgrade its system-wide network infrastructure called Network Refresh. During fiscal year 2022, $33.7 million was added to CIP and $29.0 million was placed in service during fiscal year 2022. This project is mostly funded through City capital dollars in the total amount of $180.5 million.

Health + Hospitals' Center of Excellence sites substantially completed projects for three locations Bronx, Queens and Brooklyn. These comprehensive health centers were initiated and completed as an emergency in response to COVID-19. They are designed to meet the unique needs of patients recoveringfrom COVID-19, including specialized services like cardiology care and diagnostic services. These projects are located in communities most heavily impacted by COVID-19 and are in alignment with the Mayor's initiative and rapid response to the COVID-19 pandemic. These three projects are managed by NYC DDC and NYC Health + Hospitals. The construction was managed by NYC DDC, whereas the design and furniture, fixtures, and equipment purchases were managed by NYC Health + Hospitals. Through fiscal year 2022, $137.0 million was added to the CIP total. The projects are to be funded through City capital with a total estimated amount of $141.0 million as of June 30, 2023.

6. ASSETS RESTRICTED AS TO USE

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

	2022	2021
Under bond resolutions [a]		
Construction funds	$ 74,003	$ 98,602
Capital reserve funds	66,623	66,957
Revenue funds	35,976	37,243
	176,602	202,802
Letters of credit [b]	14,651	18,735
Permanent endowments [b]	928	928
Equipment financing [c]	13,702	16,233
Total assets restricted as to use	205,883	238,698
Less: current portion of assets restricted as to use	22,498	22,187
Assets restricted as to use, net of current portion	$ 183,385	$ 216,511

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 by U.S. Treasury bills. The capital reserve funds are invested primarily in U.S. Treasury bills. 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. As of June 30, 2022, $7.2 million of restricted funds related to letters of credit and permanent endowments were invested in T-bills and $8.4 million in collateralized checking accounts. As of June 30, 2021, $7.2 million of restricted funds related to letters of credit and permanent endowments were invested in T-bills, $4.3 million in CDs, and $8.2 million in collateralized checking accounts.

c. The equipment financing escrow funds are mostly invested in United States Treasury Money Market Fund accounts (Note 7).

The current portion is related to the 2020 Series A bonds, 2013 Series A bonds, and the 2008 Series B, C, D, and E bonds debt service payable in fiscal year 2022.

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):

	2022		
	Fair Value	Level 1	Level 2
U.S. government obligations and securities	$ 205,883	$ 105,412	$ 100,471

	2021		
	Fair Value	Level 1	Level 2
U.S. government obligations and securities	$ 238,698	$ 127,781	$ 110,917

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 rate 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):

Year	Investment Type	Fair Value	Investments Maturing in (Years) Less than 1	1 to 3
2022	U.S. Treasury bills, notes, bonds and strips	$ 600,030	$ 165,740	$ 434,290
2021	U.S. Treasury bills, notes, bonds, and strips	620,919	282,145	338,774

8. LONG-TERM DEBT

	2022	2021
Bonds Payable		
2020 Series A Fixed Rate Health System Bonds - weighted average interest of 4.69%, payable in installments to 2048		
Uninsured Bonds (a)	$ 370,808	$ 381,127
2013 Series A Fixed Rate Health System Bonds – weighted average interest of 2.44%, payable in installments to 2023:		
Uninsured Bonds (b)	38,414	75,936
2008 Series B, C, D, and E Variable Rate Health System Bonds – subject to short-term liquidity arrangements, weighted average of 0.90% in 2022 and 0.75% in 2021 payable in installments to 2031:		
Uninsured Bonds (e)	123,864	129,280
Total Bonds Payable	533,086	586,343
Direct Borrowings		
2015 JP Morgan Equipment Financing (d)	3,145	12,483
2022 JP Morgan Equipment Financing (e)	39,751	-
Term Loan and Revolving Loan (Citibank) (f)	19,765	31,895
New York Power Authority ("NYPA") financing (g)	-	39,418
Total Direct Borrowings	62,661	83,796
Other Debt Agreements		
Equipment and renovation financing (Sodexo) (h)	2,483	4,476
Henry J. Carter capital lease obligation (i)	14,063	16,632
CISCO Maintenance Financing (j)	166,620	18,441
Total Other Debt Agreements	183,166	39,549
Total Long-Term Debt	778,913	709,688
Less: current installments	99,082	90,312
Total Long-Term Debt, net of current installments	$ 679,831	$ 619,376

Long-term debt activity for the years ended June 30, 2022, 2021, and 2020 was as follows (in thousands):

Long-term debt:	June 30, 2021 Balance	Additions	Reductions	June 30, 2022 Balance	Amounts Due Within 1 year
Bonds payable	$ 586,343	$ -	$ (53,257)	$ 533,086	$ 43,395
Direct borrowings:					
NYPA financing	39,418	333	-	39,751	2,189
Equipment and renovation financing	67,295	166,620	(41,902)	192,013	48,776
Henry J. Carter capital lease obligation	16,632	-	(2,569)	14,063	4,722
	$ 709,688	$ 166,953	$ (97,728)	$ 778,913	$ 99,082

Long-term debt:	June 30, 2020 Balance	Additions	Reductions	June 30, 2021 Balance	Amounts Due Within 1 year
Bonds payable	$ 574,897	$ 384,997	$ (373,551)	$ 586,343	$ 41,610
Direct borrowings:					
NYPA financing	40,892	-	(1,474)	39,418	2,009
Equipment and renovation financing	107,394	-	(40,099)	67,295	40,926
Henry J. Carter capital lease obligation	16,632	-	-	16,632	5,767
	$ 739,815	$ 384,997	$ (415,124)	$ 709,688	$ 90,312

Bonds

On November 19, 1992, the Board of Directors for NYC Health + Hospitals adopted the General Resolution, which was amended and restated effective January 5, 2021 ("Amended and Restated 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 ("Health System Bonds") are secured by the pledge. The Amended and Restated General Resolution imposes certain restrictive covenants on the issuance of additional bonds and working capital borrowing, and requires that NYC Health + Hospitals satisfies 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) 2020 Series A Bonds

On January 5, 2021, NYC Health + Hospitals issued $310.2 million of tax-exempt fixed rate Health System Bonds, 2020 Series A bonds (the "2020 Bonds"). This issuance generated a premium of $74.8 million with an effective interest rate of 0.99%. This bond issue included $273.7 million of 3.0% to 5.0% uninsured serial bonds, due through February 15, 2040; and $5.0 million of 3.0% and $16.5 million of 4.0% uninsured term bonds due February 15, 2045, and $15.0 million of 4.0% uninsured term bonds due February 15, 2048, with interest payable on February 15th and August 15th of each year.

