

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

Basic Financial Statements and Supplemental Schedules

June 30, 2025 and 2024

(With Independent Auditors' Report in Accordance with *Government Auditing Standards* Thereon)

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

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KPMG LLP
345 Park Avenue
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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 years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the years 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, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits 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 audits. 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*.

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 audits 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 17, 2025 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.

KPMG LLP

New York, New York
October 17, 2025

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis (Unaudited)

Summary of Statements of Net Position

Years ended June 30, 2025, 2024 and 2023

(In thousands)

	2025	2024	2023
	Business-type	Business-type	Business-type
	activities – HHC	activities – HHC	activities – HHC
	(as restated)		
Assets:			
Current assets	\$ 4,731,950	4,851,597	3,934,509
Capital assets, net	4,622,347	4,636,516	4,587,983
Lease and SBITAs, net	373,160	371,907	399,656
Other assets	238,793	316,433	342,235
Total assets	9,966,250	10,176,453	9,264,383
Deferred outflows:			
Deferred outflows from pension	296,822	321,563	433,456
Deferred outflows from postemployment benefits, other than pension	48,171	116,480	288,810
Asset retirement obligation	5,000	5,000	5,000
Liabilities:			
Current liabilities	3,457,167	3,505,041	3,233,469
Long-term debt, net of current installments	398,947	489,341	581,354
Noncurrent lease and SBITAs liabilities, net	393,281	384,342	409,826
Other noncurrent liabilities	604,418	559,008	522,526
Pension, net of current portion	1,192,426	1,659,002	1,837,343
Postemployment benefits, other than pension, net of current portion	4,176,026	4,328,536	4,142,503
Total liabilities	10,222,265	10,925,270	10,727,021
Deferred inflows:			
Deferred inflows from pension	175,814	36,096	45,494
Deferred inflows from postemployment benefits, other than pension	857,346	897,026	1,335,669
Deferred inflows from lease contracts	100,560	105,525	110,490
Unamortized refunding cost	548	719	925
Net position:			
Net investment in capital assets	4,487,817	4,311,161	4,203,506
Restricted	116,673	119,017	104,622
Unrestricted	(5,644,780)	(5,775,318)	(6,536,078)
Total net deficit position	\$ (1,040,290)	(1,345,140)	(2,227,950)

See accompanying notes to management's discussion and analysis.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis (Unaudited)

Summary of Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2025, 2024 and 2023

(In thousands)

	2025	2024	2023
	Business-type	Business-type	Business-type
	activities – HHC	activities – HHC	activities – HHC
	(as restated)		
Operating revenue:			
Net patient service revenue	\$ 8,366,408	8,631,192	8,211,795
Appropriations from City of New York, net	2,875,201	2,844,439	1,603,838
Grants revenue	426,875	944,734	501,840
Other revenue	162,700	175,819	214,256
UPL conversion prior period revenue	585,200	—	—
Total operating revenue	<u>12,416,384</u>	<u>12,596,184</u>	<u>10,531,729</u>
Operating expenses:			
Personal services, fringes benefits, and employer payroll taxes	5,737,035	5,020,498	4,452,428
Other than personal services	3,721,151	4,265,635	3,478,775
Pension	289,816	427,281	378,308
Postemployment benefits, other than pension	71,598	112,922	47,085
Affiliation contracted services	1,954,424	1,716,983	1,579,870
Depreciation	595,990	595,175	564,746
Total operating expenses	<u>12,370,014</u>	<u>12,138,494</u>	<u>10,501,212</u>
Operating income	46,370	457,690	30,517
Nonoperating expenses, net	<u>(101,216)</u>	<u>(87,158)</u>	<u>(123,229)</u>
(Loss) income before other changes in net deficit	(54,846)	370,532	(92,712)
Other changes in net deficit position:			
Capital contributions	359,696	512,278	627,458
Decrease in net deficit position	304,850	882,810	534,746
Net deficit position at beginning of year	<u>(1,345,140)</u>	<u>(2,227,950)</u>	<u>(2,762,696)</u>
Net deficit position at end of year	\$ <u>(1,040,290)</u>	<u>(1,345,140)</u>	<u>(2,227,950)</u>

See accompanying notes to management's discussion and analysis.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 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, 2025, 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 the *Statements of Net Position*, *Statements of Revenue, Expenses, and Changes in Net Position*, *Statements of Cash Flows*, and the Notes to the financial statements. These statements present, on a comparative basis, the financial position of NYC Health + Hospitals at June 30, 2025 and 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 each year's activities on the accrual basis of accounting, that is, when services are provided or obligations are incurred, not when cash is received or bills are paid. The financial statements also report the net position of NYC Health + Hospitals and how it has changed. Net position, or the difference between assets and liabilities and deferred inflows and deferred outflows of resources, is a way to measure the financial health of NYC Health + Hospitals. The *Statements of Cash Flows* provide relevant information about each year's cash receipts and cash payments and classifies them as operating, non-capital financing, capital and related financing, and investing activities. The Notes to the financial statements explain information in the financial statements and provide more detailed data.

Overall Financial Position and Operations

NYC Health + Hospitals' total net deficit position improved by \$304.9 million from June 30, 2024 to June 30, 2025, and improved by \$882.8 million from June 30, 2023, as restated, to June 30, 2024. See Note 1(r) for details about the restatement. The net investment in capital assets increased by \$176.7 million and \$107.7 million during fiscal years 2025 and 2024, respectively, due to increases in comprehensive energy projects, purchases of ambulances for the City's Emergency Medical Services-Fire Department of the City of New York ambulances, and the Out-posted Therapeutic Housing Units ("OTxHU") project. NYC Health + Hospitals' unrestricted net deficit position decreased by \$130.5 million between June 30, 2025 and June 30, 2024 due primarily to an increase in Disproportionate Share Hospital ("DSH") receivables. Fiscal year 2025 ended with an operating income of \$46.4 million compared with an operating income of \$457.7 million for the year ended June 30, 2024. The net deficit position benefited from \$345.2 million in capital contributions from the City of New York (the "City") and \$14.5 million in capital contributions from grantors and donors made in fiscal year 2025.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Significant financial ratios are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current ratio	1.37	1.38	1.20
Quick ratio	0.51	0.45	0.53
Days of cash on hand	13.78	17.04	29.33
Net number of days of revenue in patient receivables	52.25	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 2025 amounts when compared to fiscal year 2024 and, where appropriate, fiscal year 2024 amounts when compared to fiscal year 2023 amounts.

Statements of Net Position

Cash and cash equivalents – Decreased by \$94.4 million from June 30, 2024 to 2025 as short-term U.S. government securities increased \$154.4 million. Decreased by \$268.4 million from June 30, 2023 to 2024 due to the timing of patient cash receipts impacted by the Change Healthcare breach.

Patient accounts receivable, net – Increased by \$124.3 million from June 30, 2024 to June 30, 2025 due to the timing of UPL Conversion cash receipts. Remained consistent from fiscal year 2023 to 2024.

Estimated third-party payor settlements, receivable – Increased \$12.6 million and \$460.7 million in fiscal years 2025 and 2024, respectively, due to the change in UPL receivables when compared to the same period during the prior fiscal year.

Estimated pools receivable – Increased \$551.8 million from June 30, 2024 to 2025 due to an increase in DSH receivables. There were none in fiscal year 2024.

Grants receivable – Decreased \$565.2 million from June 30, 2024 to 2025 mainly due to receipt of funds from Federal Emergency Management Agency ("FEMA") related to COVID-19 and federal and State funding for the Humanitarian Emergency Response and Relief Centers ("HERRC") program. Increased \$500.4 million from June 30, 2023 to 2024 mainly due to funding from the FEMA related to COVID-19 and federal and State funding for HERRC program (Notes 17 and 18).

Assets restricted as to use (current and long term) – Decreased by \$47.6 million from June 30, 2024 to 2025 primarily due to a decrease in restricted fund investments and increased by \$16.6 million from June 30, 2023 to 2024 primarily due to additional restricted fund investments.

Other current assets and Other assets – Decreased by \$71.6 million during fiscal 2025 when compared to fiscal 2024 mainly due to decreases in inventory and prepaid expenses. Remained consistent from fiscal 2024 when compared to fiscal 2023.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Capital assets, net – Remained consistent from June 30, 2024 to 2025. Increased by \$48.6 million from June 30, 2023 to 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 Subscription-Based Information Technology Arrangements (“SBITAs”), net – Remained consistent from June 30, 2024 to 2025. Decreased \$27.7 million from June 30, 2023 to 2024 due to timely payments (Note 19).

