NYC
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AUDIT COMMITTEE MEETING AGENDA
Tuesday, October 22, 2024 – 10:00 a.m.
50 Water Street – Room 1701
New York, NY 10004

CALL TO ORDER	**Ms. Sally Hernandez-Piñero**
• **Adoption of the Minutes – July 16, 2024**	
EXECUTIVE SESSION	
INFORMATION ITEMS:	
• **Fiscal Year 2024 Report to the Audit Committee**	**KPMG**
• **Fiscal Year 2024 Draft Financial Statements**	**David Guzman/James Linhart**
• **Internal Audits Update**	**Devon Wilson**
• **Compliance Update**	**Catherine Patsos**
OLD BUSINESS	**Ms. Sally Hernandez-Piñero**
NEW BUSINESS	
ADJOURNMENT	

NYC HEALTH + HOSPITALS

July 16, 2024
AUDIT COMMITTEE MEETING
TALKING POINTS
COMMITTEE MEMBERS PRESENT: Ms. Sally Hernandez-Piñero, Dr. Mitchell Katz and Ms. Freda Wang

The meeting was called to order by Ms. Sally Hernandez-Piñero, Committee Chair at 10:05am

Ms. Piñero requested a motion to adopt the minutes of the Audit Committee meeting held on May 6, 2024. A motion was made and seconded with all in favor to adopt the minutes.

Ms. Piñero proposed a motion to convene an executive session to discuss confidential and privileged matters.

The Committee reconvened in Open Session:
Ms. Piñero noted for the record that during the executive session – "The committee reviewed and approved the fiscal year 2025 Compliance Work Plan and fiscal year 2025 Internal Audit Plan".

Ms. Piñero next on the agenda will be a presentation of the 2024 Financial Audit Plan by Mr. David Guzman and Ms. Maria Tiso.

Mr. Guzman report that they have completed the onboarding process to have KPMG as our new independent auditors, which included the completion of KPMG's independent review and execution of the engagement letter.

Mr. Guzman then introduce Ms. Tiso, the lead Partner from KPMG.

Ms. Tiso stated her name and mentioned that she will be the lead audit partner on the account. She also provided her background and work history with KPMG for over 34 years. She mentioned that she has spent her entire career working on health systems and done multiple rotations on the audit of Health + Hospitals throughout her career. Ms. Tiso also mentioned that she wears different hats at KPMG, healthcare industry leader, and KPMG network of women, which is one of seven diversity group.

Ms. Tiso stated that her colleagues at the meeting are Camille Fremont, Supporting Partner and Ryan Santonacia, Managing Director. She also mentioned that all three of them have worked together for over 20 years and on the H+H account in different roles.

Presentation:

Ms. Tiso stated that slide 2 of the presentation outlined delivering a better audit experience. She mentioned that this is done in four ways with our number one priority been quality, which is to make sure that KPMG is addressing all the professional standards - government standards and accounting standards. The second way is to make sure that the team members have healthcare experience and government experience. The third way is to make sure that our audit is efficient and effective and that we, KPMG are productive. Another aspect, is to bring to management, the Board and the committee some industry insights from both the local and national perspective.

Ms. Tiso stated that she is planning to invite the National Healthcare Partner Ash Shehata at a later date to talk about the required communication and the audit. He will also talk about what he is seeing at other organizations.
Ms. Tiso stated that the next slide is the key themes such as the software tool that will be used for the audit documentation. She also mentioned that they will go through the audit scope, required communication, timing of the audit and audit plan.

Ms. Tiso mentioned that the next slide which outlines an audit aligned to management and pretty much discusses the audit software audit documentation tool called KPMG Clara, which encompasses data and analytics and helps to do the audit more efficiently. It can identify anomalies, whereas before KPMG used to pick a sample of 20, and if everything was right would move on. This tool gives KPMG the capability to almost look at 100 percent of the population, also it allows a higher view of risk anomalies to see how KPMG can provide insights to the management team and for benchmarking.

The next slides outlined the audit quality. This entailed communicating with the team on an ongoing basis. If there is a new transaction, questions about accounting standards, last minute adjustments, they will make sure the team is plugged in to avoid any surprises.

This was followed by the deliverables of the audit. She mentioned that this is consistent with what was laid out in the RFP.

Ms. Tiso, discussed a snapshot of the client service team. Ms. Tiso herself, Camille and Ryan who will be the core audit team. They will be assisted by two senior managers Yimiao Chen and Chris Dominanni who will be working on the cost reports. There is also the MetroPlus team of Joceyln Denalsky and Eric Crossett who will be reporting to her. The team is also made up of subject matter professionals in the areas of retirement benefits and claims payables and tax principal Felicia Tucker. KPMG will also have a minority business enterprise that will assist with the audit, Avaloria.

Ms. Fremont noted as a reminder, KPMG would conduct the audit in accordance with standards generally accepted in the United States of America as well as government auditing standards. Throughout the audit they will get an understanding of internal controls over financial reporting to allow us to design audit procedures that are appropriate in the circumstances, but they will not be expressing an opinion on the effectiveness of internal controls over financial reporting. This is something you would more likely see in a SOX audit or a public company audit. On turning the page, KPMG uses professional judgment in determining materiality in the context of the audit.

Ms. Fremont stated that the next slide laid out the timeline for the audit. Mr. Guzman noted they have gone through onboarding and independence procedures, have reviewed predecessor audit work procedures and are here today to communicate the audit plan.

Mr. Santonacita stated that at the initial preliminary risk assessment, they have identified a significant risk of management override of controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records. Although the risk of management override will vary from entity to entity, it is present in all entities nonetheless.

Dr. Katz mentioned the former chairman of medicine and chief medical Officer from Downstate Medical Center that was charged with using a business card for nearly $1.5 million in personal purchases and cash advances. This is exactly the sorts of things that they are talking about, someone at the top of the food chain being able to somehow charge the taxpayers without anybody noticing.

Mr. Santonacita stated on the next slide the additional risk assessment for some additional consideration. Initially, they have determined and elevated or increased risk related to the valuation of accounts receivable, the valuation of claims payable liability, the valuation of pension and pos-retirement obligations. Additionally, they have other key audit areas where they will perform either audit or risk assessment procedures. Some of those areas include due to and due from third party payers, premium revenue and receivables, grant revenue and receivables lease obligations as well.

Ms. Wang asked why information technology was not mentioned, and if this capture things like cyber risks?

Mr. Santonacita responded, yes, it is part of their audit procedures, that they will obtain a general understanding of the IT systems, the overarching cybersecurity program, and then any reports systems generated reports. They will ask questions, understand if there have been cybersecurity incidents, cyber security insurance specifically over cybersecurity.

Mr. Santonacita noted they will review the Internal Audit reports, establish a level of coordination between KPMG and the Internal Audit department. Additionally, KPMG will utilize professionals with specialized knowledge, specially to assist in the areas of pension, post retirement benefits and claims payable liability.

Mr. Santonacita stated that the next slide will cover the newly effective accounting standards for 2024, GASB 100, which is related to the accounting changes and error corrections. He also mentioned that GASB 100 through 103 are effective for years 2025 and beyond. In addition, they have a system of quality controls to ensure that we maintain compliance with the rule, with independence rules and firm policies.

Mr. Santonacita stated that the next slide lays out the responsibilities of both management as well as KPMG.

Mr. Santonacita stated the last slide will address inquires throughout the audit process, which includes conversations with those in charge of governance.

Ms. Piñero thank the team for a very comprehensive presentation.

Now we will have an internal update from Mr. Joseph O'Keefe".

Internal Audits Update

Mr. O'Keefe started with the external audits update. The first one is the audit of Department of Corrections Efforts to ensure access to Mental Health Services for Inmates. Mr. O'Keefe stated that there have been a lot of different issues over access to prisoner's patient information. This audit is on-going

The other external audit is Audit of Language Access Services. This is being done by the State Comptroller office, which is moving along fairly quickly and they have an update meeting with them this afternoon.

The third one is the audit of Behavioral Health Emergency Assistance Response Division and New York City Police Department's role in the response and treatment of mental health crisis. This is another one that had issues over access to information and is on-going.

The next item is internal audit activities. They have 14 audits on the plan, 6 are completed, 7 are in progress and 1 is going to be pushed to the next year. The last item is the auxiliary audits done by the Bonadio Group. They are slowly but surely phasing out these audits, which will in turn phase out internal audit's involvement. That was the last item, and he asked if anyone have any questions.

Ms. Piñero asked a question on Behavioral Health? if it is focused really on the issue of access to mental health? Is that what they are focusing on?

Mr. O'Keefe stated that the first one is correctional health and the prisoner's access to mental health and they are providing the services. They are looking at the initial evaluation and the mental health evaluation that is done when an individual enters the system. So, they are looking at the whole process. For instance, if the prisoners or the patient refuses to leave their cell, things like that and how they handle those situations. They are also looking at their ability to hire people to work in this program.

The Office of Corporate Compliance Report

Ms. Patsos provided updates on what the Office of Corporate Compliance is doing since the last meeting. They have completed the Fiscal year 2025 Risk Assessment as previously stated. The OCC and Internal Audits did a combined risk assessment that was presented to the Enterprise Risk and Compliance Committee in February.

During the April meeting, the ERCC discussed the draft risk assessment further. In June the ERCC approved the risk assessment. The Compliance risks from the risk assessment are incorporated into the FY-2025 Corporate Compliance Work Plan that was presented to the audit committee today.

Ms. Patsos reported that the vendor, Coalfire Systems, Inc. is currently conducting their annual HIPAA risk analysis and Security Assessment RFP. They have done the collection interviews and site visits for the skilled nursing facilities and the acute care facilities.

Ms. Patsos stated that they recently posted an RFP for continued HIPAA risk analysis and security assessment services because Coalfire contract is ending December of this year. On June 11, the contract review committee approved their request to issue and RFP for a new vendor for services for 3 years with two one-year options to renew. They have received questions from some of the vendors responding to the RFP.

Ms. Piñero asked how much are we spending with Coalfire?

Ms. Patsos responded that we have spend three and half million dollars over three years.

Ms. Piñero, said that is a low amount based on the amount of work that they are doing.

They have completed the general compliance training module and expects the enrollment to occur hopefully next year. The compliance training module is split into two sections. One focuses on fraud, waste and abuse and the other focuses on conduct. Since last meeting, they have deployed a new corporate records management officer, and also working on a communication plan to

better communicate that they are the Office of Corporate Compliance to the whole work force. They will be doing hot topic emails that are hot compliance topics and will be posting compliance F&Q's on their intranet site.

There have been some new Regulatory rules from the U.S Department of Health and Human Services. It published its final rulemaking in the Federal Register on the Confidentiality of Substance Use Disorder Patient Records. The rule became effective on April 16, 2024, however complying with this rule is not required until February 2026.

Similarly, the Office of Civil Rights published its final rule making on reproductive healthcare privacy and the federal register. Both of these rules will require the Office of Corporate Compliance to revise this notice of privacy practices. The OCC will work with the Office of Legal Affairs to effectuate these changes.

Ms. Patsos displayed the Compliance Report Matrix and the Privacy Report Matrix. The 2022 and 2023 were pretty close. In 2024 she noted they had fewer reports made in Q2 as compared to Q1.

Ms, Wang stated it looks like the graph got duplicated, and the compliance and the privacy are exactly the same.

Ms. Patsos stated "I am sorry, you maybe correct. I apologize for that. I will make sure that it gets fixed".

Ms. Piñero polled any questions.

There were none.

No new or old business.

Meeting adjourned at 11:03am

New York City Health and Hospitals Corporation Discussion with those charged with governance

Audit results and strategy for the year ended June 30, 2024

October 22, 2024

Agenda

With you today

Maria Tiso
Lead Engagement Partner

Camille Fremont
Engagement Partner

Ryan Santonacita
Engagement Managing Director

Yimiao Chen
Engagement Senior Manager

Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

We aim to deliver an exceptional client experience by focusing on:

- Quality
- Experience
- Productivity
- Insights

See how.

Expanding the use of audit technology

Analytics

- Compare Engine
- Alteryx
- IDEA
- KPMG SAT Claim Reserve Tool

Automation

- Confirmation
- DataSnipper
- KPMG Audit Chat

Collaboration

- KPMG Clara for Clients

Workflow

- KPMG Clara Workflow

Open Items (as of October 16, 2024)

- Finalize manager, partner and concurring partner review on audit areas and financial statements
- Obtain a complete set of financial statements including all completed footnotes, MD&A, and statement of cash flows as well as supporting documentation
- Finalize the opinion and finding in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- Finalize down to date procedures (e.g., reading of meeting minutes of meetings held subsequent to June 30, 2024, obtain management representation letter, and obtain in-house legal letter, etc.)
- Draft and review of management letter comment

Auditor deliverables

Current deliverables

- Auditor's report on the annual financial statements of New York City Health and Hospitals Corporation (the Corporation) as of and for the year ended June 30, 2024
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Debt compliance letter in connection with the Corporation's outstanding bonds

Future deliverables

- Management letter to the Audit Committee and management on our recommendations regarding internal controls and other operational matters – in progress to be issued in December 2024
- Auditor's report on the financial statements of HHC ACO, Inc. as of and for year ended June 30, 2024 – expected to be issued in December 2024
- Auditor's report on the statutory financial statements of MetroPlusHealth Plan, Inc. as of and for year ended December 31, 2024 – expected to be issued in March 2025
- HHC Insurance Company, Inc. as of and for the year ended December 31, 2024 – expected to be issued in 2025
- Auditor's reports in connection with cost reports for RHCF-4 (skilled nursing facilities) and AHCF-1 (diagnostic and treatment centers) - expected to be issued in 2025

Required communications to those charged with governance

Prepared on: October 16, 2024

Presented on: October 22, 2024

Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Corrected audit misstatements	✓	Page 11
Uncorrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors' report	✓	Page 12
Significant matters discussed with management	✓	Page 12
Material weaknesses in internal control	✓	Page 13
Accounting estimates	✓	Pages 14 to 16

Matters to communicate	Response
Significant financial statement disclosures	X
Going concern	X
Subsequent events	X
Significant difficulties encountered during the audit	X
Management's consultation with other accountants	X
Disagreements with management	X
Other significant matters	X

✓ = Matters to report X = No matters to report

Audit results required communications and other matters

Matters to communicate	
Significant accounting policies and practices	• The significant accounting policies are summarized in note 1 of the financial statements. • As described in note 1, GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 was adopted.
Changes to our risk assessment and planned audit strategy	There were no significant changes to the initial 2024 audit plan, other than the opening net deficit position restatement (page 11 and 12).
Related parties	Related party transactions with The City of New York are disclosed in the financial statements.
Consultations	We consulted with KPMG's Department of Professional Practice regarding 1) one legal matter, 2) June 30, 2023 opening net deficit position restatement (page 11 and 12), 3) discrete presentation of MetroPlusHealth Plan, Inc.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Noncompliance with laws and regulations	Except one matter that we discussed with management, we are not aware of any matters that need to be communicated.
Written communications	Engagement letter, management representation letter, (to be determined if there are uncorrected misstatements).
Independence	We are not aware of any relationships between our firm and New York City Health and Hospitals (the Corporation) other than the professional services provided to the Corporation identified in our engagement letters.
Inquiries	See page 17

Corrected audit misstatements

	$(Million)	
Description of misstatement #1	**Debit**	**Credit**
To correct the opening net position (deficit) due to the deferred inflows of resources related to pensions being overstated by $212.6 million as of June 30, 2023.		
Deferred inflows from pension	$212.6	
Unrestricted net position (deficit) – opening balance		$212.6

	$(Million)	
Description of misstatement #2	**Debit**	**Credit**
To correct the prior year opening net position due to the deferred inflows of resources related to OPEB being overstated by $111.6 million as of June 30, 2023.		
Deferred inflows from postemployment benefits, other than pension	$111.6	
Unrestricted net position (deficit) – opening balance		$111.6

Significant matters discussed with management and auditor's report

Description of significant matters discussed with management

- **June 30, 2023 opening net position restatement**
  Discussed on page 11
- **Single year presentation**
  The financial statements for the Corporation are prepared using a single-year presentation because of the adoption of GASB Statement No. 100 for the restatement on opening net position discussed on page 11.