Proceeds of the 2020 Bonds, $20.5 million released from the Capital Reserve Fund and $26.5 million in residual funds were used: (i) to refund and redeem all of NYC Health + Hospitals' 2008 Series A bonds totaling $66.2 million; (ii) to refund and redeem all of NYC Health + Hospitals' 2010 Series A bonds totaling $255.7 million; and (iii) to pay the cost of issuance of $2.4 million. Proceeds used to refund and redeem the 2008 Series A bonds and 2010 Series A bonds were deposited with the bond trustee in an amount sufficient to pay the interest and principal of both the refunded 2008 Series A and the 2010 Series A bonds to and including their final redemption date of February 8, 2021.

NYC Health + Hospitals completed the current refunding of the 2008 Series A bonds and the 2010 Series A bonds to reduce its total debt service payments over the next 10 years by $83.1 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $60.5 million, which is being amortized over the life of the 2020 Bonds.

The following table summarizes debt service requirements for the 2020 Series A bonds as of June 30, 2022 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2022:

	Principal	Interest	Total
Years			
2023	$ -	$ 14,557	$ 14,557
2024	14,800	14,324	29,124
2025	39,725	13,227	52,952
2026	30,330	11,525	41,855
2027	36,775	10,000	46,775
2028-2032	126,215	24,525	150,740
2033-2037	14,940	11,809	26,749
2038-2042	19,020	7,692	26,712
2043-2047	23,195	3,492	26,687
2048	5,195	130	5,325
Total	310,195	111,281	421,476
Unamortized premium on 2020 Bonds	60,613	-	60,613
	$ 370,808	$ 111,281	$ 482,089

(b) 2013 Series A Bonds

On March 28, 2013, NYC Health + Hospitals issued $112.1 million of tax-exempt fixed rate Health System Bonds, 2013 Series A bonds (the "2013 Bonds"). This issuance generated a premium of $21.4 million with an effective interest rate of 2.38%. This bond issue included $112.1 million of 3.0% to 5.0% uninsured serial bonds, due through February 15, 2023 with interest payable on February 15th and August 15th of each year.

Proceeds of the 2013 Bonds and $13.2 million 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 $111.8 million; (ii) to refund and defease a portion of NYC Health + Hospitals' 2008 Series A bonds totaling $30.7 million ($2.4 million matured in 2014 bearing interest at 4.0%; $16.4 million matured in 2015 bearing interest at 5.0%; and $11.8 million matured in 2015 bearing interest at 5% were refunded); and (iii) to pay the cost of issuance of $1.1 million. 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 the 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 $23.0 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $21.9 million, which is being amortized over the life of the 2013 Bonds.

The following table summarizes debt service requirements as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Year			
2023	$ 37,850	$ 1,145	$ 38,995
Unamortized premium on 2013 Bonds	564	-	564
	$ 38,414	$ 1,145	$ 39,559

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

On September 4, 2008, NYC Health + Hospitals issued $189.0 million 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 $50.5 million of 2008 Series B bonds; $50.5 million of 2008 Series C bonds; $44.0 million of 2008 Series D bonds; and $44.0 million 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 an expiration date of September 3, 2023 and the D and E letters of credit were issued by JPMorgan Chase Bank N.A. with an expiration date of February 15, 2026.

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, 2022.

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 0.90% for 2022 and 0.75% for 2021.

Proceeds of the 2008 Variable Rate Bonds and $3.9 million 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 $189.3 million; (ii) to finance $3.1 million 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 that were 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, 2022 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2022:

	Principal	Interest	Total
Years			
2023	$ 5,545	$ 1,059	$ 6,604
2024	5,665	1,010	6,675
2025	9,000	950	9,950
2026	20,475	835	21,310
2027	15,895	672	16,567
2028 - 2031	67,284	1,260	68,544
Total	$ 123,864	$ 5,786	$ 129,650

Direct Borrowings

(d) Equipment Financing Agreement (JPMorgan Chase Bank)

On July 9, 2015, NYC Health + Hospitals entered into a $60.0 million Equipment FinancingAgreement ("2015 JPMorgan Equipment Financing") with JPMorgan Chase Bank 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.

The following table summarizes debt service requirements for the equipment financing agreement as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Year			
2023	$ 3,145	$ 16	$ 3,161
Total	$ 3,145	$ 16	$ 3,161

(e) 2022 Equipment Financing Agreement (JPMorgan Chase Bank)

On June 15, 2022, NYC Health + Hospitals entered into a $39.8 million Equipment Financing Agreement ("2022 JPMorgan Equipment Financing") with JPMorgan Chase Bank for the purpose of refinancing approximately $40.2 million of New York Power Authority loans that initially provided financing for two energy efficiency upgrade projects at both Metropolitan and Elmhurst hospitals.

The loans were borrowed at a fixed interest rate of 2.6436% with final maturity of June 15, 2037.

The following table summarizes debt service requirements for the equipment financing agreement as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Years			
2023	$ 2,189	$ 1,029	$ 3,219
2024	2,248	971	3,219
2025	2,308	911	3,219
2026	2,370	849	3,219
2027	2,433	786	3,219
2028 - 2032	13,174	2,920	16,094
2033 - 2037	15,029	1,066	16,095
Total	$ 39,751	$ 8,531	$ 48,282

(f) 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 0.84% for 2022 and 0.68% for 2021.