Current and Non-current lease receivable, net – Remained consistent from June 30, 2024 to June 30, 2025 and from June 30, 2023 to 2024 (Note 19).

Deferred outflows of resources – Decreased \$93.0 million in fiscal year 2025 and \$284.2 million in fiscal year 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 – Increased \$94.9 million from June 30, 2024 to 2025 mainly due to an increase of deferred inflows from pensions. Decreased \$453.2 million from June 30, 2023 to 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 York City Office of the Actuary.

Accrued salaries, fringe benefits, payroll taxes, and accrued compensated absences (current and long-term) – Increased by \$16.6 million from June 30, 2024 to 2025 due to an increase in accrued compensated absences. Increased by \$66.5 million from June 30, 2023 to 2024 due to collective bargaining agreements.

Accounts payable and accrued expenses – Decreased \$167.5 million in fiscal year 2025 due to more timely payments to various vendors. 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 – Decreased by \$22.0 million from June 30, 2024 to 2025 due to an increase in Medicaid rates and increased by \$103.9 million from June 30, 2023 to 2024 due to a decrease in Medicaid and Medicare rates.

Estimated pools payable – Decreased \$11.1 million and \$412.9 million from June 30, 2024 to 2025 and from June 30, 2023 to 2024, respectively, due to a decrease in DSH payables.

Due to/Due from the City of New York, net – Increased \$366.5 million from June 30, 2024 to 2025 primarily due to more timely receipt of tax levy funds from the City of New York. Decreased \$138.7 million from June 30, 2023 to 2024 primarily due to NYC Health + Hospitals accruing for both fiscal years' 2023 and 2024 EMS payments to the City of New York.

Long-term debt (includes current installments) – Decreased \$89.9 million and \$69.8 million during fiscal years 2025 and 2024, respectively, due to scheduled principal payments and extinguishment of a direct borrowing.

Pension (current and long-term) – Decreased \$396.3 million and \$136.7 million from June 30, 2024 to 2025 and from June 30, 2023 to 2024, respectively, primarily due to changes in actual earnings on pension plan investments.

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Postemployment benefits, other than pension (current and long-term) – Decreased \$155.8 million in fiscal year 2025 mainly due to changes in actuarial assumptions. 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 \$176.7 million and by \$107.7 million in fiscal years 2025 and 2024, respectively, mainly due to increases in comprehensive energy projects and the OTxHU project.

Restricted – In fiscal year 2025, restricted net position remained consistent with the prior fiscal year and 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 \$130.5 million and a deficit decrease of \$1.1 billion when comparing fiscal years 2025 and 2024 balances, respectively.

Capital Assets, Net

NYC Health + Hospitals had capital assets, net of accumulated depreciation of \$4.6 billion in each of the fiscal years ending June 30, 2025, 2024, and 2023, as shown in the table below (in thousands):

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 135,354	40,535	20,108
Buildings and leasehold improvements	2,246,563	2,317,189	2,324,293
Equipment	1,601,165	1,557,144	1,547,636
Construction in progress	<u>639,265</u>	<u>721,648</u>	<u>695,946</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,622,347</u>	<u>4,636,516</u>	<u>4,587,983</u>

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Major changes to CIP during fiscal year 2023 through 2025 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"). The Outposted Therapeutic Housing Unit ("OTxHU") initiative looks to bridge the gap between the care provided in the jails and inpatient hospitalization. These secure, clinical units will house patients who have serious health conditions and would benefit from close, regular access to the specialty and subspecialty care available in three NYC Health + Hospitals community facilities – Bellevue, Woodhull, and North Central Bronx.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CIP balance as of June 30 (<i>in millions</i>)	\$ 262.9	190.4	142.5

- 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.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CIP balance as of June 30 (<i>in millions</i>)	\$ 27.4	94.8	113.9

- Comprehensive energy upgrade projects have been undertaken and they seek to reduce NYC Health + Hospitals' energy consumption and, in turn, greenhouse gas emissions. 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 roof top solar installation at Woodhull, comprehensive HVAC upgrades at North Central Bronx and extensive LED lighting upgrades and new controls at Queens and Coler Hospitals to comply with Local Law 88.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CIP balance as of June 30 (<i>in millions</i>)	\$ 60.0	36.5	88.6

- NYC Health + Hospitals continued work on its electronic medical records system ("EMR") known as H2O Epic (which contains work for both the Clinical and Revenue departments). H2O Epic 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.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CIP balance as of June 30 (<i>in millions</i>)	\$ 4.0	4.7	5.1

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

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Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Capital project costs during fiscal year 2025 are expected to be financed by New York City General Obligation Bonds, Transitional Finance Authority ("TFA") bonds, a New York State Grant called the Capital Restructuring Financing Program, FEMA grants, and will be supplemented by a portion of the proceeds of bonds issued by NYC Health + Hospitals.

Current and Long-Term Debt

At June 30, 2025, NYC Health + Hospitals had approximately \$480.2 million in current and long-term debt financing related to its capital assets, as shown with comparative amounts at June 30 (in thousands):

	2025	2024	2023
Bonds payable	\$ 390,376	448,233	478,808
Equipment and renovation financing (Sodexo)	—	444	1,463
JP Morgan equipment financing	33,006	35,313	37,563
Revolving loan (Citibank)	—	—	7,000
CISCO maintenance financing	56,828	86,126	115,082
Total	\$ 480,210	570,116	639,916

At June 30, 2025, NYC Health + Hospitals' outstanding bonds at par were approximately \$359.3 million, with 71.2% uninsured fixed rate and 28.8% 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 August 18, 2025, the Moody's, S&P, and Fitch long-term/short-term ratings for TD Bank and JPMorgan Chase Bank are A2/P-1, A+/A-1, and AA-/F1+ and Aa2/P-1, AA-/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, 2025, NYC Health + Hospitals had approximately \$373.1 million in lease assets, as shown with comparative amounts at June 30, 2024 and 2023 (in thousands):

	2025	2024	2023
Lease assets	\$ 341,926	347,672	370,957
Subscription IT assets	31,235	24,235	28,699
Total	\$ 373,161	371,907	399,656

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

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Statements of Revenue, Expenses, and Changes in Net Position

Net patient service revenue – Decreased by \$264.8 million during fiscal year 2025 due to a decrease in risk pool and DSH 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 \$30.8 million from June 30, 2024 to 2025 due to an increase in funds appropriated by the City for collective bargaining. Increased \$1.2 billion from June 30, 2023 to 2024 due to an increase in funds appropriated by the City for collective bargaining and HERRC.

Grants revenue – Decreased by \$517.9 million from June 30, 2024 to 2025 and increased by \$442.9 million from June 30, 2023 to 2024 mainly due to FEMA COVID-19 program and HERRC federal and State grant revenue.

Other revenue – Decreased by \$13.1 million during fiscal year 2025 due to decrease in various one-time payments received during fiscal year 2024 that did not repeat in fiscal year 2025. 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.

UPL conversion prior period revenue – Outpatient UPL Conversion revenue of \$585.2 million is included in total operating revenue for fiscal year 2025. There was no outpatient UPL Conversion reported in fiscal year 2024.

Personal services – Increased by \$605.6 million in fiscal year 2025 due to collective bargaining settlements and headcount. Increased by \$373.7 million in fiscal year 2024 due to collective bargaining settlements and headcount.

Other-than-personal services ("OTPS") – Decrease by \$544.5 million during fiscal year 2025 primarily due to a large decrease in HERRC OTPS. 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 \$110.9 million and \$82.7 million during fiscal years 2025 and 2024, respectively, due to an increase in health benefit rates and an increase in headcount.

Pension – Decreased by \$137.5 million during fiscal year 2025 resulting from the difference between projects and actual earnings on Plan investments. 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 is determined by the New York City Office of the Actuary (Note 10).

Postemployment benefits, other than pension – Decreased by \$41.3 million and increased by \$65.8 million from fiscal year 2025 versus 2024, respectively, due to a change in the discount rate 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. Reported amounts for OPEB are determined by the New York City Office of the Actuary (Note 11).

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

Affiliation contracted services – Increased by \$237.4 million and increased by \$137.1 million during fiscal years 2025 and 2024, respectively, due to contractual increases and estimated contract settlements.

Capital contributions funded by the City of New York, net – Remained consistent during fiscal year 2025 when compared to fiscal year 2024. 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 – Decreased by \$184.4 million during fiscal year 2025 due to the winding down of various projects funded by the Delivery System Reform Incentive Payment-Capital Restructuring Financing Program and FEMA grants and 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; and
- 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.