Audit opinion and other matters affecting the form and content of the auditors' report

Audit opinion

Our audit of New York City Health and Hospitals Corporation (the Corporation) was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards) (single year presentation for the year ended 6/30/24). We expect to issue an unmodified auditor's report with an other matter paragraph as noted below:

> **Other Matter**
>
> As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 1(r) that were applied to restate opening unrestricted net position as of June 30, 2023. The Corporation's previously issued financial statements were audited, before the restatement described in Note 1(r), by other auditors. In our opinion, such adjustments are appropriate and have been properly applied.

Material weaknesses in internal control

Material weaknesses		
Description	**Potential effects**	**Status**
Review of actuarial determined liabilities	As noted on slide 11, the opening net position was restated to account for the cumulative effect of the adjustments for the overstatement of deferred inflows for pension and OPEB.	Remediated

Accounting estimates

Description of accounting estimates

- Valuation of patient accounts receivable

Audit findings

Management's process used to develop the estimates

- Management's estimate for the bad debt and contractual allowances is primarily based on contractual agreements with third-party payors, historical collection rates, and current economic trends.

Procedures

- Performed an independent look-back analysis utilizing a data and analytics tool (IDEA) on the prior-year patient accounts receivable (June 30, 2023) using actual collections.
- Developed an expectation for the current-year valuation based on subsequent cash collections on the June 30, 2024 receivable from July 1, 2024 through September 30, 2024 and the historical cash collection patterns derived from June 30, 2023 look-back analysis
- Inquired of management about changes in payor trends and contracts billing process.

Indicators of possible management bias

- No indications of management bias.

Conclusions

- Determined that the valuation of patient accounts receivable was reasonable in relation to the financial statements taken as a whole.

Accounting estimates (continued)

Description of accounting estimates

- Valuation of pension obligation (GASB 68) and other postemployment obligations (GASB 75) and related disclosures

Audit findings

Management's process used to develop the estimates

- Management maintains census data of certain participants throughout the period and utilizes NYC Office of Actuary to project the actuarial liabilities based upon census data and actuarial assumptions.
- Management obtains and records their determined employer's proportionate share of the collective net pension liability from the City of New York.
- Management obtains and records their determined total other postemployment benefit liability from the City of New York.

Procedures

- Utilized a KPMG actuarial professional to evaluate the actuarial methods and assumptions (i.e., discount rate, expected rate of return on assets, salary increases, healthcare costs trend rates, per capita claims cost and mortality rates, etc.) for reasonableness and consistency with the respective requirements of GASB 68 and GASB 75.
- Performed testwork procedures over the underlying census data utilized in the actuarial reports.
- Reviewed the presentation and disclosure of the related pension obligation and post-retirement obligations in the financial statements to help ensure appropriateness with the applicable accounting framework.

Indicators of possible management bias

- No indications of management bias.

Conclusions

- Determined that the valuation of GASB 68 and GASB 75 and related disclosures were reasonable and appropriate in relation to the financial statements taken as a whole.

Accounting estimates (continued)

Description of accounting estimates

- MetroPlus Health Plan's valuation of claims payable for incurred but not reported (IBNR) claims

Audit findings

Management's process used to develop the estimates

- Management utilizes a third party actuary to calculate the liability based on historical paid claims data and determine the reasonableness.

Procedures

- Utilized a KPMG actuarial professional to develop an independent estimate using paid claims data and performed a look back analysis historical IBNR reserves.
- Performed testwork over the paid claims data and membership data utilized in the actuary report.

Indicators of possible management bias

- No indications of management bias.

Conclusions

- Determined that the valuation of claims payable for incurred but not reported (IBNR) claims was reasonable in relation to the financial statements taken as a whole.

Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Corporation?
  - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are those charged with governance's views about fraud risks in the Corporation?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Corporation's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the Corporation's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Corporation entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

This presentation to those charged with governance is intended solely for the information and use of those charged with governance and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

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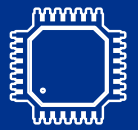
Appendix

On the 2024 board agenda

Issues for boards to keep in mind as they carry out their 2024 agendas

Link boardroom discussions on strategy, risk, and global disruption.



Monitor management's efforts to design and maintain a governance structure for the development and use of generative AI.

Keep abreast of management's preparations for new US, state, and global climate and sustainability reporting requirements.

Identify the company's material or strategically significant climate and ESG issues, and embed them in risk and strategy discussions.

Maintain the focus on cybersecurity and data privacy

Enhance communication and coordination regarding risk oversight activities among the board and its committees.

Clarify when the CEO/company should speak out on social issues.

Make talent, human capital management (HCM), and CEO succession a priority.

Think strategically about talent, expertise, and diversity in the boardroom.

KPMG Audit Committee Institute: On the 2024 board agenda

Positioning audit committees for the future: 10 areas of focus

1. **Financial reporting and related expertise:** Stay focused on financial reporting and related internal control risks—job number one.
2. **Risk oversight:** Continue to assess the risk oversight responsibilities assigned to the audit committee.
3. **ESG risk and disclosures:** Clarify the role of the audit committee in overseeing the company's climate and other ESG risks.
4. **Talent in the finance organization:** Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.
5. **Audit quality:** Reinforce the importance of audit quality and set clear expectations.
6. **Internal audit's value:** Make sure internal audit is focused on the company's key risks.
7. **Transparency:** Insist on transparency among the board/audit committee, management, and auditors.
8. **Compliance and culture:** Closely monitor the tone at the top, culture, and behaviors.
9. **Critical alignments:** Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.
10. **Audit committee focus and effectiveness:** Make the most of the committee's time together.

See the full report at **https://boardleadership.kpmg.us/**

US Audit Quality, Transparency, and Impact reports

- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

Transparency Report

- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

In addition to this report, we are providing you with our Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications
Reports and supplements available at: audit.kpmg.us/auditquality

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

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

June 30, 2024

(With Independent Auditors' Report Thereon)

New York City Health and Hospitals Corporation

Summary of Financial Operations for the Year Ended June 30, 2024
Consolidated Version

For the fiscal year 2024, the Corporation's net deficit position improved by $1.122 billion; representing an increase over last year's increased reported amount of $564.6 million, for a net change year to year of $557.8 million:

	2024	2023	Difference
Operating Revenue	15,859,871	13,959,274	1,900,597
Less:			
Operating Expenses	15,237,157	13,919,672	1,317,485
Operating Income	622,714	39,602	583,112
Nonoperating revenue/(expense)	(12,610)	(102,984)	90,374
Capital contributions	512,278	627,956	(115,678)
Net increase in net position	1,122,382	564,574	557,808

Revenue – Increased $1.901 billion over the prior year amounts:

- ***Net patient service revenue*** on a consolidated basis increased by $115.9 million. Patient Service revenue increased by $419.4 million, broken down as follows: COVID-19 patient revenue decreased by $192.7 million. (6/30/23 = $309.7 6/30/24=$92.3) CMI increased from 1.39 to 1.40. Discharges increased by 3,467 or 2.1%. Retros revenue decreased $360.6 million mainly due to a decrease in UPL conversion revenue of $239.7 million and offset by an increase in UPL revenue of $209.0. IP/OP/SNF increased by 430.8 million. Also received $256.1 million of UPL Conversion cash through the rates as of 6/30/24. Risk Pool revenue increased by $104.3 million. Non-Metro + risk pool that is part of Managed Care increased by $242.5 million. NPSR Metro+ elimination increased by $303.5 million, representing increased business between Metro+ and H+H.
- ***Appropriations*** increased by $1.241 billion due to an increase in funds appropriated by the City for collective bargaining and the HERRC program
- ***Premium Revenue*** increased $166.7 million overall. Increases and decreases are discussed below:
  - **Increases:**
    - $316.3M in additional Essential Plan (EP) Provider Investment funding of which $265.4M represents EP3 and EP4 funding effective July 1, 2023, intended to raise provider reimbursement rates for EP3 and EP4 premium groups
    - $211.7M in net overall favorable premiums including NYC H+H Upper Payment Limit (UPL), Safety Net Hospital Directed Payments, Financially Distressed Hospital Add-On (FDHA) funding and higher supplemental maternity and newborn kicks
    - $139.7M impact of reversal of Encounter Data Accuracy Penalties for SFY 21-22 resulting from subsequent waiver by the NYSDOH ($105.7M MCAD, $21.7M HARP and$12.3M SNP)
  - **Decreases:**
    - $573.3M in premium reductions due to pharmacy carve-out effective April 1, 2023 ($401M MCAD, $118M SNP and $54.3M HARP)
- ***Grant Revenue*** increased by $414.7 million mainly due to Test and Trace grant revenue decreased $176.1 million. Intra City grants revenue increased by $26.7 million. COVID/FEMA increased $356.0 million. This is also the first year of funding for Behavioral Health Centers of Excellence of $41.3 million. $201.2 million for HERRC Federal ($96.3) and State ($104.9) grant funding.
- ***Other Revenue*** decreased by $37.3 million mainly due to reductions in the 340B Pharmacy program revenue and a decrease in various one-time payments that were received in FY23 that did not repeat in FY24

New York City Health and Hospitals Corporation

Summary of Financial Operations for the Year Ended June 30, 2024
Consolidated Version

Expenses – Increased $1.317 billion over the prior year amount:

- ***Personal Services*** increased $401.6 million mainly due to collective bargaining settlements and headcount increases of 3,661 FTEs over last year's count.
- ***Other than personal services*** increased by $569.1 million on a consolidated level mainly due to a $250 million decrease in COVID-19 Test and Treat OTPS expenses offset by the expenses of the HERRC OTPS program of $946 million plus the continued increase of business with MetroPlus for an additional reduction of $332 million.
- ***Fringe Benefits*** increased $55.9 million on a consolidated basis mainly due to increases in health benefits rates and increases in headcount as noted above, offset by increased business with MetroPlus of $33.2 million compared to the prior year.
- ***Pension*** increased by $51.0 million and ***Postemployment benefits, other than pension*** increased by $68.0 million due to changes in actuarial calculations as calculated by the NYC Office of the Actuary.
- ***Affiliation contracted services*** increased $137.1 million due to contractual increases and estimated contract settlements.
- ***Depreciation*** increased $34.8 million as expected mainly due to the opening of the new Coney Island hospital complex and EITS Capital Transfers of $14.5 million during the year.

Other Changes in net position – Decreased $115.7 million over the prior year amounts:

- ***Capital contributions funded by the City of NY*** decreased by $120.5 million primarily due to a decrease in CIP for the OTHxU project at Bellevue from the prior year as well as net changes in CIP associated with the Network Refresh and Data Center projects
- ***Capital Contributions funded by Grants and Donors*** remained relatively constant year to year with a minor increase of $4.8 million

New York City Health and Hospitals Corporation

Summary of Financial Operations for the Year Ended June 30, 2024
Consolidated Version

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)
Statements of Revenue, Expenses, and Changes in Net Position
For the years June 30, 2024 and 2023
(In thousands)

FINAL

	June 30, 2024				June 30, 2023			
	Business-type Activities – HHC	Discretely Presented Component Unit – MetroPlus	Eliminations	Total	Business-type Activities – HHC	Discretely Presented Component Unit – MetroPlus	Eliminations	Total
Operating revenue:								
Net patient service revenue	$ 8,631,192	–	(1,537,694)	7,093,498	8,211,795	–	(1,234,232)	6,977,563
Appropriations from City of New York, net	2,844,439	–	–	2,844,439	1,603,838	–	–	1,603,838
Premium revenue	–	4,936,775	(109,277)	4,827,498	–	4,736,901	(76,072)	4,660,829
Grants revenue	944,734	563	(28,267)	917,030	501,840	500	–	502,340
Other revenue	175,819	1,587	–	177,406	214,256	448	–	214,704
UPL Conversion Prior Period Revenue	–	–	–	–	–	–	–	–
Total operating revenue	12,596,184	4,938,925	(1,675,238)	15,859,871	10,531,729	4,737,849	(1,310,304)	13,959,274
Operating expenses:								
Personal services	3,771,067	152,389	–	3,923,456	3,397,334	124,540	–	3,521,874
Other than personal services	4,265,635	4,545,920	(1,565,961)	7,245,594	3,478,775	4,431,921	(1,234,232)	6,676,464
Fringe benefits and employer payroll taxes	1,249,431	47,954	(109,277)	1,188,108	1,166,769	41,537	(76,072)	1,132,234
Pension	427,281	14,020	–	441,301	378,308	11,983	–	390,291
Postemployment benefits, other than pension	112,922	3,601	–	116,523	47,085	1,466	–	48,551
Affiliation contracted services	1,716,983	–	–	1,716,983	1,579,870	–	–	1,579,870
Depreciation	595,175	10,017	–	605,192	564,746	5,642	–	570,388
Total operating expenses	12,138,494	4,773,901	(1,675,238)	15,237,157	10,612,887	4,617,089	(1,310,304)	13,919,672
Operating (loss) income	457,690	165,024	–	622,714	(81,158)	120,760	–	39,602
Nonoperating revenue (expenses):								
Investment (loss) income	42,467	79,425	–	121,892	22,785	20,930	–	43,715
Interest expense	(144,772)	(4,877)	–	(149,649)	(148,586)	(685)	–	(149,271)
Contributions restricted for specific operating activities	15,147	–	–	15,147	2,572	–	–	2,572
Total nonoperating (expenses) revenue, net	(87,158)	74,548	–	(12,610)	(123,229)	20,245	–	(102,984)
(Loss) income before other changes in net position	370,532	239,572	–	610,104	(204,387)	141,005	–	(63,382)
Other changes in net position:								
Capital contributions funded by City of New York, net	313,401	–	–	313,401	433,362	498	–	433,860
Capital contributions funded by grantors and donors	198,877	–	–	198,877	194,096	–	–	194,096
Total other changes in net position	512,278	–	–	512,278	627,458	498	–	627,956
(Decrease) increase in net position	882,810	239,572	–	1,122,382	423,071	141,503	–	564,574
Net deficit position at beginning of period	(2,227,950)	796,504	–	(1,431,446)	(2,975,329)	655,001	–	(2,320,328)
Net deficit position at end of period	$ (1,345,140)	1,036,076	–	(309,064)	(2,552,258)	796,504	–	(1,755,754)

Significant Financial Ratios Comparison

		2024	2023	2022
Current ratio		1.41	1.27	1.18
Quick ratio		0.56	0.69	0.49
Days' cash on hand		26.79	52.02	35.57
Net days' revenue in patient receivables	*	52.21	60.18	57.78