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, both the Term Loan and Revolving Loan have 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.

The following table summarizes debt service requirements for the Citibank loan as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Years			
2023	$ 12,765	$ 359	$ 13,124
2024	7,000	56	7,056
Total	$ 19,765	$ 415	$ 20,180

(g) New York Power Authority Financing

NYC Health + Hospitals had two energy efficiency upgrade projects at both Metropolitan and Elmhurst hospitals. The projects fell 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 were 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 were to be added to the balance of the respective loans and 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 was $0.103 million and $0.110 million, respectively, and began on September 4, 2018. The interest rates of the variable rate loans were 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 April 2021 to 2.49%.

On June 15, 2022, NYC Health + Hospitals refunded all outstanding NYPA loans.

Other Debt Agreements

(h) 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 to a 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 the 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, 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 stated interest associated with this agreement. 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 in December 2024.

The following table summarizes debt service requirements as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Years			
2023	$ 1,017	$ -	$ 1,017
2024	1,019	-	1,019
2025	447	-	447
Total	$ 2,483	$ -	$ 2,483

(i) Henry J. Carter Capital Lease Obligation

In September 2010, NYC Health + Hospitals and the City entered into a Memorandum of Understanding ("MOU") with the NYSDOH, Dormitory Authority of the State of New York, and North General Hospital, to relocate the Goldwater operations of the Color-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 long-term acute care hospital services. NYC Health + Hospitals also acquired the parking lot on the North General campus and constructed a tower building to house skilled nursing services. NYC Health +

Hospitals renamed the site of the former North General Hospital to the Henry J. Carter campus. The City financed the acquisition, renovation, and construction of the Henry J. Carter campus, with supplemental funding from State grants.

The following table summarizes debt service requirements as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Years			
2023	$ 4,723	$ 1,547	$ 6,270
2024	1,575	283	1,858
2025	1,628	230	1,858
2026	1,682	176	1,858
2027	1,738	120	1,858
2028-2029	2,717	71	2,788
Total	$ 14,063	$ 2,427	$ 16,490

(j) Key Bank CISCO Leasing

On September 30, 2019, NYC Health + Hospitals entered into a $48.9 million taxable lease purchase agreement 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 was secured by the equipment financed and the maturity date was June 30, 2022.

On May 24, 2022, NYC Health + Hospitals entered into a new $101.0 million taxable lease purchase agreement with Key Government Finance, Inc. for the same purpose stated above. The debt for the agreement is secured by the equipment financed and the maturity date is June 30, 2027.

Additionally, on May 24, 2022, NYC Health + Hospitals entered into two zero percent loans with Key Government Finance, Inc. in the amount of $30.5 million and 35.2 million, to purchase a licensing and/or software subscription from Cisco. The loans will mature on June 30, 2027.

The following table summarizes debt service requirements as of June 30, 2022 (in thousands):

	Principal	Interest	Total
Years			
2023	$ 31,849	$ 3,163	$ 35,012
2024	32,753	2,259	35,012
2025	33,367	1,645	35,012
2026	33,999	1,013	35,012
2027	34,651	361	35,012
Total	$ 166,620	$ 8,441	$ 175,061

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.

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/(FROM) THE CITY OF NEW YORK, NET

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

	2022	2021
FDNY EMS operations [a]	$ 184,894	$ 345,911
Medical malpractice payable [b]	91,570	91,067
Debt Service	-	212,378
Other accrued expenses [c]	36,024	34,511
Capital contributions from the City of New York	(31,891)	(13,011)
T2 Advance	46,853	70,738
	$ 327,450	$ 741,594

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 (Notes 1h and 12g).

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

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 187,338 active municipal employees, 167,934 pensioners, 25,026 deferred vested members, and 36,749 members who are no longer on payroll through $79.9 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, 2022 and 2021 were $2.4 billion in each year. NYCERS issues a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS, 335 Adams Street, Suite 2300, Brooklyn, New York 11201 or from the following website: https://www.nycers.org/annual-comprehensive-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 for 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 City of New York's Office of the Actuary (the "Actuary") and includes the information for MetroPlus. At June 30, 2022 and 2021, NYC Health + Hospitals reported a liability of $2.3 billion and $0.9 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, 2021 and June 30, 2020, 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 2022 and 2021, which was 13.0% and 13.4%, respectively. NYC Health + Hospitals made contributions of $472.5 million and $530.0 million for 2022 and 2021, respectively.

(a) Actuarial Assumptions

The pension results for the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions:

Projected salary increases[1]	In general, merit and promotion increases plus assumed general wage increase of 3.0% per annum
Investment rate of return[1]	7.0%, net of Investment Expenses
Cost of living adjustment[1]	1.5% per annum with an escalation of 2.5% per year

[1] Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per annum.

Mortality tables for service, disability pensioners, and beneficiaries were developed from experience studies of the Plan. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems ("NYCRS") are

conducted every two years. The most recent of these studies was performed by Bolton, Inc. and included experience through June 30, 2017. 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 %	7.0 %
Developed Public Market Equities	12.0	7.2
Emerging Public Market Equities	5.0	9.0
Fixed Income	30.5	2.5
Private Markets (Alternative Investments):		
Private Equity	8.0	11.3
Private Real Estate	7.5	6.7
Infrastructure	4.0	6.0
Opportunisitc Fixed Income	6.0	7.4
	100 %	

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumed that each participating employer would contribute the actuarially determined contribution each year. Based on those assumptions, the NYCERS' plan fiduciary net position is projected to be sufficient to pay all benefits when due.