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)

Statements of Net Position
June 30, 2025 and 2024

(In thousands)

	June 30, 2025				June 30, 2024			
	Business-type activities – HHC	Discretely presented component unit-MetroPlus	Eliminations	Total	Business-type activities – HHC	Discretely presented component unit-MetroPlus	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 444,426	660,724	—	1,105,150	538,870	535,025	—	1,073,895
U.S. government securities	251,809	659,637	—	911,446	97,437	886,378	—	983,815
Patient accounts receivable, net	1,065,770	—	(413,021)	652,749	941,497	—	(486,185)	455,312
Premiums receivable	—	383,971	(14,290)	369,681	—	697,691	(9,477)	688,214
Estimated third-party payor settlements	1,269,400	—	(7,300)	1,262,100	1,256,800	—	(254,151)	1,002,649
Estimated pool receivable	551,800	—	—	551,800	—	—	—	—
Grants receivable	493,088	171	(2,370)	490,889	1,058,261	324	(1,413)	1,057,172
Assets restricted as to use and required for current liabilities	26,381	—	—	26,381	26,408	—	—	26,408
Due from City of New York	298,345	—	—	298,345	559,096	—	—	559,096
Current lease receivable, net	6,359	—	—	6,359	4,480	—	—	4,480
Other current assets	324,572	96,625	—	421,197	368,748	108,399	—	477,147
Total current assets	4,731,950	1,801,128	(436,981)	6,096,097	4,851,597	2,227,817	(751,226)	6,328,188
Assets restricted as to use, net of current portion	106,492	229,435	—	335,927	154,037	193,487	—	347,524
U.S. government securities	—	688,235	—	688,235	—	397,877	—	397,877
Other receivable	—	—	—	—	—	—	—	—
Capital assets, net	4,622,347	60,579	—	4,682,926	4,636,516	27,514	—	4,664,030
Lease and SBITAs, net	373,160	148,740	—	521,900	371,907	154,756	—	526,663
Noncurrent lease receivable, net	107,012	—	—	107,012	109,695	—	—	109,695
Other assets	25,289	472	—	25,761	52,701	—	—	52,701
Total assets	9,966,250	2,928,589	(436,981)	12,457,858	10,176,453	3,001,451	(751,226)	12,426,678
Deferred Outflows of Resources								
Deferred outflows from pension	296,822	28,307	—	325,129	321,563	29,093	—	350,656
Deferred outflows from postemployment benefits, other than pension	48,171	1,292	—	49,463	116,480	3,499	—	119,979
Asset retirement obligation	5,000	—	—	5,000	5,000	—	—	5,000
	\$ 10,316,243	2,958,188	(436,981)	12,837,450	10,619,496	3,034,043	(751,226)	12,902,313
Liabilities								
Current liabilities:								
Current installments of long-term debt	\$ 81,263	—	—	81,263	80,775	—	—	80,775
Current portion of lease and SBITAs liabilities, net	45,781	6,958	—	52,739	37,336	4,597	—	41,933
Accrued salaries, fringe benefits, and payroll taxes	452,500	19,841	(14,290)	458,051	481,319	22,198	(9,477)	494,040
Accounts payable and accrued expenses	1,241,797	1,538,224	(422,691)	2,357,330	1,409,282	1,696,124	(741,749)	2,363,657
Estimated third-party payor settlements	134,292	—	—	134,292	156,327	—	—	156,327
Estimated pools payable	—	—	—	—	11,100	—	—	11,100
Current portion of due to City of New York, net	703,432	—	—	703,432	597,744	—	—	597,744
Current portion of pension	584,947	18,900	—	603,847	514,701	16,411	—	531,112
Current portion of postemployment benefits obligation, other than pension	213,155	6,887	—	220,042	216,457	6,902	—	223,359
Total current liabilities	3,457,167	1,590,810	(436,981)	4,610,996	3,505,041	1,746,232	(751,226)	4,500,047
Long-term debt, net of current installments	398,947	—	—	398,947	489,341	—	—	489,341
Noncurrent lease and SBITAs liabilities, net	393,281	152,876	—	546,157	384,342	155,053	—	539,395
Accrued compensated absences, net of current portion	604,418	13,653	—	618,071	559,008	11,667	—	570,675
Long-term pension, net of current portion	1,192,426	18,476	—	1,210,902	1,659,002	36,740	—	1,695,742
Postemployment benefits obligation, other than pension, net of current portion	4,176,026	17,126	—	4,193,152	4,328,536	22,288	—	4,350,824
Total liabilities	10,222,265	1,792,941	(436,981)	11,578,225	10,925,270	1,971,980	(751,226)	12,146,024
Deferred Inflows of Resources								
Deferred inflows from pension	175,814	6,512	—	182,326	36,096	1,939	—	38,035
Deferred inflows from postemployment benefits, other than pension	857,346	22,765	—	880,111	897,026	24,048	—	921,074
Deferred inflows from lease activity	100,560	—	—	100,560	105,525	—	—	105,525
Unamortized refunding cost	548	—	—	548	719	—	—	719
	11,356,533	1,822,218	(436,981)	12,741,770	11,964,636	1,997,967	(751,226)	13,211,377
Net Position								
Net investment in capital assets	4,487,817	170,631	—	4,658,448	4,311,161	142,494	—	4,453,655
Restricted:								
For debt service	106,839	—	—	106,839	109,183	—	—	109,183
Expendable for specific operating activities	8,906	—	—	8,906	8,906	—	—	8,906
Nonexpendable permanent endowments	928	—	—	928	928	—	—	928
Contingent surplus reserve	—	598,457	—	598,457	—	647,643	—	647,643
Unrestricted	(5,644,780)	366,882	—	(5,277,898)	(5,775,318)	245,939	—	(5,529,379)
Total net (deficit) position	(1,040,290)	1,135,970	—	95,680	(1,345,140)	1,036,076	—	(309,064)
	\$ 10,316,243	2,958,188	(436,981)	12,837,450	10,619,496	3,034,043	(751,226)	12,902,313

See accompanying notes to basic financial statements.

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

Years ended June 30, 2025 and 2024

(In thousands)

	June 30, 2025				June 30, 2024			
	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	\$ 8,366,408	—	(1,323,749)	7,042,659	8,631,192	—	(1,537,694)	7,093,498
Appropriations from City of New York, net	2,875,201	—	—	2,875,201	2,844,439	—	—	2,844,439
Premium revenue	—	5,190,730	(163,662)	5,027,068	—	4,936,775	(109,277)	4,827,498
Grants revenue	426,875	531	(20,900)	406,506	944,734	563	(28,267)	917,030
Other revenue	162,700	1,115	—	163,815	175,819	1,587	—	177,406
UPL conversion prior period revenue	585,200	—	(345,600)	239,600	—	—	—	—
Total operating revenue	12,416,384	5,192,376	(1,853,911)	15,754,849	12,596,184	4,938,925	(1,675,238)	15,859,871
Operating expenses:								
Personal services	4,376,664	157,634	—	4,534,298	3,771,067	152,389	—	3,923,456
Other than personal services	3,721,151	4,941,332	(1,690,249)	6,972,234	4,265,635	4,545,920	(1,565,961)	7,245,594
Fringe benefits and employer payroll taxes	1,360,371	48,502	(163,662)	1,245,211	1,249,431	47,954	(109,277)	1,188,108
Pension	289,816	9,796	—	299,612	427,281	14,020	—	441,301
Postemployment benefits, other than pension	71,598	2,313	—	73,911	112,922	3,601	—	116,523
Affiliation contracted services	1,954,424	—	—	1,954,424	1,716,983	—	—	1,716,983
Depreciation	595,990	15,362	—	611,352	595,175	10,017	—	605,192
Total operating expenses	12,370,014	5,174,939	(1,853,911)	15,691,042	12,138,494	4,773,901	(1,675,238)	15,237,157
Operating income	46,370	17,437	—	63,807	457,690	165,024	—	622,714
Nonoperating revenue (expenses):								
Investment income	24,789	91,626	—	116,415	42,467	79,425	—	121,892
Interest expense	(145,828)	(9,169)	—	(154,997)	(144,772)	(4,877)	—	(149,649)
Contributions restricted for specific operating activities	19,823	—	—	19,823	15,147	—	—	15,147
Total nonoperating (expenses) revenue, net	(101,216)	82,457	—	(18,759)	(87,158)	74,548	—	(12,610)
(Loss) income before other changes in net position	(54,846)	99,894	—	45,048	370,532	239,572	—	610,104
Other changes in net position:								
Capital contributions funded by City of New York, net	345,233	—	—	345,233	313,401	—	—	313,401
Capital contributions funded by grantors and donors	14,463	—	—	14,463	198,877	—	—	198,877
Total other changes in net position	359,696	—	—	359,696	512,278	—	—	512,278
Increase in net position	304,850	99,894	—	404,744	882,810	239,572	—	1,122,382
Net (deficit) position at beginning of period	(1,345,140)	1,036,076	—	(309,064)	(2,227,950)	796,504	—	(1,431,446)
Net (deficit) position at end of period	\$ (1,040,290)	1,135,970	—	95,680	(1,345,140)	1,036,076	—	(309,064)

