



**New York City Council Hearing**

**Fiscal Year 2025 Executive Budget**

**Committee on Finance and Committee on Hospitals**

**Mitchell Katz, M.D.**

**President and Chief Executive Officer**

**New York City Health + Hospitals**

**May 13, 2024**

Good morning Chairpersons Brannan, Narcisse, and members of the Committees on Finance and Hospitals. I am Mitch Katz, M.D., a primary care physician and President and Chief Executive Officer of the New York City Health + Hospitals (“Health + Hospitals”). I am joined today by John Ulberg, Chief Financial Officer at Health + Hospitals, and Patsy Yang, Senior Vice President at NYC Health + Hospitals for Correctional Health Services (CHS). Thank you for the opportunity to testify on the FY2025 Executive Budget for Health + Hospitals.

Health + Hospitals’ Executive Plan remains consistent with the January Plan as the system continues to be stable though ongoing challenges remain, including the expected timing of federal reimbursements, Medicaid recertification, ongoing cost pressures related to inflation and staffing pressures, and federal Disproportionate Share Hospital (DSH) cuts. We project that we will close FY24 with a closing cash balance of approximately \$760 million, or 28 days cash-on-hand, and at a break-even operating margin for the year. This break-even projection is a similar outlook from our preliminary hearing.

Looking at our additional metrics, I can report the following good news:

- We have closed February 2024 with a positive Net Budget Variance of \$156 million due to strong patient care revenue and risk pool performance.
- Our direct patient care revenue through February is \$325 million higher than the same period in FY23 continuing the pace of positive performance that we experienced during FY23. Our patient care volume is exceeding our pre-COVID levels, depending on the service line.
- Finally, our Strategic Financial Initiatives remain on track with our post-COVID strategies, generating over \$825 million in revenue with a line of sight of approximately \$1.08 billion for the fiscal year, in line with our target.

In addition, Health + Hospitals has also completed many of the goals and strategies we set forth for FY24. We have made major efforts to recertify or enroll our patients in insurance, and have seen strong Essential Plan membership and Medicaid recertification rate of 79% with our biggest health plan partners, exceeding our target.

We also continue growing our services that impact all social determinants of health. In April, we expanded our legal services for patients allowing more of our patients to access free health-related legal services over the phone or in person at one of twelve of our sites across the System. In March, we completed our citywide expansion of our lifestyle medicine program, now active at 7 sites across the 5 boroughs. The program supports patients in managing common chronic conditions, such as Type 2 diabetes and high blood pressure, by providing them with tools to make evidence-based lifestyle changes. The Executive Budget also includes an additional \$2.2M in FY25 and \$5.7M in FY26 to pay for overdose prevention programming. This comes from opioid settlement funds, and we are excited about the recent announcement of a Substance Use Disorder clinic at H+H/Lincoln for expecting and parenting families as a result of it. The clinic will offer pregnant and parenting individuals living with substance use disorder a safe and supportive place to access prenatal and postnatal care, addiction medicine, and behavioral health care. I am also very proud to share that we've been able to hire more than 1,000 nurses over the past eight months, resulting in over 9,600 full- and part-time nurses across our System.

Nonetheless, as we said last year, there still remains major external uncertainty at the state and federal levels. Our team is assessing the impact of the newly enacted

State budget, but we believe the ultimate budget impact will be neutral. We are pleased to see Medicaid rate increases, and are thankful to our champions in Albany, including State Senate Health Chair Gustavo Rivera and the Assembly Health Chair Amy Paulin, plus so many of the State Senators and Assembly Members who represent our facilities. We are also, of course, grateful to so many of you, our Council Members, who stand with us to serve our system and communities. State funding is critically important to us in our efforts to strengthen NYC Health + Hospitals.

On the national level, we continue to work with the NYC Congressional delegation on legislation that would help H+H and other safety net health systems. Thanks to Representative Clarke and so many of our delegation members, the federal DSH cuts were eliminated for FY24 and delayed until January 1, 2025. NYC Health + Hospitals is the largest recipient of DSH funds in the state, and would be the first to bear the brunt of any federal cuts – at least \$622 million in the first year alone. We urge Congress to further delay or eliminate these cuts, and we thank the Council for their continued advocacy on this issue.

As we look to the out years, we expect to continue to face some internal challenges and external risks. We currently project a positive operating margin of \$63 million in FY25. This is followed by an anticipation small operating loss of \$73M in FY26. By FY27 and FY28, we will be facing multiple years of Medicaid Disproportionate Share Hospital (DSH) cuts as well as further headwinds, which result in expected losses of \$317 million and \$406 million, respectively. We have continued to increase internal Strategic Initiatives and we also ask the Council for their continued strong advocacy on our behalf increasing Medicaid reimbursement rates and to fight the

continued delay or elimination of these harmful cuts, slated to begin January 1, 2025. Day to day, we also continue to contend with the challenges of our physical plant and infrastructure needs. We are grateful to so many of you and other elected officials for your financial support for our capital needs, which are always top of mind for us.

Despite these challenges, our staff continues to deliver high-quality care to New Yorkers, and every day I continue to be grateful to everyone at NYC Health + Hospitals for their dedication, professionalism, and belief in our mission. I am also grateful to these Committees for your tremendous support of NYC Health + Hospitals. I am happy to answer any questions you may have.