* - H+H Only (no MetroPlus)

New York City Health and Hospitals Corporation

Summary of Financial Operations for the Year Ended June 30, 2024
Consolidated Version

FINAL

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)

Statements of Net Position

As of June 30, 2024 and 2023

(In thousands)

Assets	June 30 2024 Business-type Activities – HHC	June 30 2024 Discretely Presented Component Unit-MetroPlus	June 30 2024 Eliminations	June 30 2024 Total	June 30 2023 Business-type Activities – HHC	June 30 2023 Discretely Presented Component Unit-MetroPlus	June 30 2023 Eliminations	June 30 2023 Total
Current assets:								
Cash and cash equivalents	$ 538,870	535,025	—	1,073,895	807,296	1,095,193	—	1,902,489
U.S. government securities	97,437	886,378	—	983,815	—	382,490	—	382,490
Patient accounts receivable, net	941,497	—	(486,185)	455,312	956,577	—	(440,028)	516,549
Premiums receivable	—	697,691	(9,477)	688,214	—	170,781	(3,886)	166,895
Estimated third-party payor settlements	1,256,800	—	(254,151)	1,002,649	796,100	—	(22,700)	773,400
Estimated pool receivable	—	—	—	—	—	—	—	—
Grants receivable	1,058,261	324	(1,413)	1,057,172	557,819	189	—	558,008
Assets restricted as to use and required for current liabilities	26,408	—	—	26,408	14,730	—	—	14,730
Due from City of New York	559,096	—	—	559,096	461,221	—	—	461,221
Current lease receivable, net	4,480	—	—	4,480	1,874	—	—	1,874
Other current assets	368,748	108,399	—	477,147	338,892	52,644	—	391,536
Total current assets	4,851,597	2,227,817	(751,226)	6,328,188	3,934,509	1,701,297	(466,614)	5,169,192
Assets restricted as to use, net of current portion	154,037	193,487	—	347,524	149,163	183,779	—	332,942
U.S. government securities	—	397,877	—	397,877	—	265,178	—	265,178
Capital assets, net	4,636,516	27,514	—	4,664,030	4,587,983	19,327	—	4,607,310
Lease and SBITAs, net	371,907	154,756	—	526,663	399,656	161,263	—	560,919
Noncurrent lease receivable, net	109,695	—	—	109,695	112,959	—	—	112,959
Other Assets	52,701	—	—	52,701	80,113	—	—	80,113
Total assets	10,176,453	3,001,451	(751,226)	12,426,678	9,264,383	2,330,844	(466,614)	11,128,613
Deferred Outflows of Resources								
Deferred outflows from pension	321,563	29,093	—	350,656	433,456	38,123	—	471,579
Deferred outflows from postemployment benefits, other than pension	116,480	3,499	—	119,979	288,810	8,994	—	297,804
Asset retirement obligation	5,000	—	—	5,000	5,000	—	—	5,000
	$ 10,619,496	3,034,043	(751,226)	12,902,313	9,991,649	2,377,961	(466,614)	11,902,996

(Continued on Next Page)

New York City Health and Hospitals Corporation

Summary of Financial Operations for the Year Ended June 30, 2024
Consolidated Version

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of The City of New York)

Statements of Net Position

As of June 30, 2024 and 2023

FINAL

(In thousands)

	June 30 2024				June 30 2023			
Liabilities	**Business-type Activities – HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**	**Business-type Activities – HHC**	**Discretely Presented Component Unit-MetroPlus**	**Eliminations**	**Total**
Current liabilities:								
Current installments of long-term debt	$ 80,775	—	—	80,775	58,562	—	—	58,562
Current Portion of Lease and SBITAs Liabilities, net	37,336	4,597	—	41,933	21,749	3,046	—	24,795
Accrued salaries, fringe benefits, and payroll taxes	481,319	22,198	(9,477)	494,040	451,297	14,831	(3,886)	462,242
Accounts payable and accrued expenses	1,409,282	1,696,124	(741,749)	2,363,657	1,177,582	1,254,540	(462,728)	1,969,394
Estimated third-party payor settlements	156,327	—	—	156,327	52,455	—	—	52,455
Estimated pools payable	11,100	—	—	11,100	424,000	—	—	424,000
Current portion of due to City of New York, net	597,744		—	597,744	361,219	—	—	361,219
Current portion of pension	514,701	16,411	—	531,112	473,028	14,730	—	487,758
Current portion of postemployment benefits obligation, other than pension	216,457	6,902	—	223,359	213,577	6,651	—	220,228
Total current liabilities	3,505,041	1,746,232	(751,226)	4,500,047	3,233,469	1,293,798	(466,614)	4,060,653
Long-term debt, net of current installments	489,341	—	—	489,341	581,354	—	—	581,354
Non-Current Lease and SBITAs Liabilities, net	384,342	155,053	—	539,395	409,826	160,050	—	569,876
Accrued compensated absences, net of current portion	559,008	11,667	—	570,675	522,526	10,515	—	533,041
Long-term pension, net of current portion	1,659,002	36,740	—	1,695,742	1,837,343	44,347	—	1,881,690
Postemployment benefits obligation, other than pension, net of current portio	4,328,536	22,288	—	4,350,824	4,142,503	16,738	—	4,159,241
Total liabilities	10,925,270	1,971,980	(751,226)	12,146,024	10,727,021	1,525,448	(466,614)	11,785,855
Deferred Inflows of Resources								
Deferred inflows from pension	36,096	1,939	—	38,035	45,494	14,416	—	59,910
Deferred inflows from postemployment benefits,	—							
other than pension	897,026	24,048	—	921,074	1,335,669	41,593	—	1,377,262
Deferred inflows from lease activity	105,525	—	—	105,525	110,490	—	—	110,490
Unamortized refunding cost	719	—	—	719	925	—	—	925
	11,964,636	1,997,967	(751,226)	13,211,377	12,219,599	1,581,457	(466,614)	13,334,442
Net position								
Net investment in capital assets	4,311,161	142,494	—	4,453,655	4,203,506	142,327	—	4,345,833
Restricted:								
For debt service	109,183	—	—	109,183	94,788	—	—	94,788
Expendable for specific operating activities	8,906	—	—	8,906	8,906	—	—	8,906
Nonexpendable permanent endowments	928	—	—	928	928	—	—	928
Contingent surplus reserve	—	647,643	—	647,643	—	536,011	—	536,011
Unrestricted	(5,775,318)	245,939	—	(5,529,379)	(6,860,386)	118,166	—	(6,742,220)
Total net deficit position	(1,345,140)	1,036,076	—	(309,064)	(2,552,258)	796,504	—	(1,755,754)
	$ 10,619,496	3,034,043	(751,226)	12,902,313	9,667,341	2,377,961	(466,614)	11,578,688

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

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

June 30, 2024

(With Independent Auditors' Report Thereon)

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

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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 Penion Plan (Unaudited)

Years ended June 30th 2024 through 2015

(Dollar amounts in thousands)

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of the New York City Health and Hospital's Corporation (the Corporation), a discretely presented component unit of the City of New York, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Corporation, as of June 30, 2024 , and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. 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.*

Other Matter

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 1(r) that were applied to restate the net position (deficit) as of June 30, 2023. The Corporation's previously issued financial statements were audited, before the restatement described in Note1(r), by other auditors. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' report that includes our opinions. 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 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 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

U.S. generally accepted accounting principles require that the management discussion and analysis, schedule of NYC Health + Hospitals' contributions NYCERS Pension Plan, schedule of NYC Health + Hospitals' proportionate share of the net pension liability NYCERS Pension Plan, and schedule of NYC Health + Hospitals' changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which 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 22, 2024, 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.

(signed) KPMG LLP

New York, New York
October 22, 2024

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Management's Discussion and Analysis (Unaudited)

June 30, 2024

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, 2024 and 2023. 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 MetroPlusHealth Plan, Inc. ("MetroPlusHealth"), a component unit of NYC Health + Hospitals, are presented discretely from NYC Health + Hospitals. MetroPlusHealth 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 the financial statements. These statements present the financial position of NYC Health + Hospitals at June 30, 2024 and the changes in net position and its financial activities for the year 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 the 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 the 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 financial statements and provide more detailed data.

Overall Financial Position and Operations

NYC Health + Hospitals' total net deficit position improved by $879.7 million from June 30, 2023 to June 30, 2024, as adjusted. Net investment in capital assets increased by $107.7 million during fiscal year 2024, due to increases in comprehensive energy projects and the Out-posted Therapeutic Housing Units ("OTxHU") project. NYC Health + Hospitals' unrestricted net deficit position decreased by $1,1 billion between June 30, 2024 and June 30, 2023 due primarily to an increase in Upper Payment Limit ("UPL") and grant receivables. It ended fiscal year 2024 with operating income of $457.7 million compared with an operating loss of $81.2 million for the year ended June 30, 2023. The net deficit position benefited from $313.4 million in capital contributions from the City of New York (the "City") made in fiscal year 2024.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Management's Discussion and Analysis (Unaudited)
June 30, 2024

Significant financial ratios are as follows:

	2024	2023
Current ratio	1.38	1.20
Quick ratio	0.45	0.53
Days of cash on hand	17.04	29.33
Net number of days of revenue in patient receivables	52.21	60.18

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 2024 amounts when compared to fiscal year 2023 amounts.

Statements of Net Position

Cash and cash equivalents – Decreased by $268.4 million from June 30, 2023 to June 30, 2024 due to the timing of patient cash receipts impacted by the Change Healthcare breach.

Patient accounts receivable, net – Remained consistent from fiscal year 2023 to 2024

Estimated third-party payor settlements, receivable – Increased $460.7 million in fiscal year 2024 due to the change in UPL receivables when compared to the same period during the prior fiscal year.

Grants receivable – Increased $500.4 million from June 30, 2023 to June 20, 2024 mainly due to FEMA funding related to COVID-19 and federal and State funding for HERRC (the "Humanitarian Emergency Response and Relief Centers" program). (Notes 17 and 18)

Assets restricted as to use (current and long term) – Increased by $16.6 million from June 30, 2023 to June 30, 2024 primarily due to additional restricted fund investments.

Other current assets and Other Assets – Remained consistent from fiscal 2024 when compared to fiscal 2023 .

Capital assets, net – Increased by $48.6 million from June 30, 2023 to June 30, 2024 mainly due to increases in comprehensive energy projects and Out-posted Therapeutic Housing Units ("OTxHU") netted against the placement in service of components of the FEMA project, thereby decreasing Construction in Progress ("CIP").

Lease and SBITAs, net – Decreased $27.7 million from June 30, 2023 to June 30, 2024 due timely payments. (Note 19)

Current and Noncurrent lease receivable, net – Remained consistent from June 30, 2023 to June 30, 2024. (Note 19)

Deferred outflows of resources – Decreased $1.2 billion from June 30, 2023 to June 30, 2024 primarily due to the changes in pension and other postemployment benefits ("OPEB") liabilities as determined by the New York City Office of the Actuary.

Deferred inflows of resources – Decreased $1.3 billion from June 30, 2023 to June 30, 2024 mainly due to a decrease of deferred inflows from pensions and a decrease of deferred inflows from postemployment benefits, other than pension. Deferred inflows of resources are determined by the New YorkCity Office of the Actuary.

Accrued salaries, fringe benefits, payroll taxes, and accrued compensated absences (current and long-term) – Increased by $66.5 million from June 30, 2023 to June 30, 2024 due to collective bargaining agreements.

Accounts payable and accrued expenses – Increased by $231.7 million in fiscal year 2024 due to an increase in various accrued expenses as a result of cash flow management.

Estimated third-party payor settlements, net payable – Increased by $103.9 million from June 30, 2023 to June 30, 2024 due to a decrease in Medicaid and Medicare rates.

Estimated pools payable – Decreased $412.9 million from June 30, 2023 to June 30, 2024 due to a decrease in DSH payables.

Due to/Due from the City of New York, net – Decreased $138.7 million from June 30, 2023 to June 30, 2024 primarily due to NYC Health + Hospitals accruing for both fiscal year 2023 and 2024 EMS payments to the City of New York.

Long-term debt (includes current installments) – Decreased $69.8 million during fiscal year 2024 due to scheduled principle payments and extinguishment of a direct borrowing.

Pension (current and long-term) – Decreased $136.7 million from June 30, 2023 to June 30, 2024 primarily due to changes in actual earnings on pension plan investments.

Postemployment benefits, other than pension (current and long-term) – Increased $188.9 million in fiscal year 2024 mainly due to a change in the discount rate used for the calculation.(Note 11)

Changes in Components of Net Position

Net investment in capital assets – Increased by $107.7 million in fiscal year 2024 mainly due to increases in comprehensive energy projects and the OTxHU project.

Restricted – Restricted net position increased $14.4 million in fiscal year 2024 due to debt service restrictions and higher debt payments coming due.

Unrestricted – Net position activities, other than those mentioned above, resulted in a deficit decrease of $1.1 billion from prior year.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Management's Discussion and Analysis (Unaudited)
June 30, 2024

Capital Assets, Net

At June 30, 2024, NYC Health + Hospitals had capital assets, net of accumulated depreciation, of $4.6 billion compared to $4.6 billion on June 30, 2023, as shown in the table below (in thousands):

	2024	2023
Land and land improvements	$ 40,535	20,108
Buildings and leasehold improvements	2,317,189	2,324,293
Equipment	1,557,144	1,547,636
Construction in progress	721,648	695,946
Total capital assets, net of accumulated depreciation	$ 4,636,516	4,587,983

Major changes to CIP during fiscal year 2024 included the following:

- NYC Health + Hospitals continued to build projects for three locations: Bellevue Hospital Center ("Bellevue"), Woodhull Medical and Mental Health Center ("Woodhull"), and North Central Bronx Hospital ("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 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. The CIP balance at year end was $190.4 million.

- During Hurricane Sandy in October 2012, FEMA funds were secured to advance New York's comprehensive, five borough resiliency plan to repair and protect public hospitals that were damaged. The funds support improvements at four NYC Health + Hospitals facilities: Bellevue and Metropolitan Hospital Center in Manhattan, Coler Rehabilitation and Nursing Care Facility on Roosevelt Island, and South Brooklyn Health 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 and NYC Department of Design and Construction, while several others were managed directly by NYC Health + Hospitals. The CIP balance at year end was $94.8 million.

- Comprehensive energy upgrade projects have been undertaken and they seek to reduce NYC Health + Hospitals' greenhouse gas emissions and energy consumption. These comprehensive energy projects focus on upgrades to lighting, air handling units, chillers, cooling towers, and other HVAC equipment. NYC Health + Hospitals also has specialty projects, namely the Combined Heat and Power ("CHaP") installation at Bellevue, a new boiler plant installation at Harlem and new heat pump and solar installation at McKinney Rehab Nursing Center. The CIP balance at year end was $36.5 million.

- 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 Health clinics, outpatient facilities, Henry J. Carter Long Term Acute Care facility, and Roosevelt Island Medical Center, which is onsite at Coler Hospital. NYC Health + Hospitals continues to enhance and develop additional modules for the H2O Epic EMR system. The CIP balance at year end was $4.7 million.