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	$ 3.750	$ 2.356	$ 1.179

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and (inflows) at June 30, 2022 and 2021 (in thousands):

	2022	2021
Differences between projected and actual earnings on pension plan investments	$ 330,841	$ (1,274,124)
Differences between expected and actual experience	152,586	122,901
Changes in Assumptions	(74,991)	(106,549)
Differences between employer contributions and proportionate share of contributions	(179,302)	(177,596)
Adjustment for Census Data Fix	(102,156)	(102,156)

The deferred inflows and (outflows) of resources at June 30, 2022 will be recognized in expense as follows (in thousands):

	Amount
Year Ended June 30,	
2023	$ (126,354)
2024	1,899
2025	(44,971)
2026	296,482
2027	(78)
	$ 126,978

(e) Annual Pension Expense

NYC Health + Hospitals' annual pension expense for fiscal years ended 2022 and 2021, which includes contributions toward the actuarially determined accrued liability, including the information for MetroPlus, was approximately $245.7 million and $(53.0) 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, 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, 2021, the following employees were covered by the benefit terms:

Employees covered by benefit terms	
Active	31,483
Deferreds	3,657
Retirees	23,687
Total	58,827

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 2022 and 2021, NYC Health + Hospitals' contributions were $267.4 million and $116.8 million, respectively, which includes amounts for the implicit rate subsidy. The implicit rate subsidy is the incremental increase in the premium cost of coverage for retirees who are not yet eligible for Medicare. This cost is accounted for when calculating the actuarial liability for an OPEB plan. For the years ended June 30, 2022 and 2021, the NYC Health + Hospitals' average contribution rate was 10.5 percent and 4.8 percent, respectively, of covered-employee payroll.

Total OPEB Liability: NYC Health + Hospitals total OPEB liability measured at June 30, 2022 and 2021 of $4.2 billion and $5.3 billion, respectively, were determined by actuarial valuations as of June 30, 2021 and June 30, 2020, respectively.

(a) Actuarial Assumptions

The total OPEB liability in the June 30, 2021 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	
Pre-Medicare Plans	6.50 percent for 2022, and decreasing 0.25 percent per year thereafter to an ultimate rate of 4.5 percent for 2030 and later years
Medicare Plans	4.9 percent for 2022, decreasing by 0.10 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 2022 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 and further updated in fiscal year 2021. These tables were based primarily on the experience of each system and the application of the Mortality Improvement Scale, MP-2020, published by the Society of Actuaries in October 2020 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)* and *2021 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)

	2022 Activity Total OPEB Liability	2021 Activity Total OPEB Liability
Balances at end of prior fiscal year	$ 5,297,663	$ 5,359,524
Changes for the year		
Service cost	303,477	279,635
Interest	119,206	148,458
Difference between expected and actual experience	(191,019)	(189,272)
Change in assumptions	(1,045,957)	(183,865)
Actual benefit payments	(267,370)	(116,817)
Net changes	(1,081,663)	(61,861)
Balances at June 30, 2022 and 2021	$ 4,216,000	$ 5,297,663

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022 and 2021 was 4.09% and 2.18%, 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 4.09%, 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 (3.09%) or 1 percentage point higher (5.09%) than the current rate (in millions):

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
NYC Health + Hospitals' total OPEB liability	$ 4,744	$ 4,216	$ 3,774

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 (5.50% Decreasing to 3.5%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.5%)	1% Increase (7.50% Decreasing to 5.5%)
NYC Health + Hospitals' total OPEB liability	$ 3,638	$ 4,216	$ 4,938

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at June 30, 2022 and 2021 (in thousands):

	June 30, 2022		June 30, 2021	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 335,843	$ 531,830	$ 488,687	$ 529,861
Changes in assumptions	74,678	1,355,509	108,196	734,620
Net	$ 410,521	$ 1,887,339	$ 596,883	$ 1,264,481

The net deferred outflows and (inflows) of resources at June 30, 2022 will be recognized as follows (in thousands):

	Amount
Year Ending June 30,	
2023	$ (339,809)
2024	(293,909)
2025	(311,661)
2026	(267,539)
2027	(212,526)
Thereafter	(51,374)
	$ (1,476,818)

(e) Annual OPEB Expense

NYC Health + Hospitals' annual OPEB expenses for fiscal years ended 2022 and 2021, including the information for MetroPlus, were $27.8 million and $228.0 million, respectively. Implicit rate subsidy credits of $28.0 million and $31.0 million contributed to the reduction of OPEB expenses for 2022 and 2021, 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' acute facilities through fiscal year 2019. Six hospital facilities are currently under audit for fiscal year 2005. The Skilled Nursing Facilities and Federally Qualified Health Centers have final settlements through fiscal year 2020.

Effective January 1, 1997, 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 that considers comorbidities and length of stay.

Commercial insurers, including Health Maintenance Organizations ("HMOs"), 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, increase or decrease 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 $1.7 billion in fiscal year 2022. 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 six times. The most recent DSH cut delays came via the Consolidated Appropriations Act of 2021 which delayed DSH cuts until October 1, 2023. Cuts are now slated to be $8.0 billion annually in federal fiscal years 2024 through 2027.

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 NYC Health + Hospitals' continued belief that the cuts will likely be delayed beyond October 1, 2023 or potentially repealed.

ii. MetroPlus Enhanced Rate Pass Through

In the State fiscal year beginning in April 2011, NYC Health + Hospitals began receiving 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 continues to work with New York State to implement other permissible opportunities for supplemental funding related to Medicaid managed care services.

(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 + 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 reopeningto 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 2018; the SPRY 2019 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 Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"); subsequent legislation further extended the suspension period to December 31, 2021. A final extension through March 31, 2022 was provided by the Protecting Medicare and American Farmers from Sequester Cuts Act which further prescribed that sequester payment reductions would resume at 1% for April 1, 2022 to June 30, 2022 and would be fully restored to 2% effective July 1, 2022.

(e) Value Based Payment Quality Improvement Program ("VBP QIP")

VBP QIP is a New York State Medicaid Managed Care initiative that pairs hospital providers, DSRIP Performing Provider Systems, 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 was originally 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 were 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 was paid through value-based payment arrangements.

