



**New York City Council Hearing**

**FY26 Executive Budget Hearing**

**Committee on Hospitals**

**Mitchell Katz, MD**

**President and Chief Executive Officer**

**NYC Health + Hospitals**

**May 22, 2025**

Good morning Chairpersons Brannan, Narcisse, and members of the Committees on Finance and Hospitals. I am Dr. Mitchell Katz, primary care physician and President and CEO of NYC Health + Hospitals (“Health + Hospitals”). I am joined today by John Ulberg, Senior Vice President and Chief Financial Officer at Health + Hospitals, and Dr. Patsy Yang, Senior Vice President at NYC Health + Hospitals for Correctional Health Services (CHS).

Health + Hospitals’ Executive Plan builds on our January Plan as the system continues to maintain our fiscal stability though ongoing challenges and uncertainty, especially externally remain. This includes including the expected timing of federal reimbursements, ongoing cost challenges related to inflation and staffing pressures, and federal Disproportionate Share Hospital (DSH) cuts. We also continue to evaluate the financial and programmatic impact of the recently enacted SFY25-26 State budget as well as proposals being released in Washington.

In our Executive Plan, we project that we will close FY25 with a closing cash balance of approximately \$598 million, or approximately 20 days cash-on-hand, and at a break-even operating margin for the year, all in line with our historical performance.

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

- We have closed March 2025 with a positive Net Budget Variance of \$167 million due to continued strong patient care revenue and risk pool performance.
- Our direct patient care revenue through March is \$779 million higher than the same period in FY24 continuing the pace of positive performance that we have achieved in the past several years as well as cash timing impacts we faced in FY24. We also continue to see growth in our patient care volume throughout the system.

- Finally, our Strategic Financial Initiatives remain on track and we are on target with our \$231 million incremental target for FY25.

In the Executive Budget, we were grateful to receive \$3.6 million in funding to continue the Mental Health Continuum initiative in FY26 with our partners from DOE and DOHMH. I am also very proud to share that we've been able to hire more than 600 nurses since the start of FY25, resulting in nearly 10,400 full- and part-time nurses across our System.

Nonetheless, as we said last year, there still remains major external uncertainty at the state and federal levels. Our team is assessing the impact of the newly enacted State budget but we can share that we are grateful to our champions and partners in Albany for their support of rate increases and investments as well as a continued focus on quality and value-based care. We do have continued concerns about enacted provisions that alter the amount and distribution structure for DSH funds and its interaction with other federal supplemental Medicaid funding. We continue to work with the State on proposals that will mitigate the risk and avoid major funding reductions to H+H but this risk remains.

On the national level, we are evaluating the recently released proposals by the House, including provisions related to Medicaid, Essential Plan, and Marketplace funding access. As the largest municipal safety-net system, we are focused on fiercely advocating against any proposal that would impact the ability for our patients to receive the high-quality, essential care they deserve. We continue to work with the NYC Congressional delegation in an effort to avoid harmful cuts. We also continue our ongoing advocacy to continue to delay federal DSH cuts that are now slated to begin October 1, 2025. We were grateful that they were again delayed by

Congressional action late last year thanks to our strong partners in Washington. As we continue to navigate this period of uncertainty, and we thank the Council for their continued advocacy on our behalf.

As we look to the out years, we are currently projecting manageable operating losses that we will continue to work to address. We continue efforts to mitigate the impact of the DSH cuts. We have continued to increase internal Strategic Initiatives and we also ask the Council for their continued strong advocacy on our behalf increasing Medicaid reimbursement rates and to fight the continued delay or elimination of these harmful cuts, slated to begin October 1, 2025. Day to day, we also continue to contend with the challenges of our physical plant and infrastructure needs. We are grateful to so many of you and other elected officials for your financial support for our capital needs, which are always top of mind for us.

I want to reiterate from our preliminary budget hearing, that through every challenge – whether from shifting political landscapes or unforeseen crises – our commitment to New Yorkers remains unwavering. We stand steadfast in our mission, ensuring that every decision we make is rooted in what is best for our patients. We will continue to provide the highest standard of care, guided by compassion, integrity, and an unshakable dedication to doing what's right.

I am grateful to these Committees for your tremendous support of NYC Health + Hospitals. I am happy to answer any questions you may have.