- NYC Health + Hospitals continued to upgrade its system-wide technology infrastructure under the Network Refresh project to ensure the network's security, overall stability and to accommodate application growth and faster response times. This project encompasses upgrades of equipment, devices, software licenses, cabling and other technology components required across the enterprise. The CIP balance at year end was $1.7 million.

- NYC Health + Hospitals continues to upgrade the necessary network hardware, software, and equipment at the two data centers, one in Piscataway, New Jersey ("PDC"), and another in Norwalk, Connecticut ("NDC"). These data centers hold proprietary and sensitive information, and therefore, need to be physically and digitally secure. Deploying and regularly refreshing the network infrastructure at the data centers are crucial for data storage, security, and compliance. The CIP balance at year end was $33.7 million.

The 2024 capital budget is expected to be financed by New York City General Obligation Bonds, HHC Bonds, TFA bonds, a New York State Grant called the Capital Restructuring Financing Program, and FEMA grants.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Management's Discussion and Analysis (Unaudited)
June 30, 2024

Current and Long-Term Debt

At June 30, 2024, NYC Health + Hospitals had approximately $570.1 million in current and long-term debt financing related to its capital assets, as shown with comparative amounts at June 30, 2023 (in thousands):

		2024	2023
Bonds payable	$	448,233	478,808
Equipment and renovation financing (Sodexo)		444	1,463
JP Morgan equipment financing		35,313	37,563
Revolving loan (Citibank)		—	7,000
CISCO maintenance financing		86,126	115,082
Total	$	570,116	639,916

At June 30, 2024, NYC Health + Hospitals' outstanding bonds at par were approximately $408.1 million, with 72.4% uninsured fixed rate and 27.6% variable rate secured by letters of credit. NYC Health + Hospitals is rated Aa3, A+, and AA- by Moody's, S&P, and Fitch, respectively. The variable rate bonds are secured by TD Bank and JPMorgan Chase Bank's letters of credit. As of July 18, 2024, 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 Aa2/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.

Leases and Subscription-Based Information Technology Arrangements

At June 30, 2024, NYC Health + Hospitals had approximately $371.9 million in lease assets, as shown with comparative amounts at June 30, 2023 (in thousands):

		2024	2023
Lease assets	$	347,672	370,957
Subscription IT assets		24,235	28,699
Total	$	371,907	399,656

More detailed information about NYC Health + Hospital's leased assets is presented in Note 19 to the financial statements.

Statements of Revenue, Expenses, and Changes in Net Position

Net patient service revenue - Increased by $419.4 million during fiscal year 2024 due to an increase in risk pool revenue.

Appropriations from the City of New York, net - Increased $1.2 billion from June 30, 2023 to June 30, 2024 due to an increase in funds appropriated by the City for collective bargaining and HERRC.

Grants revenue - Increased by $442.9 million from June 30, 2023 to June 30, 2024 mainly due to FEMA COVID-19 program and HERRC federal and State grant revenue.

Other revenue - Decreased by $38.8 million during fiscal year 2024 due to a $56.0 million decrease in 340B pharmacy program revenue and a decrease in various one-time payments received during fiscal year 2023 that did not repeat in fiscal year 2024.

Personal services - Increased by $373.7 million in fiscal year 2024 due to collective bargaining settlements and headcount.

Other-than-personal services - Increased by $786.9 million during fiscal year 2024 primarily due to a $250.6 million decrease in COVID-19 and Test and Treat OTPS that was offset by an increase in HERRC OTPS of $945.6 million.

Fringe benefits and employer payroll taxes – Increased $82.7 million during fiscal year 2024 due to an increase in health benefit rates and an increase in headcount.

Pension - Increased by $49.0 million during fiscal year 2024 resulting from differences in expected and actual experience which represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred during the year. Pension plan expense as of June 30, 2024 and 2023 is determined by the New York City Office of the Actuary (Note 10).

Postemployment benefits, other than pension - Increased by $65.8 million from June 30, 2023 to June 30, 2024 due to a change in the discount rate from 4.13% to 4.21% 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, 2024 and 2023 is determined by the New York City Office of the Actuary (Note 11).

Affiliation contracted services - Increased by $137.1 million during fiscal year 2024 due to contractual increases and estimated contract settlements.

Capital contributions funded by the City of New York, net – Decreased $120.0 million during fiscal year 2024 primarily due to a decrease in CIP for the OTHxU project at Bellevue from the prior year as well as to net changes in CIP associated with the Network Refresh and data center projects.

Capital contributions funded by grantors and donors - Remained consistent during fiscal year 2024 when compared to the prior year.

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;
- 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 2024 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)
Notes to Financial Statements
June 30, 2024

(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, several diagnostic and treatment centers, many hospital-based and neighborhood clinics, a certified home health agency, and also discretely presents a related entity, MetroPlusHealth Plan, Inc. ("MetroPlusHealth"), a prepaid health services provider.

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 are 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, 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, obstetrics, and gynecology. All insured practitioners can apply for the excess insurance coverage available to them in the New York State Excess Liability Pool ("State 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 for the first $1.3 million per incident and $3.9 million in the aggregate for each claim. 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 State Pool. NYC Health + Hospitals provides the insured with indemnification for each claim greater than certain amounts. 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. In the pool, each participating insurer is liable for each risk in an amount equal to the premiums it writes in the medical malpractice insurance market. The members of the MMP are all the licensed medical malpractice carrier in New York State.

- 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, and would provide a network with demonstrated experience with delivering care to these special populations. NYC Health + Hospitals continues to explore opportunities to launch this innovative model. Final CMS review and approval has not occurred.
- 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 MetroPlusHealth, 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 MetroPlusHealth. MetroPlusHealth 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.

MetroPlusHealth's 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"), MetroPlusHealth Gold, and the Individual Qualified Health Plan ("QHP").

MetroPlusHealth 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, CHP, MetroPlusHealth UltraCare ("MAP") lines of business. MetroPlusHealth 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 MetroPlusHealth or the State of New York as their Medicaid coverage provider. MetroPlusHealth has an agreement with the New York State Department of Financial Services ("NYSDFS") to offer the QHP Program through the New York State of Health Plan Marketplace or directly with MetroPlusHealth.

NYC Health + Hospitals employees and all City employees can elect MetroPlusHealth Gold as part of their employee benefits. MetroPlusHealth also offers GoldCare, a low-cost, high-quality plan, 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 MetroPlusHealth are presented in Note 15 of these financial statements.

MetroPlusHealth 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 MetroPlusHealth 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, 2024. 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, 2024. 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 for permissible uses 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.

Change in prior year estimate related to third party reimbursement and grants revenue resulted in an overall net increase of $96.7 million in total operating revenue for the year ended June 30, 2024.

(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

(Continued)

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 $544.6 million in 2024.

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, 2024 was approximately $528.9 million.

(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 14), uniformed City employees, and various discretely funded facility-specific programs.
- Interest on City General Obligation debt that funded NYC Health + Hospitals' capital acquisitions and interest on Dormitory Authority of the State of New York ("DASNY") debt and Transitional Finance Authority ("TFA") debt on assets acquired through lease purchase agreements.
- Funding for collective bargaining agreements.
- Reimbursement for programs operated on behalf of the City.

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 2024, the medical malpractice and general liability settlements paid by the City were $53.0 million. 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 tort 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 2024 alleviated $344.8 million owed to the City by NYC Health + Hospitals. 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 a significant portion of its capital acquisitions through the issuance of its own debt. However, the City financed major modernizations of several facilities as well as facility infrastructure, enterprise information technology systems, and medical equipment capital acquisitions and continues to include funding for NYC Health + Hospitals in the City's capital plan.

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 borrowed funds related to construction is no longer capitalized.

Depreciation is computed on a straight-line basis with half year convention 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 45 years
Buildings and leasehold improvements	5 to 70 years
Equipment	2 to 30 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 year ended June 30, 2024.

Capital retainage is held for some capital projects. A portion of a project's costs are not paid until the project is completed.

Capital assets excludes the intangible right-to-use lease and subscription assets as promulgated by GASB 87- Leases and GASB 96- Subscription-Based Information Technology Arrangements and implemented by NYC Health + Hospitals (Note 19).

(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 $2.1 million in the fiscal year ended June 30, 2024. 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. MetroPlusHealth 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 17). 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 MetroPlusHealth's 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 time 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 time, 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 and up to certain limits. 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, net of current portion" and "Accrued 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 substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that traded less frequently than exchange-traded instruments.

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

(r) Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, management determined that the deferred inflows of resources from pensions and deferred inflows of resources from postemployment benefits, other than pensions were overstated by $212.2 million and $111.6 million, respectively, as of June 30, 2023. The overstatements were the cumulative result of the improper deferral for the impact of changes in pension and OPEB liabilities in prior years. As a result, NYC Health + Hospital has restated its net position (deficit) for the year ended June 30, 2023 by increasing its net position (decreasing its net deficit) by $324.2 million from $(2.5 billion) to $(2.2 billion).

(s) Leases and Subscription-Based Information Technology Arrangements

NYC Health + Hospitals is both a lessee and lessor for various non-cancellable leases of buildings, equipment, and vehicles. NYC Health + Hospitals also has non-cancellable subscription based information technology arrangements (“SBITA”) (similar to a lease) for the right-to-use information technology hardware and software (Note 19).

Short-term Leases and SBITAs

For leases and SBITA with a maximum possible term of 12 months or less at commencement, NYC Health + Hospitals recognizes expense based on the provisions of the lease contract or SBITA.

Leases and SBITAs other than short-term

For all other leases and SBITAs that are not classified as short-term, NYC Health + Hospitals recognizes a lease or subscription IT liability, respectively, and an intangible right-to-use lease asset or subscription IT asset, respectively.

Measurement of Lease Amounts

At lease commencement, NYC Health + Hospitals initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If NYC Health + Hospitals is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of SBITA Amounts

At subscription commencement, NYC Health + Hospitals initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs.

Subsequently, the SBITA asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

Key Estimates and Judgments

Key estimates and judgments include how NYC Health + Hospitals determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- NYC Health + Hospitals generally uses the 30-year average mortgage rate as published by Freddie Mac as of June 30th of the preceding fiscal year as the discount rate for leases and SBITA unless the rate that the lessor/vendor charges is known.
- The lease or subscription term includes the non-cancellable period of the lease or SBITA, plus any additional periods covered by either NYC Health + Hospitals' or the lessor's/lessee's unilateral option to (1) extend for which it is reasonably certain to be exercised or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both NYC Health + Hospitals and the lessor/lessee have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

  Payments are evaluated by NYC Health + Hospitals to determine if they should be included in the measurement of the lease and SBITA liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments and SBITAs such as payments for termination penalties and other payments, when applicable.

Remeasurement of Lease and Subscription Amounts

NYC Health + Hospitals monitors changes in circumstances that may require remeasurement of a lease or SBITA. When certain changes occur that are expected to significantly affect the amount of the lease or SBITA liability, the liability is remeasured and a corresponding adjustment is made to the lease or SBITA asset.

(t) New Accounting Standards Adopted

In fiscal year 2024, NYC Health + Hospitals adopted one new GASB standard. It is as follows:

GASB Statement No. 100- Accounting Changes and Error Corrections

This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

(u) Subsequent Events

NYC Health + Hospitals has evaluated subsequent events through _____ __, ____, 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, 2024, 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):

		2024
Charges foregone, based on established rates	$	1,295,868
Estimated expenses incurred to provide charity care		714,038

(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.

(Continued)

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

		2024	
Medicaid	$	2,164,390	25.1 %
Medicare		707,037	8.2
Bad debt/charity care pools		332,336	3.9
Disproportionate share supplemental pool		839,000	9.7
Other third-party payors that include Medicaid and Medicare managed care		3,024,885	35.0
MetroPlus		1,537,694	17.8
Self-pay		25,851	0.3
	$	8,631,193	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):

		2024	
Medicaid	$	174,819	18.6 %
Medicare		85,127	9.0
Other third-party payors, that include Medicaid and Medicare managed care		193,370	20.5
MetroPlus		486,185	51.7
Self-pay		1,995	0.2
	$	941,496	100.0 %

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(5) Capital Assets

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

		2024
Land and land improvements	$	83,146
Buildings and leasehold improvements		5,604,089
Equipment		5,865,455
		11,552,690
Less accumulated depreciation		7,637,822
		3,914,868
Construction in progress		721,648
Capital assets, net of accumulated depreciation	$	4,636,516

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
Beginning balance	60,177	5,446,861	5,519,195	695,946	11,722,179
Acquisitions, net of transfers	22,990	156,271	409,169	25,702	614,132
Sales, retirements, and adjustments	(21)	957	(62,909)	—	(61,973)
Ending balance	$ 83,146	5,604,089	5,865,455	721,648	12,274,338

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

	Land and Land Improvements	Buildings and Leasehold Improvements	Equipment	Total
Beginning balance	40,069	3,122,568	3,971,559	7,134,196
Depreciation expense	2,566	163,834	393,405	559,805
Sales, retirements, and adjustments	(24)	498	(56,653)	(56,179)
Ending balance	$ 42,611	3,286,900	4,308,311	7,637,822

(Continued)

The 2024 capital budget is expected to be financed by New York City General Obligation Bonds, HHC Bonds, TFA bonds, a New York State Grant called the Capital Restructuring Financing Program, and FEMA grants.

(6) Assets Restricted as to Use

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

	2024
Under bond resolutions [a]	
Construction funds	$ 19,601
Capital reserve funds	68,384
Revenue funds	40,799
	128,784
Letters of credit [b]	46,896
Permanent endowments [b]	928
Equipment financing [c]	3,837
Total assets restricted as to use	180,445
Less: current portion of assets restricted as to use	26,408
Assets restricted as to use, net of current portion	$ 154,037

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. Security maturity date decisions are based on the final maturity of the specific bond series, potential need for liquidity due to refunding, and/or an assessment of the current market interest rate conditions. The majority of the revenue funds are invested in U.S. Treasury bills for the time period between one month and a maximum of twelve months. Investments are timed so that funds are available for required semi-annual debt service payments. Possible exposure to fair value losses arising from interest rate volatility is limited by investments in securities having maturities of less than one year and, at most, ten years, and by intending to hold the security to maturity.

b. The majority of the letters of credit are used to collateralize checking accounts.

(Continued)

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 and the 2008 Series B, C, D,and E bonds debt service payable in fiscal year 2024.

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):

		2024	
	Fair value	Level 1	Level 2
Cash and U.S. Treasury bills	$ 180,445	29,866	150,579

(7) U.S. Government Securities

U.S. government securities consist of U.S. Treasury bills. 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, NYC Health + Hospitals had the following U.S. government securities (in thousands):

			Investment maturing in (years)	
Year	Investment type	Fair value	Less than 1	1 to 3
2024	U.S. Treasury bills	$ 97,437	97,437	—

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(8) Long-term Debt

		2024
Bonds payable:		
2020 Series A Fixed Rate Health System Bonds - weighted average interest of 4.69%, payable in installments to 2048:		
Uninsured Bonds (a)	$	335,578
2008 Series B, C, D, and E Variable Rate Health System Bonds – subject to short-term liquidity arrangements, weighted average of 4.14% in 2024 payable in installments to 2031:		
Uninsured Bonds (b)		112,655
Total bonds payable		448,233
Direct borrowings:		
2022 JP Morgan Equipment Financing (c)		35,313
Total direct borrowings		35,313
Other debt agreements:		
Equipment and renovation financing (Sodexo) (d)		444
CISCO Maintenance Financing (e)		86,126
Total other debt agreements		86,570
Total long-term debt		570,116
Less current installments		80,775
Total long-term debt, net of current installments	$	489,341

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 proceed 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

(Continued)

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; $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, 2024 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2024:

	Principal	Interest	Total
Years:			
2025	$ 39,725	13,227	52,952
2026	30,330	11,525	41,855
2027	36,775	10,000	46,775
2028	38,525	8,228	46,753
2029	40,325	6,331	46,656
2030–2034	52,910	15,132	68,042
2035–2039	16,470	10,249	26,719
2040–2044	20,710	6,010	26,720
2045–2049	19,624	1,699	21,323
Total	295,394	82,401	377,795
Premium on 2020 Bonds	40,184	—	40,184
	$ 335,578	82,401	417,979

(b) 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, 2027 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, 2024.