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Periods ended June 30, 2025 and 2024

(In thousands)

	2025 Business-type activities – HHC	2024 Business-type activities – HHC
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 8,239,726	7,888,190
Cash appropriations received from City of New York	3,189,443	2,568,913
Cash appropriations remitted to City of New York	(52,973)	(62,892)
Receipts from grants	992,048	444,292
Other receipts	151,297	164,302
Cash paid for personal services, fringe benefits, employer payroll taxes, and postemployment benefits obligation, other than pension	(5,893,791)	(5,139,572)
Cash paid for pension	(540,074)	(468,672)
Cash paid for other than personal services	(3,899,126)	(3,739,610)
Cash paid for affiliation contracted services	(1,912,765)	(1,681,732)
Net cash provided by (used in) operating activities	<u>273,785</u>	<u>(26,781)</u>
Cash flows from noncapital financing activity:		
Proceeds from contributions restricted for specific operating activities	<u>19,823</u>	<u>15,147</u>
Net cash provided by noncapital financing activity	<u>19,823</u>	<u>15,147</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(500,499)	(503,857)
Capital contributions by grantors and donors	28,135	99,768
Capital contributions by City of New York	337,455	336,378
Cash paid for capital retainage	(2,827)	(984)
Payments of long-term debt	(80,774)	(55,732)
Cash paid for leases and IT subscriptions	(58,033)	(12,317)
Interest paid including capitalized interest	(17,310)	(14,710)
Net cash used in capital and related financing activities	<u>(293,853)</u>	<u>(151,454)</u>
Cash flows from investing activities:		
Purchases of assets restricted as to use	(199,452)	(128,629)
Proceeds from sales of assets restricted as to use	247,051	112,077
Cash invested in U.S. Government securities	(896,178)	(300,951)
Cash received from sales and maturities of U.S. Government securities	747,271	203,514
Interest received	7,109	8,651
Net cash used in investing activities	<u>(94,199)</u>	<u>(105,338)</u>
Net decrease in cash and cash equivalents	(94,444)	(268,426)
Cash and cash equivalents at beginning of year	<u>538,870</u>	<u>807,296</u>
Cash and cash equivalents at end of year	<u>\$ 444,426</u>	<u>538,870</u>
Supplemental disclosure:		
Change in fair value of assets restricted as to use	\$ (3,235)	2,077
Capital assets included within accounts payable and accrued expenses	78,745	78,164

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of The City of New York)

Statements of Cash Flows

Periods ended June 30, 2025 and 2024

(In thousands)

	2025	2024
	<u>Business-type</u>	<u>Business-type</u>
	<u>activities – HHC</u>	<u>activities – HHC</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 46,370	457,690
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	595,990	595,175
Provision for bad debts	268,176	544,617
Changes in assets and liabilities:		
Patient accounts receivable, net	(392,449)	(529,537)
Premiums receivable	—	—
Estimated third-party payor settlements, net	(34,635)	(356,828)
Estimated pools, net	(562,900)	(412,900)
Grants receivable	565,173	(500,442)
Lease receivable	804	658
Other current assets	44,176	(29,856)
Accrued salaries, fringe benefits, payroll taxes, and compensated absences	16,591	66,504
Pension	(231,871)	(34,173)
Accounts payable and accrued expenses	(170,782)	220,333
Due to City of New York, net	256,325	29,378
Postemployment benefits obligation, other than pension	<u>(127,183)</u>	<u>(77,400)</u>
Net cash provided by (used in) operating activities	\$ <u>273,785</u>	<u>(26,781)</u>

See accompanying notes to basic financial statements.

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

Notes to Financial Statements

June 30, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) Organization

The State of New York (the "State"), in Chapter 1016 of the Laws of 1969, adopted the HHC Act (the "Enabling Act") and created the New York City Health and Hospitals Corporation ("NYC Health + Hospitals"), a New York public benefit corporation for the purpose of operating the municipal hospital system of the City of New York (the "City"). Pursuant to the Enabling Act, the City and NYC Health + Hospitals entered into an agreement dated June 16, 1970 by which the City transferred to NYC Health + Hospitals operational control of the City hospital system, the assets and personnel used and committed certain ongoing financial support (the "Agreement"). Over its fifty plus years of operation, NYC Health + Hospitals, has stabilized, modernized and improved the City's hospital system. Currently such system consists of eleven acute care hospitals, five long-term care facilities, ten diagnostic and treatment centers, many hospital-based and neighborhood clinics and a certified home health agency. Through a related entity, MetroPlus Health Plan, Inc. ("MetroPlusHealth"), NYC Health + Hospitals operates a health insurer.

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 public benefit and not-for-profit subsidiaries that are reported as 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 in 1993 to secure NYC Health + Hospitals' 1993 Series A bonds. The sole purpose of HHC Capital is to accept Medicaid revenue assigned to it by NYC Health + Hospitals 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 of such revenue being transferred to NYC Health + Hospitals.
- HHC Insurance Company, Inc. ("HHC Insurance") was created in 2003. It is a not-for-profit captive insurance company licensed by the New York State Insurance Department. HHC Insurance underwrites medical malpractice insurance for NYC Health + Hospitals' attending physicians who specialize in 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 (the "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

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

Notes to Financial Statements

June 30, 2025 and 2024

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 healthcare 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 MMIP are all the licensed medical malpractice carriers in New York State.

- The HHC Physicians Purchasing Group, Inc. (“HHC Purchasing”) was formed in 2003 to act as a purchasing group within the State. 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”) was formed in June 2012 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, 2029.
- New York Community IPA, Inc. (“NYC IPA”) was formed in April 2022 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”), was formed in October 2012. 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.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Notes to Financial Statements

June 30, 2025 and 2024

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 31 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 Health + 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.

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(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, 2025 and 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, 2025 and 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 estimates related to third-party reimbursement and grants revenue resulted in an overall net decrease of \$639.1 million in total operating revenue for the year ended June 30, 2025 and 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.

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(g) Patient Accounts Receivable, Net and Net Patient Service Revenue

NYC Health + Hospitals has agreements with certain third-party payors that provide for payments at amounts different from its charges or established rates. Payment arrangements include prospectively determined rates, discounted charges, per diem payments, and value-based payment arrangements; a payment relationship in which there is a shift from a pure volume-based payment (i.e., fee for service) to an outcome-based payment where health providers are paid based on improvement of health of the patient rather than volume of services provided to the patient. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated third-party payor settlements resulting from audits, reviews, and investigations. These estimated third-party payor settlements are accrued in the period the related services are rendered and adjusted in future periods as revised information becomes known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue was reported net of the provision for bad debts of \$268.2 million in fiscal year 2025 and \$544.6 million in fiscal year 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, 2025 and 2024, was approximately \$440.1 million and \$528.9 million, respectively.

(h) Appropriations from the City of New York, Net

NYC Health + Hospitals considers appropriations from the City to be ongoing and central to the provision of healthcare services and, accordingly, classifies them as operating revenue. Funds appropriated from the City are direct or indirect payments made by the City on behalf of NYC Health + Hospitals for the following:

- Settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts (Note 12).
- Patient care rendered to prisoners (Note 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.

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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 fiscal years 2025 and 2024, the medical malpractice and general liability settlements paid by the City were \$47.1 million and \$53.0 million, respectively. As the City obligates NYC Health + Hospitals to pay back amounts paid on its behalf, NYC Health + Hospitals records the amount obligated as a liability, or increase, in Due to the City of New York, net. Such medical malpractice, negligence, and other 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 years 2025 and 2024 alleviated \$263.4 million and \$344.8 million owed to the City by NYC Health + Hospitals, respectively. As the City obligates NYC Health + Hospitals to pay back amounts paid on its behalf, NYC Health + Hospitals records the amount obligated as a liability, or increase, in Due to the City of New York, net. 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. For the years ended June 30, 2025 and 2024, there was no debt service obligation due to the City.