Beginning in program Year 5, VBP QIP award allocations were reduced due to limitations in the State's mechanism for program payments. During the fiscal year ended June 30, 2021, NYC Health + Hospitals earned $101.9 million – the maximum available amount – as grant revenue related to meeting the reporting and performance metrics established by NYSDOH for Year 5. NYSDOH subsequently extended the VBP QIP program through March 2022, maintaining the Year 5 reporting and performance requirements for both extension years. NYC Health + Hospitals recognized $101.9 million of grant revenue for VBP QIP Year 6 ending on March 31, 2021. NYC Health + Hospitals is also recognizing $101.9 million of grant revenue for VBP QIP Year 7 ending on March 31, 2022. There is no current expectation that the program will continue beyond March 31, 2022.

(f) Upper Payment Limit Conversion Revenue

During 2022, New York state implemented Medicaid Managed Care rate changes related to a NYS fiscal year 2020-2021 budget amendment to the upper payment limit ("UPL") methodology for certain eligible public hospitals for dates of service occurring on or after April 1, 2020 through December 31, 2020, and for each calendar year thereafter. Under the amendment, UPL payments were converted to direct reimbursement rate add-ons. This amendment was part of an initiative to strengthen the cash flows of New York safety net hospitals. The rate add-on approach also allowed for payment to be received for Medicaid Managed Care cases, which are not included in standard UPL payments. While the conversion of fee-for-service UPL payments is still pending CMS review, NYS was able to implement the add-on for managed care rates for NYC fiscal year 2020-2021 and NYC fiscal year 2021-2022 in a manner which did not require CMS preapproval. As a result, total UPL Conversion payments of $1.2 billion were received, of which $566.7 related to fiscal year 2022 and are included in 2022 net patient service revenue and $638.3 million is included in total operating revenue as prior period revenue.

(g) 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, which are provided for in the financial statements as amounts are determined to be probable and estimable. Pursuant to the Agreement, NYC Health + Hospitals is indemnified by the City for such costs. In fiscal years 2022 and 2021, NYC Health + Hospitals agreed to reimburse the City $91.6 million and $91.1 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.

(h) 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 $52.1 million in 2022 and $41.5 million in 2021 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, 2022 (in thousands):

Years	
2023	$ 32,319
2024	21,756
2025	19,641
2026	19,113
2027	18,676
Thereafter	18,476
Total minimum payments required	$ 129,981

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2022	2021
Vendors payable	$ 1,094,418	$ 1,315,632
Accrued interest	9,828	12,112
Affiliations payable	96,387	61,572
Affiliations vacation accrual	32,492	31,015
Pollution remediation liability	10,527	7,607
Other	218,065	627,428
	$ 1,461,717	$ 2,055,366

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 ("AROs"). 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 approximately $5 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, 2022 and 2021, NYC Health + Hospitals recognized revenue of approximately $9.4 million and $10.4 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 $246.6 million and an additional $68.9 million was funded through grants and intra-city agreements for a total funding for the year ended June 30, 2022 of $310.3 million. Total expenses funded through appropriations by the City was $242.6 million and an additional $61.8 million was funded through grants and intra-city agreements for a total funding for the year ended June 30, 2021 of $304.4 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
2022	U.S. Treasury bills, notes, bonds and strips	$ 600,030	$ 165,740	$ 434,290
2021	U.S. Treasury bills, notes, bonds, and strips	620,919	282,145	338,774

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 NYSDOH represents a substantial portion of MetroPlus' premium revenue and is subject to audit and adjustment by the NYSDOH. Medicare and MAP 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 Affordable Care Act ("ACA"), which were included in premium 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. Effective June 1, 2021, these members are no longer required to pay the $20 monthly premium.

Premium revenue, by percentage, from members and third-party payors for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Medicaid	57%	54%
Essential Plan	15%	15%
HARP	10%	11%
HIV-SNP	6%	6%
Medicare	3%	3%
MLTC	2%	2%
Others*	7%	9%
	100%	100%

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

Assets Restricted as to Use

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

	2022	2021
MetroPlus Statutory reserve investments	$ 180,852	$ 160,470

NYSDOH 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 $180.9 million and $160.5 million at June 30, 2022 and 2021, 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, 2022 and 2021 was $485.4 million and $409.8 million, respectively.

Change in Claims Payable

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):

	2022	2021
Balance, July 1	$ 670,942	$ 911,503
Less: Drug rebates receivable	(26,256)	(48,930)
Net balance	644,686	862,573
Incurred related to:		
Current year	3,758,683	3,208,354
Prior years	167,685	(2,098)
Total incurrent	3,926,368	3,206,256
Paid related to:		
Current year	3,219,518	2,802,093
Prior years	586,668	622,050
Total paid	3,806,186	3,424,143
Net balance at June 30	764,868	644,686
Plus drug rebates receivable	28,564	26,256
Balance, June 30	$ 793,432	$ 670,942

MetroPlus claims payable were $793.4 million and $670.9 million at June 30, 2022 and 2021, respectively, and is reported in the Accounts Payable and Accrued Expenses line in the MetroPlus column of the Statement of Net Position. Net reserves for unpaid claims and claim adjustment expenses attributable to incurred claims of prior years increased by $168 million and decreased by $2.1 million in 2022 and 2021, respectively. The prior year increase in 2022 was primarily due to $133.4 million of a UPL Supplemental Program add on payment from NYSDOH with corresponding offset to premiums earned. 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. 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 87.75% for Medicaid, 88% for CHP and HIV-SNP, 91% for Essential Plan and HARP,

92% for MetroPlus Gold, 86% for Gold Care I, and Gold Care II in 2022 calendar year of the premiums collected for those members. NYC Health + Hospitals is also entitled to one-time maternity and newborn supplemental payments as of June 30, 2022. 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, HIV-SNP, and HARP members from MetroPlus to NYC Health + Hospitals, for 96.5% of the prescription drug premium collected for Medicaid and HIV-SNP members and 97.5% for HARP 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 $291.2 million and $198.7 million at June 30, 2022 and 2021, respectively, representing net amounts payable to NYC Health + Hospitals pursuant to the agreement. NYC Health + Hospitals has reported a corresponding receivable at June 30, 2022 and 2021, respectively. Amounts are included in eliminations in the Statement of Net Position. Net payments pursuant to the agreement were $319.3 million and $495.0 million in 2022 and 2021, 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. The reinsurance and risk corridors programs ended in 2016. MetroPlus received $29.9 million of risk corridor settlement net of 5% legal expense in November 2020.