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 4.14% for 2024.

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, 2024 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2024:

		Principal	Interest	Total
Years:				
2025	$	9,000	4,180	13,180
2026		20,475	3,671	24,146
2027		15,895	2,954	18,849
2028		16,250	2,341	18,591
2029		16,635	1,713	18,348
2030–2031		34,400	1,488	35,888
Total	$	112,655	16,347	129,002

Direct Borrowings

(c) 2022 JPMorgan Equipment Financing Agreement

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, 2024 (in thousands):

		Principal	Interest	Total
Years:				
2025	$	2,308	911	3,219
2026		2,370	849	3,219
2027		2,433	786	3,219
2028		2,498	721	3,219
2029		2,565	654	3,219
2030–2034		13,887	2,207	16,094
2035–2037		9,252	402	9,654
Total	$	35,313	6,530	41,843

Other Debt Agreements

(d) 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 + 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, 2024 (in thousands):

	Principal	Interest	Total
Year:			
2025	$ 444	—	444
Total	$ 444	—	444

(e) CISCO Maintenance Financing

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.

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As the contract for the lease purchase and one of the software subscription contracts meet the newly implemented GASB Statement No. 96- *SBITAs* lease reporting requirements, those related liabilities are amortized and reported in the newly created lease lines on the financial statements. Fiscal year 2024 information related to those leases is now a part of the reported leases in the financial statements and lies within the information contained in Note 19. The amount presented in this Note is for maintenance associated with those leases, however maintenance costs do not meet lease reporting requirements and are therefore, reported within this section.

The following table summarizes debt service requirements as of June 30, 2024 (in thousands):

		Principal	Interest	Total
Years:				
2025	$	29,297	1,645	30,943
2026		28,088	1,013	29,101
2027		28,741	361	29,101
Total	$	86,126	3,019	89,145

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 $520,000 for the benefit of NYSDFS. It is automatically renewable annually. No amount has been drawn against this letter of credit.

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(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):

	2024
FDNY EMS operations [a]	$ 452,145
Medical malpractice payable [b]	52,973
Other accrued expenses [c]	42,542
Capital contributions from the City of New York	(39,612)
Appropriations from the City of New York	(362,688)
HERRC [d]	(156,796)
T2 Advance [e]	50,084
	$ 38,648

[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.

[d] Humanitarian Emergency Response and Relief Center program (Note 18)

[e] Test and Treat Program (Note 17)

(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 180,354 active municipal employees, 170,396 pensioners, 29,272 deferred vested members, and 39,184 members who are no longer on payroll through $90.7 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, 2024 was $3.0 billion. 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.

(Continued)

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 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 pensionbenefits 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 MetroPlusHealth. At June 30, 2024 NYC Health + Hospitals reported a liability of $2.2 billion 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, 2023 and rolled forward to the reported fiscal year. NYC Health + Hospitals' proportion for the net pension liability for the fiscal year was based on NYC Health + Hospitals' actual contributions to NYCERS relative to the total contributions of all participating employers for 2024, which was 13.5%. NYC Health + Hospitals made contributions of $483.6 million for 2024.

(a) Actuarial Assumptions

The pension results for the June 30, 2023 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
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	23.5 %	6.8 %
Developed public market equities	11.6	7.2
Emerging public market equities	4.9	8.6
Fixed income	31.0	3.3
Private markets (alternative investments):		
Private equity	10.0	11.6
Private real estate	8.0	7.0
Infrastructure	4.5	6.3
Opportunisitc fixed income	6.5	8.5
	100.0 %	

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2024 was 7.0%. 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	$ 3.781	2.227	0.914

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and (inflows) at June 30, 2024 (in thousands):

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 313,898	6,955
Changes in assumptions	—	19,794
Changes in proportion	7,717	11,286
Net difference between projected and actual investment earnings on pension plan investments	29,041	—
Net	350,656	38,035

The deferred inflows and (outflows) of resources at June 30, 2024 will be recognized in expense as follows (in thousands):

	Amount
Year ended June 30:	
2025	$ (26,810)
2026	327,754
2027	(7,037)
2028	(1,004)
2029	19,720
	$ 312,623

(Continued)

(e) Annual Pension Expense

NYC Health + Hospitals' annual pension expense for fiscal year ended 2024, which includes contributions toward the NYCERS' actuarially determined accrued liability and the liability for the NYS Voluntary Defined Contribution plan, which is not actuarially determined, including the information for MetroPlusHealth, was approximately $440.1 million.

(11) Postemployment Benefits, Other than Pension

The 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, 2023, the following employees were covered by the benefit terms:

Employees covered by benefit terms:		
Active	$	30,918
Deferreds		3,649
Retirees		24,971
Total	$	59,538

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

Contributions: NYC Health + Hospitals funds the postretirement benefits program on a pay-as-you go basis. In 2024, NYC Health + Hospitals' contributions were $200.2 million, 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, 2024, the NYC Health + Hospitals' average contribution rate was 7.4 percent of covered-employee payroll.

Total OPEB Liability: NYC Health + Hospitals total OPEB liability measured at June 30, 2024 of $4.6 billion was determined by the actuarial valuation as of June 30, 2023.

(a) Actuarial Assumptions

The total OPEB liability in the June 30, 2023 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 which includes an inflation rate of 2.5 percent and a general wage increase rate of 0.50 percent
Healthcare cost trend rates	
Pre-Medicare Plans	7.00 percent for 2024, and decreasing 0.25 percent per year thereafter to an ultimate rate of 4.5 percent for 2035 and later years
Medicare Plans	5.0 percent for 2024, decreasing by 0.10 percent every two year period thereafter to an ultimate rate of 4.5 percent for 2035 and later years
Welfare Fund Contributions	3.5 percent for 2024 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 NYCERS *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.

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NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Notes to Financial Statements
June 30, 2024

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

		2024 Activity Total OPEB Liability
Balances at end of prior fiscal year	$	4,379,469
Changes for the year:		
Service cost		215,102
Interest		185,664
Difference between expected and actual experience		(2,596)
Change in assumptions		(3,284)
Actual benefit payments		(200,172)
Net changes		194,714
Balances at June 30, 2024	$	4,574,183

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2024 was 4.21% based on the S&P 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 4.21%, 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 (3.21%) or 1 percentage point higher (5.21%) than the current rate (in millions):

		1% Decrease (3.21%)	Discount Rate (4.21%)	1% Increase (5.21%)
NYC Health + Hospitals' total OPEB liability	$	5,125	4,574	4,112

(Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease (6.00% decreasing to 3.5%)	Healthcare cost trend rates (7.00% decreasing to 4.5%)	1% Increase (8.00% decreasing to 5.5%)
NYC Health + Hospitals' total OPEB liability	$ 3,972	4,574	5,323

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at June 30, 2024 (in thousands):

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$ 40,896	269,028
Changes in assumptions	79,083	652,046
Net	$ 119,979	921,074

The net deferred outflows and (inflows) of resources at June 30, 2024 will be recognized as follows (in thousands):

Year Ending June 30,	
2025	$ (301,996)
2026	(257,874)
2027	(202,861)
2028	(41,711)
2029	3,740
Thereafter	(393)
	$ (801,095)

(e) Annual OPEB Expense

NYC Health + Hospitals' annual OPEB expenses for fiscal years ended 2024 including the information for MetroPlusHealth, were $116.5 million. Implicit rate subsidy (expense) credits of $33.0 million contributed to a reduction of OPEB expenses for 2024.

(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. With one exception, Medicare cost report audits and final settlements have been completed for most NYC Health + Hospitals' acute facilities through fiscal year 2020. As of June 30, 2024, one facility was awaiting final settlement for fiscal year 2005; however, it was received two days after year end. There are four fiscal year 2021 cost reports settled, four under audit, and three that have not yet had their audit started. Medicare/NGS has not yet started their audit with regard to the fiscal year 2022 or 2023 acute cost reports. The Skilled Nursing Facilities and Federally Qualified Health Centers have final settlements through fiscal year 2023..

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, 2026.

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.

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Medicaid pays for inpatient acute care services on a prospective basis using a combination of Statewide and hospital-specific 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 has complied 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) 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 nearly $800 million in fiscal year 2024. 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) i. Federal Medicaid DSH

The Affordable Care Act ("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 2024 which delayed DSH cuts until January 1, 2025. Cuts are now slated to be $8.0 billion annually in federal fiscal years 2025 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.

(ii) "Upper Payment Limit ("UPL") Conversion" Directed Payment Revenue

Beginning in state fiscal year 2020-2021, New York State has authorized enhanced Medicaid Managed Care rates for NYC Health +Hospitals inpatient hospital services. These rate enhancements are intended to extend to Medicaid Managed Care a payment rate roughly equivalent to the effective rates received by NYC Health + Hospitals for inpatient Fee-for-Service Medicaid via Upper Payment Level supplemental payments. Receipt of these payments will help insulate the system from the impact of Medicaid DSH cuts should they actually be implemented.

Since state fiscal year 2022-2023 the UPL Conversion rate enhancements are being implemented through the State Directed Payment mechanism. Depending on timing, methodology and current guidance for Directed Payment implementation, a portion of the revenue may be received as a lump sum and a portion may be imbedded in regular claims payments. The majority of UPL Conversion revenue during City fiscal year 2024 was received via claims payments, totaling $256.9 million. NYC H+H paid one provider $87.2 million in fiscal year 2024 through a lump sum payment in order for the provider to reprocess claims through claims payments under the UPL Conversion program.

(iii) MetroPlusHealth 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 MetroPlusHealth 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 MetroPlusHealth ended on March 1, 2019. NYC Health + Hospitals continues to work with New York State to receive the payment related to the final reconciliation of these funds.

(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 has continued to be minimal. NYC Health + Hospitals maintains estimates of liabilities for RAC audits related to the demonstration period, and for fiscal years 2009 through 2014 for which we have received final settlement notices indicating a reopening to account for adjustments due to an issue where the claim payments on the Provider Statistical and Reimbursement report ("PS&R") were not accounting for the RAC adjustments applicable to claims paid on a Periodic Interim Payment basis. As of June 30, 2020, all RAC liabilities for fiscal years 2009 through 2014 have been resolved. RAC liabilities for the demonstration period remain open. For fiscal years after 2014, RAC liabilities are reflected in the PS&R data used to estimate Medicare cost report final settlements, therefore no separate RAC liability after 2014 is necessary.

(ii) Disproportionate Share Hospital 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 2020; the SPRY 2021 audit is currently in progress.

(d) Behavioral Health Centers of Excellence ("BH COE")

BH COE is a New York State Medicaid Managed Care initiative that pairs hospital providers and managed care plans to work together to develop behavioral health system capacity and address critical gaps in inpatient, outpatient, and care management services.

NYC Health + Hospitals was allocated $41.3 million for the first year of the program which started as of the State fiscal year April 1, 2023 to March 31, 2024 ("Year 1"). In Year 1, there was a requirement for the plans and providers to complete quality improvement activities and meet quality measures. NYC Health + Hospitals worked with Fidelis, HealthFirst, and MetroPlusHealth and is expected to meet the quality measure and receive the full amount of this program allocation.

(e) 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 year 2024 , NYC Health + Hospitals agreed to reimburse the City $53.0 million. 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.

(13) Accounts Payable and Accrued Expenses

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

	2024
Vendors payable	$ 1,171,009
Accrued interest	16,298
Affiliations payable	110,200
Affiliations vacation accrual	38,254
Pollution remediation liability	12,784
Other	60,737
	$ 1,409,282

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

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other known costs, that the future cost for disposition of these assets, in the aggregate, totals approximately $5.0 million.

(14) 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 $255.2 million and an additional $59.0 million was funded through grants and intra-city agreements for a total funding for the year ended June 30, 2024 of $314.2 million.

(15) MetroPlusHealth

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market funds. MetroPlusHealth 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. These securities are stated at fair value based on Level 2 inputs, with unrealized and realized gains and losses included in investment income. Securities maturing within a year are presented as current assets in the Statements of Net Position. 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, 2024 MetroPlusHealth had the following U.S. government securities (in thousands):

				(in Years) Investment Maturities	
Year	Investment type		Fair value	Less than 1	1 to 5
2024	U.S. Treasury bills	$	1,284,255	886,378	397,877

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 the MetroPlusHealth Plan.

Medicaid, CHP, HARP, MLTC, and HIV-SNP premium revenue received from the NYSDOH represents a substantial portion of MetroPlusHealth's 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, MetroPlusHealth receives subsidies from CMS under the Advanced Premium Tax Credit program provided under ACA, which were included in premium revenue.

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 of charge.

Premium revenue, by percentage, from members and third-party payors for the year ended June 30, 2024 was as follows:

	2024
Medicaid	48 %
Essential Plan	26
HARP	8
HIV-SNP	3
Medicare	4
MLTC	2
Others*	9
	100 %

** Included in "Others" are MetroPlusHealth Gold, CHP, QHP, Small Business Health Options Programs ("SHOP"), GoldCare, and MAP*

Assets Restricted as to Use

Assets restricted as to use consist of the following as of June 30, 2024 (in thousands):

		2024
MetroPlus Statutory reserve investments	$	193,487

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 $193.5 million as of June 30, 2024 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

(Continued)

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, MetroPlusHealth 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, 2024 was $647.6 million.

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):

	2024
Balance, July 1	$ 814,506
Less: Drug rebates receivable	(23,287)
Net balance	791,219
Incurred related to:	
Current year	4,149,054
Prior years	269,474
Total incurred	4,418,528
Paid related to:	
Current year	3,126,125
Prior years	801,466
Total paid	3,927,591
Net balance at June 30	1,282,156
Plus drug rebates receivable	53,775
Balance, June 30	$ 1,335,931

MetroPlusHealth claims payable were $1.3 billion as of June 30, 2024 and is reported in the Accounts Payable and Accrued Expenses line in the MetroPlusHealth column of the Statements of Net Position. Net reserves for unpaid claims and claim adjustment expenses attributable to incurred claims of prior years' increased by $269.5 million in fiscal year 2024.

These changes are generally the result of ongoing analysis of recent loss development trends, stop-loss reinsurance recoveries, and adjustments to prior year premiums covered by the risk sharing agreement, due to retroactive changes in premium rates and member enrollments.

(Continued)

Risk Sharing Agreement with NYC Health + Hospitals

MetroPlusHealth 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 MetroPlusHealth to NYC Health + Hospitals for the Medicaid, CHP, HIV-SNP, HARP, Essential Plan, MetroPlusHealth Gold, and GoldCare Plan lines of business.