(i) Capital Assets and Depreciation

The City holds legal title to most of the real estate on which NYC Health + Hospitals' facilities are located. Those are leased from the City for \$1 per year. Several properties are on land owned by NYC Health + Hospitals itself. Some smaller facilities are located on properties owned by third parties and rented to NYC Health + Hospitals under conventional commercial leases. Structures on City-owned land constructed after June 16, 1970 are owned by NYC Health + Hospitals and they, together with furniture, fixtures, and equipment used throughout NYC Health + Hospitals are all owned by NYC Health + Hospitals. Only NYC Health + Hospitals is the beneficiary of such assets and only NYC Health + Hospitals is responsible for their control and maintenance. Accordingly, all such assets are subject to depreciation by NYC Health + Hospitals. Since April 1, 1993, NYC Health + Hospitals has funded a significant portion of its capital assets through the issuance of its own debt. However, the City financed major modernizations of several facilities as well as capital infrastructure, enterprise technology systems, and medical equipment capital acquisitions and continues to include funding for NYC Health + Hospitals in the City's Capital Plan.

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Capital assets have been capitalized in the accompanying Statement of Net Position for NYC Health + Hospitals 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; and
- (iii) Donated assets are 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 years ended June 30, 2025 and 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 exclude 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).

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(j) Custodial Funds

NYC Health + Hospitals holds funds for safekeeping, primarily cash held for the benefit of its long-term care patients, amounting to approximately \$2.0 million and \$2.1 million in the fiscal years ended June 30, 2025 and 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 Statement 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.

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(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 non-expendable 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.

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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

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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.

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(t) New Accounting Standards Adopted

In fiscal year 2025, NYC Health + Hospitals adopted two new GASB standards and neither had a significant impact on the financial statements. They are:

GASB Statement No. 101, Compensated Absences

This Statement enhances accounting and financial reporting requirements for compensated absences by updating the recognition and measurement guidance for these obligations. See Note 1(p) for detailed information on the treatment of compensated absences.

GASB Statement No. 102, Certain Risk Disclosures

This Statement enhances accounting and financial reporting requirements for certain risk disclosures to provide more reliable information in connection with enhanced risk assessments due to concentrations or constraints associated with certain obligations as they come due.

(u) Subsequent Events

NYC Health + Hospitals has evaluated subsequent events through October 17, 2025, which is the date the financial statements were issued. Except as disclosed in Note 8, 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, 2025 and 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 year ended June 30 (in thousands):

	<u>2025</u>	<u>2024</u>
Charges foregone, based on established rates	\$ 1,453,057	1,295,868
Estimated expenses incurred to provide charity care	774,495	714,038

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(4) Patient Accounts Receivable, Net and Net Patient Service Revenue

Most of NYC Health + Hospitals' net patient service revenue is from funds received on behalf of patients under governmental health insurance plans. Revenue from these governmental plans is based upon relevant reimbursement principles and is subject to audit by the applicable payors. Certain payors have performed audits and have proposed various disallowances, which other payors may similarly assert.

Disproportionate Share Hospital ("DSH") and Upper Payment Limit ("UPL") are supplemental payments to hospitals for their care to the indigent and are included in net patient service revenue. Hospital participants of DSH serve a significantly disproportionate number of low-income patients and receive payments from CMS to cover the costs of providing care to uninsured patients. The UPL is a federal limit placed on a fee-for-service reimbursement of Medicaid providers. The UPL is the maximum a given state's Medicaid program may pay a type of provider in the aggregate, statewide, in Medicaid fee-for-service. State Medicaid programs cannot claim federal matching dollars for provider payments in excess of the applicable UPL; however, UPL federal regulations allow states to pay Medicaid providers up to Medicare levels or the costs of care.

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

	2025		2024	
Medicaid	\$ 1,755,534	21.0 %	2,164,390	25.1 %
Medicare	896,108	10.7	707,037	8.2
Bad debt/charity care pools	207,575	2.5	332,336	3.9
Disproportionate share supplemental pool	520,709	6.2	839,000	9.7
Other third-party payors that include Medicaid and Medicare managed care	3,279,395	39.1	3,024,885	35.0
MetroPlus	1,669,349	20.0	1,537,694	17.8
Self-pay	37,738	0.5	25,850	0.3
	<u>\$ 8,366,408</u>	<u>100.0 %</u>	<u>8,631,192</u>	<u>100.0 %</u>

UPL prior period conversion revenue is from Medicaid managed care.

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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 30 (in thousands):

	2025		2024		
Medicaid	\$	173,547	16.3 %	174,819	18.6 %
Medicare		105,454	9.9	85,127	9.0
Other third-party payors, that include Medicaid and Medicare managed care		371,913	34.9	193,370	20.5
MetroPlus		413,021	38.7	486,185	51.7
Self-pay		1,835	0.2	1,996	0.2
	\$	1,065,770	100.0 %	941,497	100.0 %

(5) Capital Assets

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

	2025	2024
Land and land improvements	\$ 184,122	83,146
Buildings and leasehold improvements	5,694,642	5,604,089
Equipment	<u>6,202,092</u>	<u>5,865,455</u>
	12,080,856	11,552,690
Less accumulated depreciation	<u>8,097,774</u>	<u>7,637,822</u>
	3,983,082	3,914,868
Construction in progress	<u>639,265</u>	<u>721,648</u>
Capital assets, net of accumulated depreciation	<u>\$ 4,622,347</u>	<u>4,636,516</u>

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Capital assets activity for the year ended June 30 was as follows (in thousands):

		Land and land improvements	Buildings and leasehold improvements	Equipment	Construction in progress	Total
June 30, 2023 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		<u>(21)</u>	<u>957</u>	<u>(62,909)</u>	<u>—</u>	<u>(61,973)</u>
June 30, 2024 balance		83,146	5,604,089	5,865,455	721,648	12,274,338
Acquisitions, net of transfers		100,978	103,365	412,542	(82,383)	534,502
Sales, retirements, and adjustments		<u>(2)</u>	<u>(12,812)</u>	<u>(75,905)</u>	<u>—</u>	<u>(88,719)</u>
June 30, 2025 balance	\$	<u>184,122</u>	<u>5,694,642</u>	<u>6,202,092</u>	<u>639,265</u>	<u>12,720,121</u>

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

		Land and land improvements	Buildings and leasehold improvements	Equipment	Total
June 30, 2023 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		<u>(24)</u>	<u>498</u>	<u>(56,653)</u>	<u>(56,179)</u>
June 30, 2024 balance		42,611	3,286,900	4,308,311	7,637,822
Depreciation expense		6,175	164,110	388,158	558,443
Sales, retirements, and adjustments		<u>(18)</u>	<u>(2,930)</u>	<u>(95,543)</u>	<u>(98,491)</u>
June 30, 2025 balance	\$	<u>48,768</u>	<u>3,448,080</u>	<u>4,600,926</u>	<u>8,097,774</u>

The 2025 capital budget is expected to be financed by New York City General Obligation Bonds, TFA bonds, a New York State Grant called the Capital Restructuring Financing Program, FEMA grants, and will be supplemented by a portion of the proceeds of bonds issued by the Corporation.

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(6) Assets Restricted as to Use

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

	<u>2025</u>	<u>2024</u>
Under bond resolutions ^a		
Construction funds	\$ 12,980	19,601
Capital reserve funds	69,129	68,384
Revenue funds	<u>37,710</u>	<u>40,799</u>
	119,819	128,784
Restricted donations and FEMA	11,208	46,896
Permanent endowments	928	928
Equipment financing ^b	<u>918</u>	<u>3,837</u>
Total assets restricted as to use	132,873	180,445
Less current portion of assets restricted as to use	<u>26,381</u>	<u>26,408</u>
Assets restricted as to use, net of current portion	<u>\$ 106,492</u>	<u>154,037</u>

- 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 equipment financing escrow funds are mostly invested in U.S. Treasury securities maturing in 397 days or less, plus repurchase agreements that are fully collateralized by U.S. Treasury securities (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 2025.