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. Department of Health and Human Services 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 receivable of $2.1 million and a liability of $3.2 million including risk adjustment, high cost risk pool ("HCRP") and risk adjustment data validation ("RADV") as of June 30th (in thousands):

	2022	2021
Risk adjustment	$ 5,088	$ (811)
HCRP	(142)	(334)
RADV	(2,865)	(2,083)
Total	$ 2,081	$ (3,228)

Included in the risk adjustment receivable of $5.1 million as of June 30, 2022 are a $6.3 million receivable for QHP and a $1.1 million payable for the SHOP benefit year 2021. MetroPlus paid $1.1 million of risk adjustment for SHOP and $0.2 million for HCRP in August 2022. MetroPlus expects to receive the 2021 risk adjustment payment of $6.3 million for QHP by the end of 2022. For benefit year 2020, MetroPlus received a risk adjustment payment of $1.2 million for QHP, paid $2 million for SHOP, and paid $0.2 million for HCRP in 2021.

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 expense between $200,000 and $350,000 for 2022 and between $100,000 and $250,000 for 2021. Any expenses over $350,000 for 2022 and $250,000 for 2021, the coverage is increased to 100% of the excess amount.

- Residential Health Care Facility inpatient stays are not covered for members for 2022 and covered for members for 2021 who exceed 60 inpatient days in any one calendar year for 2021.

- 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 $200,000 and $400,000 in any one calendar year for 2022 and between $100,000 and $300,000 in any one calendar year for 2021. Any expenses over $400,000 for 2022 and over $300,000 for 2021, the coverage is increased to 100% of the excess amount.

- Stop-Loss insurance is also provided by the State of New York for certain mental health costs of its Medicaid members. For episodes of inpatient psychiatric care, the State reimburses for 100% of payments made in the episode of care beyond the 100th day for 2022 and 2021.

Premiums for the reinsurance provided by the State of New York are netted against premiums earned and any related recoveries on paid losses are netted and reported within other than personal services expenses. 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 $47.4 million and $46.7 million at fiscal years ended June 30, 2022 and 2021, 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 for years 1 through 7. During the fiscal years ended June 30, 2022 and 2021, MetroPlus released the award pass-through payments of $153.1 million and $62.1 million to NYC Health + Hospitals. MetroPlus is entitled to retain surplus and administrative fees of $6.1 million and $2.6 million for fiscal years ended June 30, 2022 and 2021, respectively. MetroPlus reported $1.8 million liability for the excess funds received for this program as of June 30, 2022.

Upper Payment Limit Supplemental Program

NYC Health + Hospitals provided health care services to individuals enrolled in the Plan's Medicaid and HARP benefit programs for which the NYS has approved an increase in UPL add-on payments, inclusive of HCRA taxes, to the Plan's premiums retroactive to April 2020. MetroPlus and NYC Health + Hospitals entered into a settlement agreement to settle the UPL as a lump sum payment, dated November 23, 2021. MetroPlus received $223.8 million from NYSDOH for state fiscal year ("SFY") 2021 and 2022, paid $207.5 million to NYC Health + Hospitals, and $14.6 million of HCRA taxes as of June 30, 2022. The Plan reported a liability of $2.0 million, inclusive of $0.1 million for HCRA taxes, $0.8 million excess funds received for SFY 2020-2021 and $1.1 million funds available for SFY 2021-2022 at June 30, 2022.

Essential Plan ("EP") Provider Investment Fund Program

The NYSDOH SFY 2022 enacted budget included a full annual investment of $420 million into provider reimbursement rates for the EP1 (FPL 151% to 200%) and EP2 (FPL 139% to 150%) premium groups to bring rates more in line with commercial reimbursement for inpatient and outpatient hospital-based services. This increase would result in rates for inpatient and outpatient hospital-based services that are 225% of Medicaid fee for service reimbursement for the same services. Plans are encouraged to utilize funding to increase provider medical reimbursement rates to improve the quality, accessibility, appropriate utilization, and efficiency of services provided to enrollees. For 2021, the full year funding was included in the June 2021 rates and paid to the Plan over seven months in 2021. Effective January 1, 2022, and annually thereafter, funding is paid over 12 months.

As of June 30, 2022, the Plan received a total of $47.0 million of EP Provider Investment funding from the State as an add-on premium payment inclusive of HCRA taxes. The Plan paid a total of $11.7 million for 2021 payments of which $8.0 million was paid to NYC Health + Hospitals, $2.8 million to other providers, and $0.9 million for HCRA taxes. As of June 30, 2022, the Plan reported a liability of $32.1 million of which $17.0 million is for six months of 2022 and $15.1 million is for the remaining 2021.

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 $122.8 million and $89.6 million at June 30, 2022 and 2021, 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 individuals (QHP), small groups (SHOP), and large groups (MetroPlus Gold, GoldCare I, and GoldCare II) meet specified minimums 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 with the exception of MLTC for SFY 2020. MetroPlus estimated $0.8 million and $13.9 million of MLR payment for MLTC which is included in Accounts Payable and Accrued Expenses at June 30, 2022 and 2021, respectively. MetroPlus released $13.1 million in fiscal year 2022 due to the reclassification of NYS Care Management as part of numerator in MLR calculation.