Line of Business	Target Percentages of Premium
MetrPlus Gold	92.0%
Essential Plan	91.0%
HARP	91.0%
CHP	88.0%
HIV-SNP	88.0%
Medicaid	87.8%
GoldCare Plan	86.0%

In addition, the risk sharing agreement shifts the prescription drug risk cost component for Medicaid members from MetroPlusHealth to NYC Health _ Hospitals, including HIV-SNP and HARP for 97.5% of the premiums associated with pharmacy costs.

NYC Health + Hospitals is also entitled to one-time maternity and newborn supplemental payments for those members. After the end of the calendar year risk period, MetroPlusHealth and NYC Health + Hospitals settle the net amount remaining after paying for all medical expenses, both capitated and fee-for-service regardless of whether the provider was part of NYC Health + Hospitals network or not.

MetroPlusHealth assumes full risk of 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 a quarterly settlement or as needed and mutually agreed upon. Risk sharing payables were $279.2 million at June 30, 2024, representing net amounts payable to NYC Health + Hospitals pursuant to the agreement. NYC Health + Hospitals has reported a corresponding receivable at June 30, 2024. Amounts are included in eliminations in the Statements of Net Position. Net payments pursuant to the agreement were $668.2 million in 2024.

Risk-Sharing Program of the Affordable Care Act

MetroPlusHealth is required to participate in the Risk Adjustment program under the ACA.

The program covers both individual and small businesses and transfers funds from lower risk plans to higher risk plans, within the same state, to adjust premiums for adverse selection among the plans. The

(Continued)

federal 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.

MetroPlusHealth 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 plans in the State of New York.

As of June 30, 2024, MetroPlusHealth reported a payable within "Accounts payable and accrued expenses" on the Statement of Net Position of $20.7 million which is comprised of risk adjustment and high cost risk pool ("HCRP"). The breakout between the two is as follows (in thousands):

		2024
Risk adjustment	$	20,212
HCRP		530
Total	$	20,742

Stop-Loss and Reinsurance

MetroPlusHealth 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 any expenses over $350,000 , the coverage is increased to 100% of the excess amount.
- Residential Health Care Facility inpatient stays are not covered for members.
- 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 any expenses over $400,000, 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.

In addition, MetroPlusHealth contracted with Zurich American Insurance Company ("Zurich") for stop-loss coverage for its Medicare Advantage, Medicare Platinum, and MAP lines of business for periods between April 1, 2024 to March 31, 2025. The coverage has a per member threshold of the first $600,000 of loss incurred during the agreement period and covers 80% of eligible medical services though there are daily limits for certain types of services and 85% of prescription drugs as administered related to fully implemented Summit ReSources Recommendation.

Stoploss recoveries net of reinsurance cost are reported within other than personal services expenses. MetroPlusHealth 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 $34.4 million at fiscal year ended June 30, 2024.

Upper Payment Limit Supplemental Program

NYC Health + Hospitals provided health care services to individuals enrolled in the MetroPlusHealth's Medicaid and HARP benefit programs for which the State of New York and CMS approved UPL funding as direct payments, inclusive of HCRA taxes and plan administrative fees of 3%, through MetroPlusHealth. MetroPlusHealth recorded the add-on UPL amount, HCRA taxes, and 3% plan administrative fee received or to be received from the State of New York as premiums.

MetroPlusHealth recorded the add-on UPL amount and corresponding HCRA taxes paid or to be paid to the providers as other than personal services.

For the year ended June 30, 2024, MetroPlusHealth did not receive any UPL fundings from the State of New York or release any payments to NYC Health + Hospitals. MetroPlusHealth paid $17.8 million of HCRA payments and earned $7.4 million plan administrative fee for the year ended June 30, 2024. As of June 30, 2024, MetroPlusHealth accrued for $238.5 million due to NYC Health + Hospitals, $20.5 million of HCRA taxes payables in the accounts payable and accrued expenses. MetroPlusHealth recorded a $364.0 million due from NYSDOH in the Premiums receivable. This receivable comprised of UPL funding for State Fiscal Year ("SFY") 2024 (April 1, 2023 to March 31, 2024) and first quarter of SFY 2025 (April 1, 2024 to June 30, 2024). UPL receivable is expected to be net settled with overfunding of the UPL program of $101.0 million, which is accrued in the Accounts payable and accrued expenses. Subsequently, MetroPlusHealth received $225.3 million from the State of New York in July 2024.

Essential Plan ("EP") Provider Investment Fund Program

The NYSDOH enacted budget and issued guidance to create reimbursement parity across all EP premium groups for hospital inpatient, hospital outpatient, and physician services and remit payments to impacted providers through reprocessing of claims or via lump sum payments. The goal of this EP rate enhancement is to expand access to services and promote health equity for all EP enrollees. Plans are expected to utilize funding to increase provider medical reimbursement rates to improve the quality, accessibility, appropriate utilization, and efficiency of services provided to EP enrollees.

NYSDOH issued EP Guidance 3.0 for calendar year ("CY") 2023 and 2024 in July 2023 and updated EP guidance 3.1 in April 2024 covered under the provisions of the State of New York's SFY2024 enacted budget. This guidance provides an additional $800 million in investment funding to MetroPlusHealth for both their CY2023 and CY2024 rates and is an expansion of the existing program authorized in the NYSDOH SFY2022 budget. This program intends to raise provider reimbursement rates for EP3, EP4 and EP5 which include auto transition from QHP to EP 200-250 FPL premium groups to the level of EP1 and EP2 premium groups for hospital inpatient, hospital outpatient, and physician services. For CY 2023, the annual funding was included as a rate revision effective July 1, 2023, paid over a six-month period. For CY 2024 and thereafter, the annual funding will be paid over a 12-month period.

MetroPlusHealth paid impacted providers the enhanced reimbursement rate via claims reprocessing. MetroPlusHealth settled $6.9 million via lump sum payments to impacted providers during FY2024.

MetroPlusHealth reported unpaid claim liabilities of $162.3 million as of June 30, 2024 in the accounts payable and accrued expenses.

Safety Net Hospital Directed Payments

Safety Net Hospital Directed Payments fundings are provided to MetroPlusHealth to cover paid claims that occurred during covered dates of services for hospitals that qualified as financially distressed. These payments are only applicable to Article 28 general clinic, ambulatory surgery, and emergency department services. MetroPlusHealth is required to reprocess the underlying claims for the covered periods and remit funding to the impacted hospitals. The Safety Net funding, inclusive of HCRA and 3% plan administrative fees, is reported as premiums. The Safety Net payment to eligible providers and HCRA taxes are reported as other than personal services expenses.

For the year ended June 30, 2024, MetroPlusHealth reported Safety Net funding of $201.9 million of which the remaining $9.7 million was subsequently received in July 2024 and paid $166.3 million to distressed hospitals and $13.4 million for HCRA taxes and earned $5.7 million of plan administrative fees. As of June 30, 2024, MetroPlusHealth reported $10.7 million payable to the providers, $0.7 million of HCRA taxes payables and a corresponding net payable of $37.8 million due to NYSDOH, all within the accounts payable and accrued expenses.

Due to State of New York

The State of New York has advised MetroPlusHealth of instances where it will need to return premium payments asa result of State of New York audits and adjustments of its payments made to MetroPlusHealth. Management estimates of such amounts of $264.0 million, which is included in due to the State of New York within Accounts Payable and Accrued Expenses as of June 30, 2024. Premiums returned to the State of New York are netted against premiums earned.

Included in $264.0 million due to State of New York as of June 30, 2024 are estimated Office of the Medicaid Inspector General (“OMIG”) audit liabilities of $121.5M, excess fundings for H+H UPL SFY2023 of $101.0 million and Safety Net Hospital Directed Payment of $37.8 million.

Medical Loss Ratio

The ACA Medical Loss Ratio (“MLR”) standards require that the MLR for MetroPlusHealth’s commercial lines of business individuals (QHP), and large groups (MetroPlusHealth Gold and GoldCare) meet specified minimums of 82% for QHP and 85% for large groups. In addition, MetroPlusHealth is also required to meet the MLR minimum of 85% for Medicare and CHP, 86% for Medicaid, Essential Plan, and HIV-SNP and 89% for HARP and MLTC. MetroPlusHealth continues to monitor the MLR to remain in compliance with the minimum requirements. The MLR represents the percentage of premium dollars spent on healthcare claims and quality improvement activities. The Plan’s results show ratios well in excess of the NYSDOH minimums with the exception of MLTC. The Plan estimated $8.7 million of MLR payments for MLTC which is included as part of claims payable at June 30, 2024 resulting primarily from increase in the required MLR from 86% to 89% for SFY23-24 and SFY24-25.

Leases

In June 2017, GASB issued Statement No. 87, Leases (“GASB 87”). GASB 87 increases the usefulness of governments’ financial statements by requiring the reporting of certain lease related assets, liabilities and deferred inflows of resources on the Statements of Net Position that previously were not reported on that

Statement. It also enhances the comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The new standard establishes a right-to-use ("RTU") model that requires a lessee to recognize an RTU asset and lease liability on the Statements of Net Position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statements of Revenues, Expenses, and Changes in Net Position.

MetroPlusHealth leases facilities under non-cancellable lease agreements with terms through 2044. These leases are recognized under GASB 87, with RTU assets and corresponding lease liabilities recorded in the financial statements.

As of June 30, 2024, MetroPlusHealth recognized RTU assets and corresponding operating lease liabilities of $155.4 million, based on the present value of the remaining minimum rental payments for existing leases as of that date.

A summary of changes in the related leased assets during the year ended June 30, 2024 is as follows (in thousands):

	Balance beginning of year	Additions	Remeasurements	Deductions	Balance end of year	Accumulated Depreciation
Building and Building Improvements	$ 161,263	$ —	$ —	$ (5,880)	$ 155,383	$ 8,117

Future annual lease payments are as follows (in thousands):

	Principal	Interest	Total
Years			
2025	$ 3,508	9,119	12,627
2026	4,328	8,901	13,229
2027	5,075	8,623	13,698
2028	5,401	8,320	13,721
2029	5,617	7,996	13,613
2030–2034	30,473	35,046	65,519
2035–2039	45,421	24,238	69,659
2040–2044	58,739	8,282	67,021
Total	$ 158,562	110,525	269,087

(Continued)

(16) Other Long-Term Liabilities

Other long-term liabilities for the years ended June 30, 2024 was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Accrued compensated absences	$ 522,526	$ 36,481	$ -	$ 559,007

(17) 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. NYC Health + Hospitals began to see increases in its patient visits, admissions, and medical procedures, and volumes are returning to prepandemic levels. Management continues to actively monitor operating revenues and expenses for all services.

NYC Health + Hospitals' primary source of funds to support outstanding COVID-19-related costs during fiscal year 2024 was FEMA. The FEMA Emergency period ended on May 11, 2023. In fiscal year 2024, NYC Health + Hospitals' completed a comprehensive review of COVID-19 expenses and a non-duplication of benefits analysis, which was submitted to FEMA. As a result, NYC Health + Hospitals recognized $341. million in FEMA revenue in fiscal year 2024.

From the period of declaration of the pandemic, NYC Health + Hospitals also received funding from the Provider Relief Fund ("PRF"); a number of small grant awards and supplements to existing grants under the Coronavirus Aid, Relief, and Economic Security Act ("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 COVID-19 virus' full potential and long-term effect 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, the pandemic's 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.

(18) Humanitarian Emergency Relief and Response Centers ("HERRC") Program

The Mayor of the City of New York declared a State of Emergency (Emergency Executive Order 224) on October 7, 2022 and assigned NYC Health + Hospitals the coordinating and managing lead for the HERRC

(Continued)

program on behalf of the City. NYC Health + Hospitals works in partnership with other City Agencies in operation of this program.

NYC Health + Hospitals operates multiple HERRC sites on behalf of the City. These HERRC sites provide the following services:

- Basic human necessities such as food, clothing, and shelter
- Connection with and transport to friends or family in and beyond New York City
- Medical and social services

NYC Health + Hospitals also operates a 24/7 Arrival Center on behalf of the City for all newly arriving asylum seekers to NYC.

NYC Health + Hospitals incurred $1.52 billion in fiscal year 2024 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. NYC Health + Hospitals earned $1.3 billion in appropriations from the City for the HERRC program for the end ended Jun 30, 2024. In addition to appropriation revenue, NYC Health + Hospitals recognized FEMA grant revenue of $96.3 millionand $104.8 million in New York State grant revenue for the year ended June 30, 2024. The HERRC grant revenue is based on grant applications that will be, or have been submitted, by the City to the grantors on behalf of NYC Health + Hospitals.

(19) Leases and Subscription Information Technology Arrangements

In June 2017, GASB issued Statement No. 87, *Leases* (“GASB 87”). GASB 87 increases the usefulness of governments’ financial statements by requiring the reporting of certain lease related assets, liabilities and deferred inflows of resources on the Statements of Net Position that previously were not reported on that statement. It also enhances the comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The new standard establishes a right-to-use (“RTU”) model that requires a lessee to recognize an RTU asset and lease liability on the Statements of Net Position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statements of Revenues, Expenses, and Changes in Net Position. NYC Health + Hospitals also adopted GASB Statement No. 96, Subscription Information Technology Arrangements (“GASB 96”) which addresses the reporting for non-cancellable subscription based information technology arrangements (“SBITA”) for the right-to-use information technology hardware and software. The treatment and reporting are very similar to that of leases.

NYC Health + Hospitals leases equipment and facilities under non-cancellable lease agreements, with terms extending through 2051. RTU assets and corresponding lease liabilities are recognized on the Statements of Net Position in accordance with GASB 87. As of June 30, 2024, these lease assets include a variety of equipment and facilities.

In addition to these equipment and facility leases, NYC Health + Hospitals has non-cancellable SBITAs reported under GASB 96. These agreements are similar to leases and are recognized with corresponding liabilities and RTU assets. The existing SBITAs have terms extending through 2029.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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June 30, 2024

NYC Health + Hospitals also leases real estate facilities to independent third parties under non-cancellable lease agreements. These agreements have terms extending through 2116, providing the System with long-term lease income.

As of June 30, 2024, NYC Health + Hospitals recognized RTU assets and corresponding operating lease liabilities of $347.7 million, based on the present value of the remaining minimum rental payments for existing leases as of that date for leases.

A summary of changes in the related leased assets during the year ended June 30, 2024 is as follows (in thousands):

	Balance beginning of year	Additions	Remeasurements	Deductions	Balance end of year	Accumulated Depreciation
Building and Building Improvements	$ 370,831	—	(910)	(22,653)	347,268	45,351
Equipment	126	467	—	(189)	404	372
Total	$ 370,957	467	(910)	(22,842)	347,672	45,723

Future annual lease payments are as follows:

	Principal	Interest	Total
Years			
2025	$ 12,241	21,399	33,640
2026	12,583	20,724	33,307
2027	14,018	19,933	33,951
2028	14,805	19,098	33,903
2029	16,730	18,191	34,921
2030–2034	92,787	74,767	167,554
2035–2039	80,971	50,671	131,642
2040–2044	107,231	22,053	129,284
2045 and years thereafter	24,015	5,127	29,142
Total	$ 375,381	251,963	627,344

As of June 30, 2024, NYC Health + Hospitals recognized RTU assets and corresponding operating liabilities of $24.2 million, based on the present value of the remaining minimum payments for existing SBITAs as of that date.