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

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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 30 (in thousands):

		2025		
		Fair value	Level 1	Level 2
Cash and U.S. Treasury bills	\$	132,873	35,772	97,101

		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 and U.S. Bonds. 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 30, NYC Health + Hospitals had the following U.S. government securities (in thousands):

Year	Investment type	Fair value	Investment maturing in Less than 1 year
2025	U.S. Treasury bills and U.S. Bonds	\$ 251,809	251,809
2024	U.S. Treasury bills	97,437	97,437

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(8) Long-term Debt

	<u>2025</u>	<u>2024</u>
Bonds payable:		
2020 Series A Fixed Rate Health System Bonds – weighted average interest of 4.69%, payable in installments to 2048:		
Uninsured Bonds (a)	\$ 286,721	335,578
2008 Series B, C, D, and E Variable Rate Health System Bonds – subject to short-term liquidity arrangements, weighted average of 3.60% in 2024 payable in installments to 2031:		
Uninsured Bonds (b)	<u>103,655</u>	<u>112,655</u>
Total bonds payable	<u>390,376</u>	<u>448,233</u>
Direct borrowings:		
2022 JP Morgan Equipment Financing (c)	<u>33,006</u>	<u>35,313</u>
Total direct borrowings	<u>33,006</u>	<u>35,313</u>
Other debt agreements:		
Equipment and renovation financing (Sodexo) (d)	—	444
CISCO Maintenance Financing (e)	<u>56,828</u>	<u>86,126</u>
Total other debt agreements	<u>56,828</u>	<u>86,570</u>
Total long-term debt	480,210	570,116
Less current installments	<u>81,263</u>	<u>80,775</u>
Total long-term debt, net of current installments	\$ <u>398,947</u>	<u>489,341</u>

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

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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, 2025 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
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	42,340	4,277	46,617
2031–2035	13,550	13,224	26,774
2036–2040	17,295	9,410	26,705
2041–2045	21,535	5,189	26,724
2046–2048	14,995	990	15,985
Total	255,670	69,174	324,844
Premium on 2020 bonds	31,051	—	31,051
	<u>\$ 286,721</u>	<u>69,174</u>	<u>355,895</u>

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(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 subseries, 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, 2025.

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 3.6% for 2025 and 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.

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The following table summarizes debt service requirements for all of the 2008 Series Bonds as of June 30, 2025 (in thousands). The interest payments are based on the interest rate in effect at June 30, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2026	\$ 20,475	1,896	22,371
2027	15,895	1,525	17,420
2028	16,250	1,208	17,458
2029	16,635	885	17,520
2030	17,010	553	17,563
2031	17,390	215	17,605
Total	\$ <u>103,655</u>	<u>6,282</u>	<u>109,937</u>

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 2.64% with final maturity of June 15, 2037.

The following table summarizes debt service requirements for the equipment financing agreement as of June 30, 2025 (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
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	2,633	586	3,219
2031–2035	14,257	1,836	16,093
2036–2037	6,250	187	6,437
Total	\$ <u>33,006</u>	<u>5,619</u>	<u>38,625</u>

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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 was responsible for \$1.5 million and NYC Health + Hospitals was responsible for the remaining \$6.5 million. The \$6.5 million was amortized over the remaining contract term and payment is made monthly as part of the contract. All assets acquired under this addendum to the master agreement have been capitalized and the related obligation was reflected in the accompanying financial statements.

There was no stated interest associated with this agreement. Monthly payments were payable in the amount of a daily specified rate of \$2,580 multiplied by the number of days in that month. The last payment was made in December 2024.

(e) *CISCO Maintenance Financing*

On May 24, 2022, NYC Health + Hospitals entered into a \$101.0 million taxable lease purchase agreement with Key Government Finance, Inc. This agreement extends the previous Cisco SmartNet contract from September 2019, ensuring continued support for the organization's Cisco networking equipment, including Voice over Internet Protocol ("VoIP") phones, wireless communication systems, and other related devices. The debt associated with this agreement is secured by the equipment financed and the maturity date is June 30, 2027.

Also 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. The loan proceeds were used to purchase a licensing and/or software subscription from Cisco. The loans will mature on June 30, 2027.

The lease purchase agreement complies with the lease reporting requirements outlined in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The liabilities are amortized and are part of the lease amounts reported on the financial statements. See Note 19 for additional information.

While the amount presented in this Note pertains to maintenance costs associated with the leases, it is important to note that these maintenance costs do not meet lease reporting requirements and are, therefore, reported separately within this section.

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The following table summarizes debt service requirements as of June 30, 2025 (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2026	\$ 28,088	1,013	29,101
2027	28,740	361	29,101
Total	<u>\$ 56,828</u>	<u>1,374</u>	<u>58,202</u>

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

On May 30, 2019, NYC Health + Hospitals issued a Guaranty on behalf of the HHC ACO to TD Bank in connection with TD Bank's issuance of an unsecured Irrevocable Standby Letter of Credit in the amount of \$1,250,000 for the benefit of CMS on behalf of the HHC ACO, as a blended component unit of the NYC Health + Hospitals. The Guaranty is a continuing guaranty of payment and performance of the HHC ACO. The expiration of the letter of credit after automatic renewal is December 31, 2026, with an annual automatic renewal and a final expiration date not exceeding December 31, 2030. On February 28, 2022, the letter of credit amount was amended to reduce the amount to \$525,000. No amount has been drawn against this letter of credit.

Upon the occurrence and during the continuance of any Events of Default, such as failure to pay any required payment when due, amounts unpaid when due will bear interest at the Default Rate of 3% plus the Prime Rate or the highest rate permitted by law from the due date until the date paid.

Letter of Credit HHC Insurance Company

NYC Health + Hospitals established a letter of credit on behalf of the HHC Insurance Company to fulfill a requirement by the New York State Insurance Department for captive insurance companies to hold certain monies in reserve. The letter of credit was issued in the amount of \$250,000 for the benefit of NYSDFS. It is automatically renewable annually. No amount has been drawn against this letter of credit.

Subsequent Event – Debt Issuance

2025 Series A Bonds

On August 27, 2025, NYC Health + Hospitals issued \$242.9 million of tax-exempt fixed rate Health System Bonds, 2025 Series A bonds (the "2025 Bonds"). This bond issuance included 5% coupon uninsured serial bonds due annually from February 15, 2032 through February 15, 2042 with interest payable on February 15th and August 15th of each year. This issuance generated a premium of

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\$17.8 million. The bond proceeds provided \$250 million of capital funds to finance the NYC Health + Hospitals' capital projects, with the remainder to finance the capital reserve and the costs of issuance.

(9) Due To/(From) the City of New York, Net

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

	<u>2025</u>	<u>2024</u>
FDNY EMS operations ^a	\$ 506,822	452,145
Medical malpractice payable ^b	47,148	52,973
Other accrued expenses ^c	46,355	42,542
Capital contributions from the City of New York	(39,846)	(39,612)
Appropriations from the City of New York	(258,499)	(362,688)
HERRC ^d	6,154	(156,796)
T2 Advance ^e	96,953	50,084
	<u>\$ 405,087</u>	<u>38,648</u>

^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 12e).

^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

(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 184,126 active municipal employees, 173,106 pensioners, 30,162 deferred vested members, and 39,846 members who are no longer on payroll through \$105.8 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 year ended June 30, 2025 was \$3.3 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

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NYCERS and additions to/deductions from NYCERS' fiduciary net position have been determined on the same basis as they are reported by NYCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NYCERS QPP provides three main types of retirement benefits: service retirements, ordinary disability retirements (non-job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different "Tiers." The members' Tiers are determined by the date of membership in the QPP. Subject to certain conditions, members generally become fully vested for benefits upon the completion of 5 years of service. Employees may be required to contribute a percentage of their salary to the pension plan based on their Tier, determined by their date of membership in the plan. Annual pension benefits can be calculated as a percentage of final average salary multiplied by the number of years of service and changes with the number of years of membership within the plan.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS Board. Employees' contributions are determined by their Tier and number of years of service. Statutorily required contributions ("Statutory Contributions") to NYCERS, determined by the New York City Office of the Actuary in accordance with State statutes and City laws, are funded by the Employer within the appropriate fiscal year.

NYC Health + Hospitals' net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense are calculated by the City of New York's Office of the Actuary (the "Actuary") and include the information for MetroPlusHealth. At June 30, 2025 and 2024, NYC Health + Hospitals reported a liability of \$1.8 billion and \$2.2 billion for its proportionate share of the NYCERS net pension liability, respectively. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2024 and 2023 and were rolled forward to each respective fiscal year. NYC Health + Hospitals' proportion of the net pension liability for each fiscal year was based on NYC Health + Hospitals' actual contributions to NYCERS relative to the total contributions of all participating employers for 2025 and 2024, respectively, which was 13.7% and 13.5%. NYC Health + Hospitals made contributions of \$540.1 million and \$483.6 million for 2025 and 2024, respectively.