Operating Leases

MetroPlus leases equipment and office space under various operating leases. Total rental expense for operating leases was approximately $22.2 million in 2022 and $30.8 million in 2021 and is included in other than personal services. Included in the total rent expense is the deferred rent expense of $11.5 million for the move to 50 Water Street office space. This office lease commenced on October 1, 2019 and expires on December 31, 2043. The early termination fee of $2.4 million was paid to Maiden & Nassau, LLC on July 14, 2022 for surrendering Maiden Lane office space effective July 1, 2022.

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, 2022 (in thousands):

Years		
2023	$	18,779
2024		13,917
2025		12,407
2026		11,913
2027		11,896
Thereafter		193,311
Total minimum payments required	$	262,223

17. OTHER LONG-TERM LIABILITIES

Other long-term liabilities for the years ended June 30, 2022 and 2021 was as follows (in thousands):

	June 30, 2021 Balance	Additions	Reductions	June 30, 2022 Balance
Accrued compensated absences	$ 526,224	$ 4,343	$ -	$ 530,567
Accrued salaries, fringe benefits, and payroll taxes	-	-	-	-
	$ 526,224	$ 4,343	$ -	$ 530,567

	June 30, 2020 Balance	Additions	Reductions	June 30, 2021 Balance
Accrued compensated absences	$ 313,461	$ 214,439	$ (1,676)	$ 526,224
Accrued salaries, fringe benefits, and payroll taxes	68,411	-	(68,411)	-
	$ 381,872	$ 214,439	$ (70,087)	$ 526,224

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, expanded capacity, and other operating costs associated with ensuring employee, patient and public safety while operating during a pandemic. Since late spring 2020, NYC Health + Hospitals began to see increases in its patient visits, admissions, and medical procedures, however volumes have still not fully returned to pre-pandemic levels. Management continues to actively monitor operating revenues and expenses for COVID-19 and other services.

NYC Health + Hospitals' primary source of funds to support its COVID-19-related work was through funding from the Provider Relief Fund ("PRF") and FEMA. NYC Health + Hospitals recognized PRF grant revenue totaling $1.0 billion in fiscal year 2020, FEMA funding of $532.3 million in fiscal year 2021, and $309.1 million of FEMA funding and $187.3 million of PRF funding in fiscal year 2022 to support its response to the COVID-19 pandemic.

A significant source of COVID-19 federal funding for healthcare providers is the PRF which was originated by the CARES Act, with additional funding authorized in several subsequent acts. PRF is used to prevent, prepare for, and respond to the COVID-19 and is intended for expenses or lost revenues that are attributable to COVID-19 which are not covered by other funding sources, including FEMA. PRF funding ensured that NYC Health + Hospitals had the cash flow needed for its COVID-19-related expenses through the initial phases of the pandemic.

In fiscal year 2020, PRF payments were received in the amount of $1.0 billion and were included in grants revenue in the Statement of Revenues, Expenses and Changes in Net Position that fiscal year. NYC Health + Hospitals received additional PRF payments of $172.4 million during fiscal year 2021 and $14.9 million during fiscal year 2022 which were recognized as grant revenue in fiscal year 2022. NYC Health + Hospitals does not anticipate receiving any additional PRF funding. These payments are subject to audit and compliance with federal regulations.

In addition to PRF funding, NYC Health + Hospitals recognized $532.3 million of COVID-19 grant revenues from FEMA in fiscal year 2021, reflecting FEMA's initial approved cost estimate of the Expedited Project Worksheet ("EPW") for COVID-19 response. An additional obligation during fiscal year 2022 of an amendment to the original EPW resulted in additional FEMA revenue of $309.1 million being recognized in fiscal year 2022. NYC Health + Hospitals will continue to work with FEMA for grant reimbursement of any remaining eligible COVID-19 expenses. Costs claimed under FEMA may not be reimbursed by any other funding source or payor, and may not be claimed through PRF or other grants.

NYC Health + Hospitals also received a number of small grant awards and supplements to existing grants under the CARES Act as well as under the American Rescue Plan Act; grants from the City, including allocations of federal funds awarded to the City; and private grants.

While strides have been made, the course of the COVID-19 virus and its potential effect in the coming months remain unknown. Although the impact of COVID-19 on NYC Health + Hospitals' finances has considerably diminished since the height of the pandemic and there is optimism that will continue, due to the uncertainty and evolving nature of the pandemic, the total impact on its financial position and operations (including regulatory requirements, federal and State funding, reduced revenue stream, constraints on operations, and higher cost of resources) cannot be fully determined at this time.

Test and Trace Corps

In May 2020, Mayor DeBlasio announced the City's comprehensive plan to contain COVID-19 through testing, contact tracing, and isolation services, to be led by NYC Health + Hospitals. On June 1, 2020 the NYC COVID-19 Test & Trace Corps was launched, with the goal of suppressing the virus and delaying and diminishing future waves. The overall response was part of a multi-agency, "all-hands-on-deck" approach to COVID-19. Certain components of the Test and Trace strategy were managed by multiple City agencies.

The NYC Mayor's Office of Management and Budget ("NYC OMB") and NYC Health + Hospitals signed a Memorandum of Understanding outlining that the City would provide NYC Health + Hospitals funding for all expenses incurred in connection with this program and both parties would work together to secure any eligible grants, third-party billing or other funding sources.

Some of the major components of the strategy included community-based testing sites throughout the City, hiring up to 4,000 contract tracers and monitors (both directly and through a vendor), maintaining multiple hotels in order to offer safe spaces to quarantine those who tested positive for COVID-19 and their close contacts, as well as the provision of resources to those isolating at home. Over time, additional strategies such as canvassing, mobile testing, school-based testing were deployed. Overall, Test and Trace Corps has administered over 14 million COVID-19 tests, including 4 million in schools. They have successfully reached nearly 90% of positive cases prior to Omicron and identified 1.8 million contacts throughout the pandemic. In addition, Test and Trace Corps provided hotel rooms for safe isolation and quarantine to over 33,000 New Yorkers and administered 580,000 vaccines at the 24-hour vaccine mega-sites. By the end of fiscal year 2022, Test and Trace Corps ended their contact tracing program, isolation and quarantine program, and vaccination program.