(Continued)

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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Notes to Financial Statements
June 30, 2024

A summary of changes in the related SBITA during the year ended June 30, 2024 is as follows (in thousands):

	Balance beginning of year	Additions	Remeasurements	Deductions	Balance end of year	Accumulated Depreciation
Data Storage and Management	$ —	2,755	—	(421)	2,334	421
Software	28,699	5,034	—	(12,123)	21,610	23,411
Software as a Service	—	318	—	(27)	290	27
Total	$ 28,699	8,107	—	(12,571)	24,235	23,859

Future annual subscription IT payments are as follows (in thousands):

	Principal	Interest	Total
Years			
2025	$ 8,242	1,133	9,375
2026	7,458	644	8,102
2027	6,765	220	6,985
2028	612	23	635
2029	53	—	53
Total	$ 23,130	2,020	25,150

Lease Receivables

The NYC Health + Hospitals leases real estate to independent third parties. The rental income under these lease agreements was approximately $5 million in 2024. The NYC Health + Hospitals had lease receivables of approximately $1.8 million as of June 30, 2024 which are included as a component of other assets. NYC Health + Hospitals had deferred inflows of resources of approximately $105.5 million associated with these leases as of June 30, 2024.

Future annual lease receivables are as follows (in thousands):

		Principal	Interest	Total
Years				
2025	$	2,125	6,439	8,564
2026		2,683	6,300	8,983
2027		2,727	6,140	8,867
2028		2,816	5,981	8,797
2029		2,984	5,813	8,797
2030–2034		12,213	26,798	39,011
2035–2039		9,215	23,886	33,101
2040–2044		15,493	20,340	35,833
2045 and years thereafter		61,563	23,805	85,368
Total	$	111,819	125,502	237,321

Variable lease and subscription payments

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred. These types of variable payments are applicable to SBITAs and usually appear in terms of variable employee users of subscription software or are related to variable storage usage.

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 30th 2024 through 2015

(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 483,616	$ 459,065	498,657	503,758	505,624	515,454	507,335	492,161	497,715	443,386
Contributions in relation to the contractually required contribution	483,616	459,065	472,457	529,957	505,624	515,454	507,335	492,161	497,715	443,386
Contribution deficiency (excess)	$ —	$ —	26,200	(26,199)	—	—	—	—	—	—
HHC covered payroll	$ 2,981,281	$ 2,520,406	2,429,120	2,444,860	2,367,816	2,207,943	2,122,448	2,177,897	2,232,187	2,166,797
Contributions as a percentage of covered payroll	16.22%	18.21%	19.45%	21.68%	21.35%	23.35%	23.90%	22.60%	22.30%	20.46%

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 30th 2024 through 2015

(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
HHC proportion of the net pension liability	13.539%	13.280%	13.015%	13.387 %	13.564 %	13.959%	15.023 %	14.788 %	14.789 %	14.030 %
HHC proportionate share of the net pension liability	$ 2,226,855	2,369,448	2,356,314	858,625	2,859,284	2,585,414	2,649,718	3,070,928	3,593,257	2,832,753
HHC covered payroll	2,981,281	2,520,406	2,429,120	2,444,860	2,367,816	2,207,943	2,122,448	2,177,897	2,232,187	2,166,797
HHC proportionate share of the net pension liability as a percentage of its covered payroll	74.69%	94.01%	97.00%	35.12%	120.76%	117.10%	124.84%	141.00%	160.97 %	130.73 %
Plan fiduciary net position as a percentage of the total pension liability	84.25%	82.22%	81.28%	93.14%	76.93%	78.84%	78.83%	74.80%	69.57%	73.12%

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

Years ended June 30th 2024 through 2017

(Dollar amounts in thousands)

		2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	$	215,102	202,771	303,477	279,635	264,512	307,105	279,874	274,749
Interest		185,664	175,010	119,206	148,458	159,281	161,840	158,154	147,667
Differences between expected and actual experience		(2,596)	(19,048)	(191,019)	(189,272)	(450,871)	858,811	104,933	(122,396)
Changes of assumptions		(3,284)	87,180	(1,045,957)	(183,865)	99,391	(806,009)	110,707	(661,094)
Benefit payments		(200,172)	(282,443)	(267,370)	(116,817)	(230,815)	(171,559)	(235,395)	(56,087)
Other Changes		—	—	—	—	(41,078)	—	—	—
Net Change in total OPEB liability		194,714	163,470	(1,081,663)	(61,861)	(199,580)	350,188	418,273	(417,161)
Total OPEB liability - beginning		4,379,470	4,216,000	5,297,663	5,359,524	5,559,104	5,208,916	4,790,644	5,207,805
Total OPEB liability - ending		4,574,184	4,379,470	4,216,000	5,297,663	5,359,524	5,559,104	5,208,916	4,790,644
Covered Employee Payroll	$	2,690,409	2,601,774	2,548,754	2,444,860	2,320,005	2,222,409	2,211,014	2,283,056
Total OPEB Liability as a Percentage of Covered Employee Payroll		170.0%	168.3%	165.4%	216.7%	231.0%	250.1%	235.6%	209.8%
Changes of assumptions. Changes of assumptions reflect the effects of changes in the discount rate. The following are the discount rates used in each period:		4.21%	4.13%	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York City Health and Hospital's Corporation (the Corporation), a discretely presented component unit of the City of New York, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 22, 2024. Our report contains an other matter paragraph referring to adjustments to restate the beginning net position (deficit) as June 30, 2024. The Corporation's previously issued financial statements were audited by other auditors.

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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with MetroPlus Health Plan, Inc. and HHC Insurance Company, Inc.

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 entity'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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be material weaknesses.

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*.

The 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 questioned costs. 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 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 entity*'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(signed) KPMG LLP

New York, New York
October 22, 2024

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

Schedule of Findings and Responses

June 30, 2024

Finding #: 2024-001 Accounting for Actuarial Determined Liabilities

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 establishes the organizational tone, significantly influencing the control awareness and behavior of its personnel. Key factors that shape the control environment include management's philosophy and operating style, the organizational structure, the assignment of authority and responsibility, and the establishment of appropriate policies and procedures.

Conditions, Context, Cause and Effect

During our fiscal 2024 audit, we noted that the review controls over the Corporation’s recognition of its net pension liability and post-employment benefits, other than pension (OPEB) along with their related deferred outflows and deferred inflows of resources were not properly designed to fully meet the intended level of precision to assess certain actuarial adjustments for changes in its net pension and total OPEB liabilities.

It was determined that as of June 30, 2023, the deferred inflows of resources from pensions and deferred inflows of resources from post-employment benefits, other than pensions, were overstated by $212.2 million and $111.6 million, respectively. The overstatements were the collective outcome of the postponement of the effects of later modifications in pension and OPEB liabilities from prior years. Consequently, the Corporation has restated the net position (deficit) for the year ended June 30, 2023, by increasing its net position (reducing its net deficit) by $324.2 million from ($2.5 billion) to ($2.2 billion).

Recommendation

In refining their review controls over actuarially determined liabilities for both pension and OPEB, we recommend that management continue communicating with their actuaries for continued monitoring and reporting and with their auditors when items arise related to accounting matters surrounding actuarially determined liabilities.

View of Responsible Official

H+H management currently has established processes to assess the information provided by the New York City Actuary’s Office prior to the documentation of pension and OPEB liabilities. However, due to the fact that the fundamental actuarial processes and calculations are beyond H+H’s control, there is a necessary reliance on that data. In fiscal year 2024, H+H management effectively identified discrepancies in data that it received from the New York City Actuary’s Office, which were brought to the attention of the New York City Actuary’s Office, prompting appropriate root cause analysis and subsequent corrections. Consequently, H+H management is optimistic that its processes can be enhanced moving forward by conducting annual meetings with the New York City Actuary’s Office. These meetings will focus on reviewing the current year’s actuarial calculations, thereby aiming for more timely identification and resolution of any potential calculation errors in the actuarially determined figures in the future, should they occur.

NYC HEALTH+ HOSPITALS

Office of Internal Audits Update

Audit Committee Meeting
October 22, 2024

Joseph O'Keefe, CPA CHC – Chief Internal Audit Officer

External Audits Update

- **EXTERNAL AUDITS - Audit of the Department of Corrections Efforts to Ensure Access to Mental Health Services for Inmates**
- Audit Notification Letter Received – January 31, 2023 Entrance Conference – February 13, 2023
- Status: In progress
- Coordination on audit taking place between Agencies under review and Mayor's Office of Community Mental Health
- On February 13, 2023, an entrance conference was held between NYC Health + Hospitals personnel and the New York City Comptroller's Office (CO).
- Data Sharing agreement was finalized in late September that will allow the audit to go forward
- Audit is on-going

External Audits Update

- **EXTERNAL AUDITS - Audit of Language Access Services**

- Audit Notification Letter Received – December 21, 2023
- Entrance Conference – January 17, 2024
- Status: In progress
- Audit by The Office of State Comptroller looking at Language Access Services provided
- Audit is on-going

External Audits Update

- **EXTERNAL AUDITS - Audit of the Behavioral Health Emergency Assistance Response Division's and New York City Police Department's role in the response and treatment of mental health crisis**
- Audit Notification Letter Received – August 11, 2023
- On September 13, 2023, an entrance conference was held between NYC Health + Hospitals personnel and the New York City Comptroller's Office (CO).
- At the entrance conference, the CO made various requests for information, which were supplied.
- Audit is on-going

INTERNAL AUDIT ACTIVITIES

- Number of Audits on FY 2025 Plan. 14
- Completed Audits 0
- In Progress 2
- Not Started 3

Auxiliary Audits

The New York State Charities Bureau requires that a review, compilation or audit report accompany the CHAR500 New York State tax form submitted by the Auxiliaries. The type of report required is based on the total annual revenue of the Auxiliary.

The Bonadio Group has completed fifteen (15) reports for Calendar Year (CY) 2021. The Office of Internal Audits has reviewed and issued those reports. Twelve (12) reports were Compilations as the Auxiliaries' revenues were below $250,000, two (2) were Reviews as the Auxiliaries' revenues were between $250,000 and $750,000; and another was an Audit. Four (4) reports remained in a pending status and 2 will be dissolved.

For Calendar Year (CY) 2022, The Office of Internal Audits has finalized and issued twelve (12) reports. Ten (10) reports were Compilations, one (1) Review and (1) Audit. Seven (7) reports remained in a pending status and 2 will be dissolved. A management decision was made not to complete two of the auxiliaries because of the revenue. The cost outweigh the benefit.

NYC HEALTH+ HOSPITALS

Auxiliary Audits List Status Update as of April 19, 2024

	CALENDAR YEARS REVIEWED	2018 REVENUES	2019 REVENUES	2020 REVENUES	2021 REVENUES	2022 REVENUES
Jacobi Medical Center	2018 – 2022	$537,664	$457,149	$232,607	$70,021	$33,985
Renaissance Health Care	2018 – 2022	$16,788	$20,666	$12,184	$11,828	$11,475
Coler Hospital	2018 – 2022	$187,498	$229,285	$91,790	$97,923	($108,876)
Carter Hospital Center	2018 – 2022	$226,599	$29,893	$12,309	$8,329	$5,355
Gouverneur Hospital	2018 – 2022	($146,562)	$997,683	$751,055	$658,222	($1,109,261)
Woodhull Medical Center	2019 – 2022	NA	$234,293	$19,925	$22,984	$61,717
South Brooklyn Health (formerly Coney Island Hospital)	2019 – 2022	NA	$5,906	$5,003	$5,233	$5,369
Children of Bellevue	2018 – 2022	$1,112,221	$1,154,967	$986,097	$532,834	$1,332,137
Lincoln Hospital Center	2019 – 2022	NA	$99,403	$17,339	$4,717	$4,864
Bellevue Hospital Center	2018 – 2022	$151,939	$938,114	$543,122	$834,950	($880,396)
Cumberland Diagnostic & Treatment Center	2018 – 2022	$104,367	$76,782	$31,683	$30,240	$4,735
East New York Diagnostic & Treatment Center	2019 – 2021	NA	$5,522	$4,650	$4,950	NA
Metropolitan Hospital Center	2018 – 2021	$1,538,040	$744,114	$147,938	$203,738	Pending
Elmhurst Hospital Center	2018 – 2021	$422,419	$335,651	$1,026,642	$240,491	$192,563
Dr. Susan Smith McKinney Nursing & Rehabilitation Center	2018 – 2021	$80,714	$77,547	$12,102	$4,600	Pending
Bellevue Association	2019 – 2020	NA	$243,272	$83,823	Pending	Pending
Friends of Harlem Hospital Center	2018 – 2020	$133,487	$215,341	$276,382	Pending	Pending
Kings County Hospital Center	2018 – 2020	$58,804	$21,142	$43,407	Pending	Pending
Sea View Hospital and Home	2018 – 2020	$110,468	$42,748	$21,600	Dissolution	Dissolution
Harlem Hospital Center	2018 – 2020	$9,946	$12,201	$5,334	NA	NA
Queens Hospital Center	2018 – 2020	$330,779	$29,649	$28,153	Pending	Pending
Friends of North Central Bronx Hospital	2018 – 2019	$131,555	$74,525	Dissolution	Dissolution	Dissolution

Audit Committee of the NYC Health + Hospitals Board of Directors

Corporate Compliance Report

October 22, 2024

Compliance Activities

- FY2026 Risk Assessment
  - The Office of Corporate Compliance ("OCC") and Internal Audits are preparing for the FY2026 Combined Risk Assessment.
  - The Chief Corporate Compliance Officer and Chief of Internal Audits has begun meeting with Senior Leadership to discuss their goals and objectives, obstacles to achieving them, and any risks they foresee in there functional areas. These meetings will continue until early November.
  - The Compliance and Privacy Officers and one of the Auditors from Internal Audits are sending questions regarding the same topics to the facilities' CEOs, CFOs and HIM Directors to discuss similar topics.

Compliance Activities (cont'd)

- Coalfire 2024 Risk Analysis
  - All document collection, interviews, and site visits for 2024 have been completed.
  - Compliance and Risk Workbooks and Reports for the Gotham Health D&TCs and Neighborhood Health Centers, and the Skilled Nursing Facilities have been completed.
  - Compliance and Risk Workbooks and Reports are being reviewed for the Enterprise, and the acute care facilities' assessments.
  - All Workbooks and Reports should be finalized by the end of October.

NYC HEALTH+ HOSPITALS

Compliance Activities (cont'd)

- HIPAA Risk Analysis & Security Assessment RFP
  - Coalfire's contract ends on December 31, 2024.
  - The RFP was sent to existing known vendors, and was posted to the City Register in June.
  - Three vendors submitted proposals in response to the RFP, and two of them were asked to make presentations, which occurred on September 13, 2024.
  - The scores from the Evaluation Committee for the two vendors were very close; however, one of the vendors scored slightly higher.
  - The next step is to present the vendor selection to the Contract Review Committee on October 22, 2024, then to the Audit Committee and to the Board of Directors in December.
  - The proposed contract will be for three years with two one year renewals. The budget for the five years is $7 million. The previous contract value was $4 million for three years. An annual baseline was added at a 5% inflator.