(a) Actuarial Assumptions

For the June 30, 2024 and 2023 actuarial valuations, the pension results 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
Investment rate of return	7%

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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 Milliman and included experience through June 30, 2019. For more details, see the Office of the Comptroller of the City of New York's website:

<https://comptroller.nyc.gov/reports/new-york-city-retirement-systems-independent-actuary-statement-for-office-of-the-comptroller/>

(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 tables:

<u>2024 valuation</u>	Target target asset allocation	Long-term expected real rate of return
Asset class		
Public markets:		
U.S. Public market equities	23.5 %	6.7 %
Developed public market equities	11.6	7.1
Emerging public market equities	4.9	8.3
Fixed income	31.0	3.0
Private markets (alternative investments):		
Private equity	10.0	11.2
Private real estate	8.0	7.0
Infrastructure	4.5	6.3
Opportunistic fixed income	6.5	8.3
	<u>100.0 %</u>	

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<u>2023 valuation</u>		Target target asset allocation	Long-term expected real rate of return
Asset class			
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
Opportunistic fixed income		6.5	8.5
		<u>100.0 %</u>	

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2025 and 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% for both years, 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 or 1-percentage-point higher than the current rate (in billions):

<u>2025</u>	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
NYC Health + Hospitals' proportionate share of the net pension liability	\$ 3.437	1.815	0.447
<u>2024</u>	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

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(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at June 30, 2025 and 2024 (in thousands):

	2025		2024	
	Deferred outflows	Deferred inflows	Deferred outflows	Deferred inflows
Differences between expected and actual experience	\$ 282,980	3,578	\$ 313,898	6,955
Changes in assumptions	—	9,121	—	19,794
Changes in proportion	42,149	12,527	7,717	11,286
Net difference between projected and actual investment earnings on pension plan investments	—	157,100	29,041	—
Net	<u>\$ 325,129</u>	<u>182,326</u>	<u>\$ 350,656</u>	<u>38,035</u>

The deferred inflows and outflows of resources at June 30, 2025 will be recognized in expense as follows (in thousands):

	Amount
Year ended June 30:	
2026	\$ 278,312
2027	(59,575)
2028	(53,529)
2029	(32,555)
2030	10,150
	<u>\$ 142,803</u>

(e) Annual Pension Expense

NYC Health + Hospitals' annual pension expense for fiscal years ended 2025 and 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 \$297.8 million and \$440.1 million, respectively.

(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

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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, 2024, the following employees were covered by the benefit terms:

Employees covered by benefit terms:		
Active	\$	33,594
Deferred		3,657
Retirees		<u>25,400</u>
Total	\$	<u><u>62,651</u></u>

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 2025 and 2024, NYC Health + Hospitals' contributions were \$205.3 million and \$200.2 million, respectively, which includes amounts for the implicit rate subsidy. The implicit rate subsidy is the incremental increase in the premium cost of coverage for retirees who are not yet eligible for Medicare. This cost is accounted for when calculating the actuarial liability for an OPEB plan. For the years ended June 30, 2025 and 2024, the NYC Health + Hospitals' average contribution rate was 6.6% and 7.4%, respectively, of covered-employee payroll.

Total OPEB Liability: NYC Health + Hospitals total OPEB liability measured at June 30, 2025 and 2024 of \$4.4 billion and \$4.6 billion, respectively, was determined by the actuarial valuation as of June 30, 2024 and 2023, respectively.

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(a) Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0% per annum, which includes an inflation rate of 2.5% and a general wage increase rate of 0.50%
Healthcare cost trend rates	
Pre-Medicare Plans	8.5% for 2025, and decreasing 0.25% per year until FY 2029 then decreasing by 0.50% until an ultimate rate of 4.5% is reached in FY 2035
Medicare Plans	8.0% for FY 2025, decreasing by 0.25% annually until FY 2033, then decreasing by 0.50% annually until an ultimate rate of 4.50% is reached in FY 2036
Welfare Fund Contributions	3.5% for 2025 and thereafter

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%
Salary increases	3.0% per annum, which includes an inflation rate of 2.5% and a general wage increase rate of 0.50%
Healthcare cost trend rates	
Pre-Medicare Plans	7.00% for 2024, and decreasing 0.25% per year thereafter to an ultimate rate of 4.5% for 2035 and later years
Medicare Plans	5.0% for 2024, decreasing by 0.10% every two year period thereafter to an ultimate rate of 4.5% for 2035 and later years
Welfare Fund Contributions	3.5% for 2024 and thereafter

For the June 30, 2024 and 2023 actuarial valuations, 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. 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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(b) Changes in the Total OPEB Liability (in thousands)

	2025 Activity total OPEB liability	2024 Activity total OPEB liability
Balances at end of prior fiscal year	\$ 4,574,184	4,379,469
Changes for the year:		
Service cost	234,983	215,102
Interest	198,188	185,664
Difference between expected and actual experience	(43,944)	(2,596)
Change in assumptions	(344,870)	(3,284)
Actual benefit payments	(205,347)	(200,172)
Net changes	(160,990)	194,714
Balances at June 30, 2025 and 2024	\$ 4,413,194	4,574,183

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2025 was 5.20% based on the Bond Buyer's 20 Bond GO Index and as of June 30, 2024 was 4.21% based on the S&P Municipal Bond 20-year high grade rate index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents NYC Health + Hospitals' total OPEB liability calculated using the respective discount rates mentioned above, 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 or 1 percentage point higher than the current rate (in millions):

<u>2025</u>	<u>1% Decrease (4.20%)</u>	<u>Discount rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
NYC Health + Hospitals' total OPEB liability	\$ 4,905	4,413	3,996
 <u>2024</u>	 <u>1% Decrease (3.21%)</u>	 <u>Discount rate (4.21%)</u>	 <u>1% Increase (5.21%)</u>
NYC Health + Hospitals' total OPEB liability	\$ 5,125	4,574	4,112

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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):

2025

		1% Decrease (7.50% decreasing to 3.5%)	Healthcare cost trend rates (8.50% decreasing to 4.5%)	1% Increase (9.50% decreasing to 5.5%)
NYC Health + Hospitals' total OPEB liability	\$	3,865	4,413	5,087

2024

		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 (in thousands):

	2025		2024	
	Deferred outflows	Deferred inflows	Deferred outflows	Deferred inflows
Differences between expected and actual experience	\$ —	169,383	\$ 40,896	269,028
Changes in assumptions	49,463	710,728	79,083	652,046
Net	\$ 49,463	880,111	\$ 119,979	921,074

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The net deferred outflows and (inflows) of resources at June 30, 2025 will be recognized as follows (in thousands):

Year ending June 30:	
2026	\$ (315,137)
2027	(260,123)
2028	(98,973)
2029	(53,522)
2030	(57,656)
Thereafter	<u>(45,237)</u>
	<u>\$ (830,648)</u>

(e) Annual OPEB Expense

NYC Health + Hospitals' annual OPEB expenses for fiscal year ended 2025 and 2024, including the information for MetroPlusHealth, were \$73.9 million and \$116.5 million, respectively. Implicit rate subsidy (expense) credits of \$32.0 million and \$33.0 million contributed to a reduction of OPEB expenses for 2025 and 2024, respectively.

(12) Commitments and Contingencies

(a) Reimbursement

NYC Health + Hospitals derives significant third-party revenue from the Medicare and Medicaid programs. Medicare reimburses most inpatient acute services on a prospectively determined rate per discharge, based on diagnosis-related groups ("DRGs") of illnesses, i.e., the Prospective Payment System ("PPS"). Long-term acute care is also reimbursed under a PPS. For outpatient services, Medicare payments are based on service groups called ambulatory payment classifications.

Medicare provides PPS reimbursement for psychiatric units on a per diem basis, recognizing the intensity of care provided to the patients. NYC Health + Hospitals also receives Medicare payments for rehabilitation services using a PPS methodology, which requires facilities to complete patient health assessments. Using these assessments, Medicare defines a case-based payment, accounting for acuity, and comorbidities.

Medicare adjusts the reimbursement rates for capital, medical education, and the costs related to treating a disproportionate share of indigent patients. Additionally, some physician services are reimbursed on a cost basis. Due to these adjustments and other factors, final determination of the reimbursement settlement for a given year is not known until Medicare performs its annual audit. With one exception, Medicare cost report audits and final settlements have been completed for most NYC Health + Hospitals' acute facilities through fiscal year 2021. As of June 30, 2025, there is one Provider with an open settlement for fiscal year 2021 and National Government Services ("NGS") expects to start its audit sometime in fiscal year 2026. For cost reports with fiscal year end June 30, 2022, one Acute Provider has been finalized; eight Acute cost reports are on audit and one Provider is awaiting its audit start. For cost reports with fiscal year end June 30, 2023, two Acute Providers are on audit review

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by NGS. For cost reports with fiscal year end June 30, 2024, NGS has not yet started their audit on the Acute Providers. As for the Long-Term Acute Care Hospital, NGS has settled cost reports through fiscal year 2023 and is auditing the fiscal year end June 30, 2024 cost report. The Skilled Nursing Facilities ("SNFs" and Federally Qualified Health Centers ("FQHCs") have final settlements through fiscal year 2024.