NYC Health + Hospitals incurred $1.3 billion and $1.4 billion of expenses in fiscal years 2022 and 2021, respectively, to provide these services on behalf of the City.

NYC Health + Hospitals worked closely with NYC OMB to ensure sufficient funding for all incurred expenses, despite uncertainty at times regarding the availability of federal funds. The City will submit or has submitted on behalf of NYC Health + Hospitals recognized grant revenue of:

- $270.7 million and $757.5 million in Epidemiology and Laboratory Capacity grants during the years ended June 30, 2022 and 2021, respectively;
- $690.3 million and $417.6 million in FEMA reimbursement during the years ended June 30, 2022 and 2021, respectively; and
- $214.3 million for fiscal year 2022 and nothing in fiscal year 2021 for the American Rescue Plan Act

NYC Health + Hospitals has also received over $149.6 million and $302.9 million in third party receipts for COVID-19 tests performed in fiscal year 2022 and 2021, respectively, that offset testing expenditures.

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, 2022, 2021, 2020, 2019, 2018, and 2017
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 498,657	$ 503,758	$ 505,624	$ 515,454	$ 507,335	$ 492,161
Actual contributions as related to the contractually required contribution	472,457	529,957	505,624	515,454	507,335	492,161
Contribution deficiency (excess)	$ 26,200	$ (26,199)	$ -	$ -	$ -	$ -
HHC covered payroll	$ 2,429,120	$ 2,444,860	$ 2,367,816	$ 2,207,943	$ 2,122,448	$ 2,177,897
Contributions as a percentage of covered payroll	19.45 %	21.68 %	21.35 %	23.35 %	23.90 %	22.60 %

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, 2022, 2021, 2020, 2019, 2018, and 2017
(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017
HHC proportion of the net pension liability	13.015 %	13.387 %	13.564 %	13.959 %	15.023 %	14.788 %
HHC proportionate share of the net pension liability	$ 2,356,314	$ 858,625	$ 2,859,284	$ 2,585,414	$ 2,751,874	$ 3,070,928
HHC covered payroll	2,429,120	2,444,860	2,367,816	2,207,943	2,122,448	2,177,897
HHC proportionate share of the net pension liability as a percentage of its covered payroll	97.00 %	35.12 %	120.76 %	117.10 %	129.66 %	141.00 %
Plan fiduciary net position as a percentage of the total pension liability	81.28%	93.14%	76.93%	78.84%	78.83%	74.80%

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, 2022, 2021, 2020, and 2019
(Dollar amounts in thousands)

	2022	2021	2020	2019
Total OPEB liability				
Service cost	$ 303,477	$ 279,635	$ 264,512	$ 307,105
Interest	119,206	148,458	159,281	161,840
Differences between expected and actual experience	(191,019)	(189,272)	(450,871)	858,811
Changes of assumptions	(1,045,957)	(183,865)	99,391	(806,009)
Benefit payments	(267,370)	(116,817)	(230,815)	(171,559)
Other Changes	-	-	(41,078)	-
Net change in total OPEB liability	(1,081,663)	(61,861)	(199,580)	350,188
Total OPEB liability - beginning	5,297,663	5,359,524	5,559,104	5,208,916
Total OPEB liability - ending	$ 4,216,000	$ 5,297,663	$ 5,359,524	$ 5,559,104
Covered employee payroll	$ 2,548,754	$ 2,444,860	$ 2,320,005	$ 2,222,409
Total OPEB liability as a percentage of covered employee payroll	165.4 %	216.7 %	231.0 %	250.1 %
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:	4.09 %	2.18 %	2.66 %	2.79 %

See accompanying notes to the basic financial statements.

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520

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 (*Government Auditing Standards*), the financial statements of New York City Health and Hospitals Corporation (the "Corporation"), 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, 2022 and the related notes to the financial statements, and have issued our report thereon dated October 24, 2022.

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*.

Report on internal control over financial reporting
In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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 the Corporation's 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.

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 were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness in the Corporation's internal control.

Report on compliance and other matters
As part of obtaining reasonable assurance about whether the Corporation's 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 financial statements. 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*.

Corporation's response to findings
Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Corporation's response.

Purpose of this report
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 the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
October 24, 2022

Finding 2022-001

Internal controls over financial reporting (material weakness).

Criteria:

The Standards for Internal Control, issued by the Comptroller General of the United States, require an auditee to design and implement an internal control environment to achieve effective and efficient operations; reliability of financial reporting; and compliance with applicable laws and regulations. The control environment sets the tone of an organization, which influences the control consciousness of its people. The key factors impacting the control environment include, among other things, management's philosophy and operating style, organizational structure, assignment of authority and responsibility and appropriate policies and procedures.

Conditions, Context, Cause and Effect:

During our fiscal 2022 audit, we noted that NYC Health + Hospitals did not have appropriate controls and procedures in place during the fiscal year relating to the revenue recognition of PRF and FEMA grant income, which resulted in a finding that we determined to be a material weakness in internal control over financial reporting.

The finding identified was as follows:

Grant revenue income recognition

Grant income and related transactions were recorded subsequent to year-end. In addition, related documentation was not timely maintained during the year in sufficient detail, causing delays in receipt of auditable documentation to support grant revenue. Also, the documentation supporting grant revenue contained errors and resulted in an audit adjustment relating to FEMA grant income.

Recommendation:

We recommend that a formal analysis, by funding source, be performed, reviewed and approved on a regular basis, inclusive of appropriate documentation. The reviews should ensure that grant revenues and related expenses are accurately recorded and are recognized within the appropriate fiscal year.

Views of Responsible Official and Planned Corrective Action:

Management agrees with the recommendation and will update its approach, support and analyses for review and approval on a regular basis.