Compliance Activities (cont'd)

- Policy + Resource Hub
  - The OCC partnered with the Enterprise Information Technology Services Data and Analytics ("DnA") Team to develop the Policy + Resource Hub, which now houses all of the System's Operating Procedures; however, it is designed to be the location for all types of resource documents (e.g. policies, guides, tip sheets, etc.).
  - The Policy + Resource Hub is now live on the Intranet, and the OCC and DnA Team will be demoing the tool for all Operating Procedure owners, co-owners, and collaborators this month.
  - The next phase will be to demo the tool to the facility CEOs and other System leadership.

Compliance Activities (cont'd)

- Corporate Compliance and Ethics Week
  - This year, the Corporate Compliance and Ethics Week will be November 4th – 8th.
  - The Compliance and Privacy Officers will have tables set up at each of their facilities and at Central Office locations to promote the importance of compliance and ethical behavior, and will have games and giveaways for staff.
  - There will be two sets of webinars: one on Fraud, Waste, and Abuse; and one on HIPAA.
  - Workforce members can enter into a drawing for a grand prize if they: attend a webinar, or complete the Compliance quiz with a score of 100%, or successfully resolve the Compliance puzzles, AND complete their General Compliance Training and HIPAA Training.
  - The OCC will also be promoting its Workforce Member Compliance Survey to increase this year's completion rate.

Compliance Activities (cont'd)

- KPMG Billing and Coding Compliance Reviews
  - KPMG is working on a prospective review of short stay inpatient admissions and behavioral health services, and will soon start a retrospective review of telehealth services.
  - KPMG will also assist in developing/formalizing a Coding Compliance Program and will recommend areas/topics for training and education.
  - In addition, KPMG will assist the OCC with remediating some of the items on the FY2025 Corporate Compliance Work Plan.

Compliance Activities (cont'd)

- Special Needs Plan Model of Care Trainings
  - The Centers for Medicare and Medicaid Services (CMS) regulations require all Special Needs Plan (SNP) providers complete SNP Model of Care (MOC) Training every year for each Medicare Managed Care Plan in which they are enrolled.
  - The System is required to attest to each Managed Care Plan that the providers enrolled in their plans have completed their SNP MOC Trainings.
  - On September 30, 2024, the OCC sent an email to providers with a link to 14 Managed Care Plans' SNP MOC Trainings, which must be completed by December 31, 2024.

New Regulatory Rules

- On February 16, 2024, the U.S. Department of Health and Human Services published its final rulemaking in the Federal Register on the confidentiality of Substance Use Disorder Patient Records. The final rule became effective on April 16, 2024; however, compliance with the rule isn't required until February 16, 2026.

- On April 26, 2024, the Office for Civil Rights ("OCR") published its final rulemaking on Reproductive Health Care Privacy in the Federal Register.

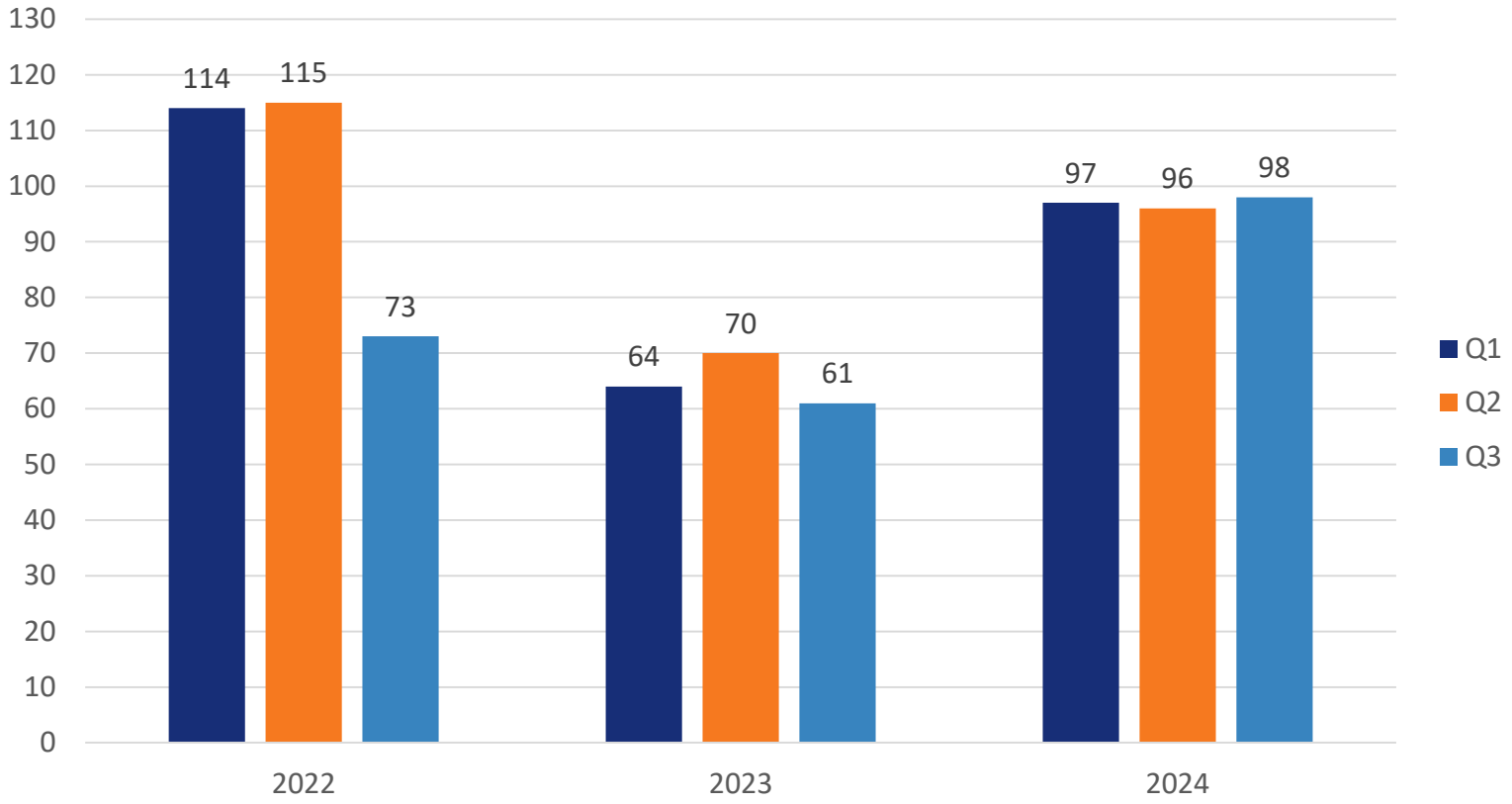
- The OCC is developing a plan to comply with both final rules, which will include changes to the System's Notice of Privacy Practices ("NPP"), and the Treatment, Payment, and Health Care Operations ("TPO") form.

- In addition, certain requestors of reproductive health records will be required to sign an Attestation which clearly states that the requested use or disclosure is not for a prohibited purpose.

- Prohibited purposes include:
  1. To conduct a criminal, civil, or administrative investigation into any person for the mere act of seeking, obtaining, providing, or facilitating lawful reproductive health care;
  2. To impose criminal, civil, or administrative liability on any person for the mere act of seeking, obtaining, providing, or facilitating lawful reproductive health care; and
  3. To identify any person for any purpose described in 1 or 2.

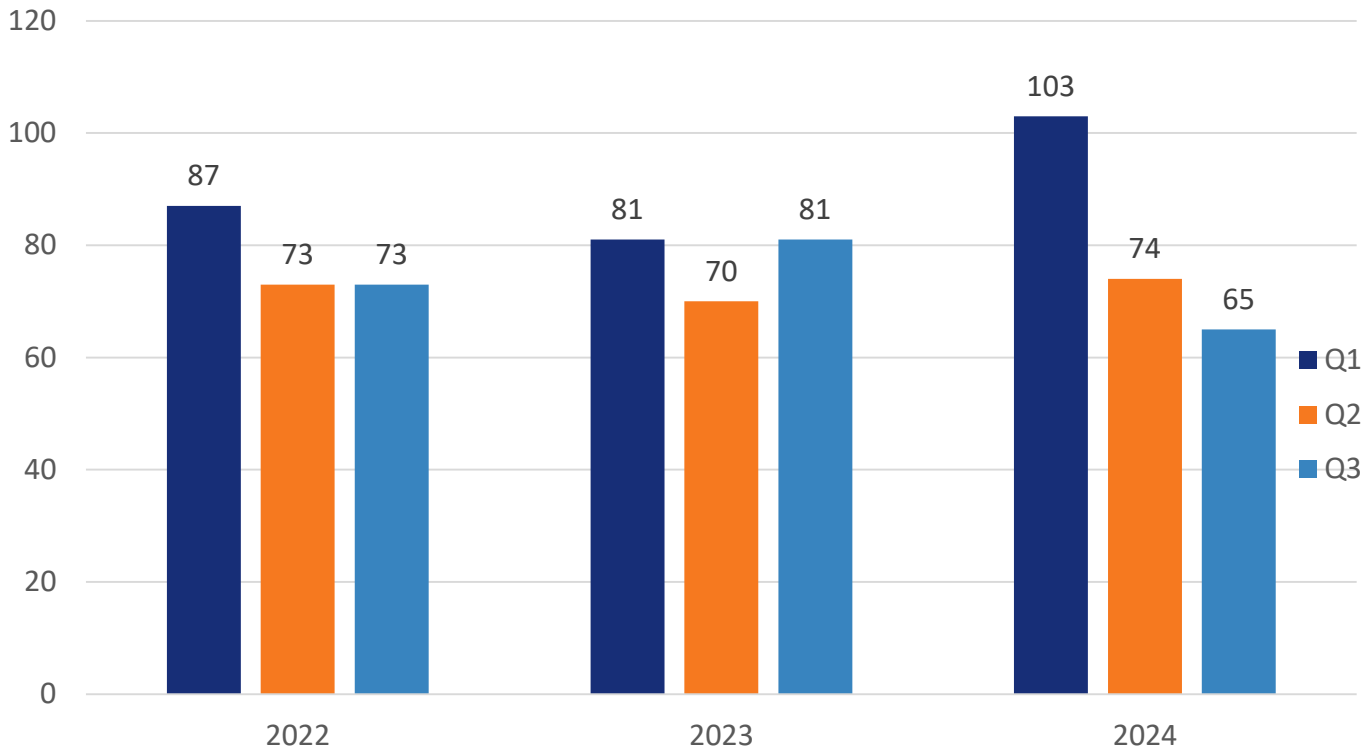
Compliance Report Metrics

- Comparative analysis of compliance cases for 2022, 2023, and 2024 (Q1, Q2 and Q3)

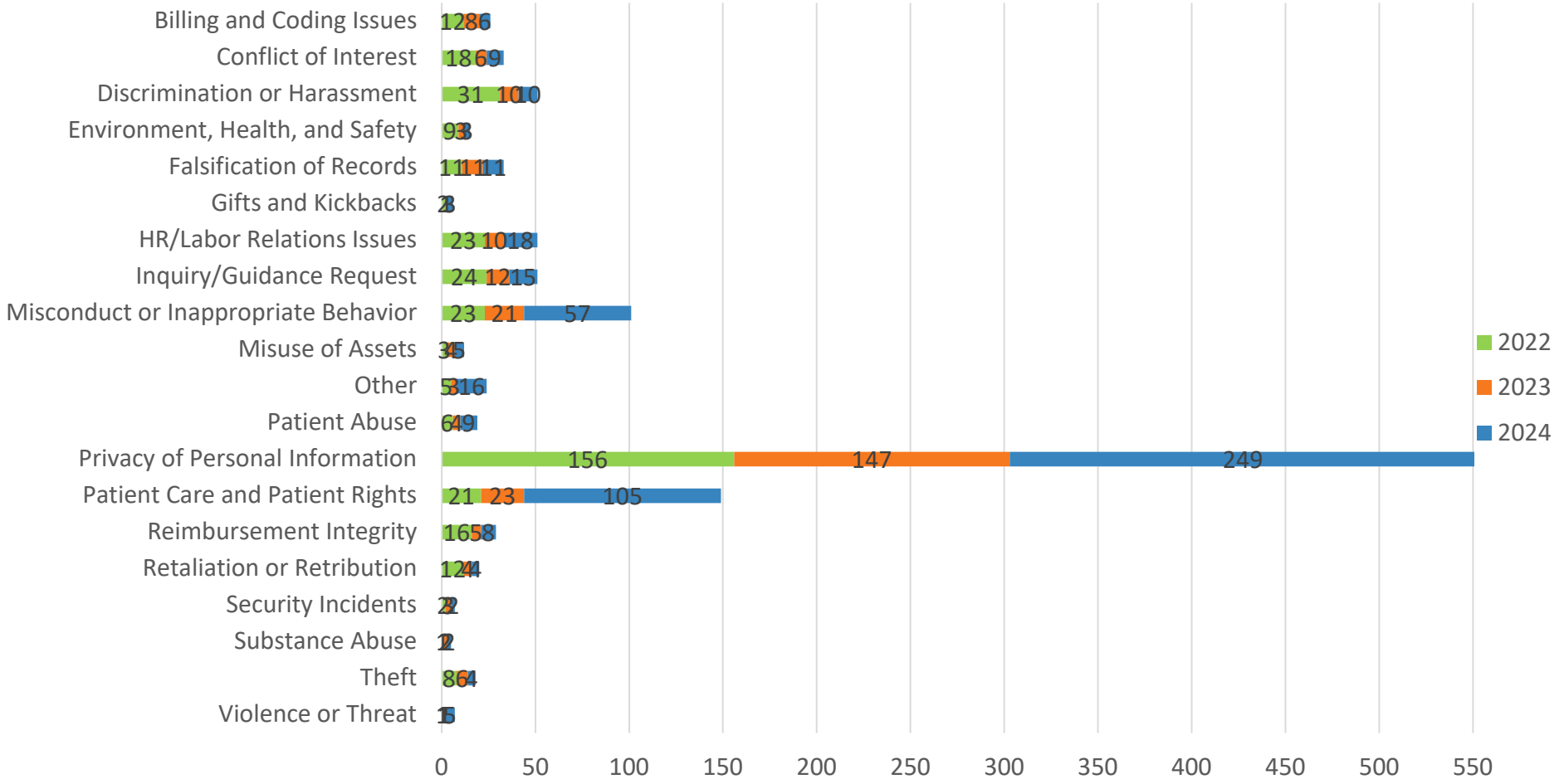


Privacy Report Metrics

- Comparative analysis of privacy cases for 2022, 2023, and 2024 (Q1, Q2 and Q3)



Issue Types


Billing and Coding Issues
Conflict of Interest
Discrimination or Harassment
Environment, Health, and Safety
Falsification of Records
Gifts and Kickbacks
HR/Labor Relations Issues
Inquiry/Guidance Request
Misconduct or Inappropriate Behavior
Misuse of Assets
Other
Patient Abuse
Privacy of Personal Information
Patient Care and Patient Rights
Reimbursement Integrity
Retaliation or Retribution
Security Incidents
Substance Abuse
Theft
Violence or Threat
57
156
147
249
105
0
50
100
150
200
250
300
350
400
450
500
550
2022
2023
2024