Effective January 1, 1997, the 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.

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.

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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 recognized nearly \$800 million in fiscal years 2025 and 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) 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 delay came via the Full-Year Continuing Appropriations and Extensions Act of 2025, which delayed DSH cuts until October 1, 2025.

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.

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

Beginning in state fiscal year 2020–2021, the 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

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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.

During State Fiscal Years ("SFYs") 2022–2023 and 2023–2024, 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 embedded in regular claims payments. During fiscal year 2025, the system received a total of \$980 million, including recoupments. The majority of UPL Conversion revenue during fiscal year 2025 was received via lump sum payments, totaling \$522 million, with \$458 million received via claims.

(iii) Average Commercial Rate ("ACR") Directed Payment Revenue

For SFYs 2024–2025 ("Year 1") and 2025–2026 ("Year 2"), the State is planning to authorize rate enhancements under the State Directed Payment mechanism for inpatient and outpatient hospital services at the ACR. CMS approved the Year 1 submission in September 2025, with payments covering the period from July 1, 2024 through March 31, 2025. The revenue amount for Year 1 is not yet determinable for NYC Health + Hospitals, but is expected to be significant based on historical experience with similar programs. These payments are subject to annual settlement based on actual Medicaid utilization and other factors. NYC Health + Hospitals is awaiting further implementation guidance from the State and CMS's review of Year 2. For the year ended June 30, 2025, no revenue has been recognized under this program. Revenue will be recognized in future periods as eligibility criteria are met and amounts become measurable.

(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) 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 2021; the SPRY 2022 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 recognized \$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"). For SFY 2024 to 2025 ("Year 2"), NYC Health + Hospitals recognized \$33.7 million. For each year, there is a requirement for the plans and providers to complete quality improvement activities and meet quality measures. NYC Health +

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Hospitals worked with Fidelis, HealthFirst, and MetroPlusHealth (“MCOs”) for Year 1 met the quality measure and receive the full amount of this program allocation; NYC Health + Hospitals and the MCOs anticipate meeting the quality measures for Year 2 and continuing to 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 years 2025 and 2024, NYC Health + Hospitals agreed to reimburse the City \$47.1 million and \$53.0 million, respectively. NYC Health + Hospitals records these costs when settled by the City as appropriations from the City and as other than personal services expenses in the accompanying financial statements (Note 9). Accordingly, no provision has been made in the accompanying financial statements for unsettled claims, whether asserted or unasserted.

(13) Accounts Payable and Accrued Expenses

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

	<u>2025</u>	<u>2024</u>
Vendors payable	\$ 1,025,565	1,171,009
Accrued interest	17,865	16,298
Affiliations payable	144,948	110,200
Affiliations vacation accrual	42,874	38,254
Pollution remediation liability	10,545	12,784
Other	—	60,737
	<u>\$ 1,241,797</u>	<u>1,409,282</u>

GASB Statement No. 83, *Certain Asset Retirement Obligations* (“GASB 83”) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. In accordance with GASB 83, the Corporation completed an analysis of assets meeting the criteria of an ARO for specific types of medical equipment such as medical imaging equipment (e.g., MRIs, CT scanners, and PET scanners), X-Rays, and ultrasounds as well as computers containing information protected by HIPPA laws, and certain types of laboratory equipment. NYC Health + Hospitals determined, based on industry standards for disposition of similar equipment and other known costs, that the future cost for disposition of these assets, in the aggregate, totals approximately \$5.0 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

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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 during fiscal years 2025 and 2024 were \$271.1 million and \$255.2 million, respectively, and an additional \$57.1 million and \$59.0 million was funded through grants and intra-city agreements for a total funding for the years ended June 30, 2025 and 2024 of \$328.2 million and \$314.2 million, respectively.

(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, U.S. Treasury notes, and U.S. Treasury zero-coupon strips. 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, MetroPlusHealth had the following U.S. government securities (in thousands):

Year	Investment type	Fair value	(in years) Investment maturities	
			Less than 1	1 to 5
2025	U.S. Treasury bills, notes, and strips	\$ 1,347,872	659,637	688,235
2024	U.S. Treasury bills, notes, and strips	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

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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 years ended June 30 was as follows:

	<u>2025</u>	<u>2024</u>
Medicaid	48 %	48 %
Essential Plan	24	26
HARP	7	8
HIV-SNP	3	3
Medicare	4	4
MLTC	2	2
MetroPlusHealth Gold	6	4
Others*	6	5
	<u>100 %</u>	<u>100 %</u>

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

Assets Restricted as to Use

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

	<u>2025</u>	<u>2024</u>
MetroPlus Statutory reserve investments	\$ 229,435	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 \$229.4 million and \$193.5 million as of June 30, 2025 and 2024, respectively, is invested in U.S. government securities with original maturity dates of six months or more and are measured at fair value based on Level 2 inputs. The account is in the form of an escrow deposit, maintained in a trust account under a custodian arrangement with Citibank approved by the NYSDFS.

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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, 2025 and 2024 was \$598.5 million and \$647.6 million, respectively.

Change in Claims Payable

Activity in the liability for claims payable, which primarily includes medical claims, the risk sharing agreement with NYC Health + Hospitals, and claim adjustment expenses is summarized as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Balance, July 1	\$ 1,335,931	814,506
Less: Drug rebates receivable	(53,775)	(23,287)
Net balance	<u>1,282,156</u>	<u>791,219</u>
Incurred related to:		
Current year	4,275,722	4,149,054
Prior years	334,328	269,474
Total incurred	<u>4,610,050</u>	<u>4,418,528</u>
Paid related to:		
Current year	3,464,235	3,126,125
Prior years	1,427,793	801,466
Total paid	<u>4,892,028</u>	<u>3,927,591</u>
Net balance at June 30	1,000,178	1,282,156
Plus drug rebates receivable	<u>37,244</u>	<u>53,775</u>
Balance, June 30	<u>\$ 1,037,422</u>	<u>1,335,931</u>

MetroPlusHealth claims payable were \$1.0 billion and \$1.3 billion as of June 30, 2025 and 2024, respectively, and were 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 \$334.3 million and \$269.5 million in fiscal years 2025 and 2024, respectively. These changes are generally the result of ongoing analysis of recent loss development trends, stop-loss reinsurance recoveries, claims reprocessing for various State programs, and adjustments to prior year premiums covered by the risk sharing agreement, due to retroactive changes in premium rates and member enrollments.

During fiscal year 2025, CMS approved the UPL Conversion Outpatient program for SFY 2024 (April 1, 2023 through March 31, 2024) on August 20, 2024. Due to the timing of the completion of actual utilization data and the finalization of add-on rates incorporating the UPL margin, which were not available or communicated to the Plan until May 23, 2025, MetroPlusHealth did not record an accrual for this program as of June 30, 2024. On June 5, 2025, MetroPlusHealth received \$381.0 million in UPL Conversion Outpatient funding for SFY 2024 and subsequently remitted a lump sum payment of \$345.6 million to NYC

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Health + Hospitals in June 2025. MetroPlusHealth accrued \$24.3 million in HCRA taxes related to this transaction, which is reported in the "Accounts payable and accrued expenses" line as of June 30, 2025, which was paid in July 2025. Additionally, MetroPlusHealth earned \$11.1 million in Plan administrative fees, which is reported in premium revenue as of June 2025.

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.

<u>Line of business</u>	<u>Target percentages of premium</u>
MetroPlus 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 for 96.5% 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 \$239.1 million and \$279.2 million at June 30, 2025 and 2024, respectively, representing net amounts payable to NYC Health + Hospitals pursuant to the agreement. NYC Health + Hospitals has reported a corresponding receivable at June 30, 2025 and 2024. Amounts are included in eliminations in the Statements of Net Position. Net payments pursuant to the agreement were \$471.8 million and \$668.2 million in 2025 and 2024, respectively.

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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. Effective January 2025, Medical inpatient is reimbursed at 80% of the lower of contractual or Medicaid calculated rate for expense between \$400,000 and \$700,000. For any expenses over \$700,000, the coverage is increased to 100% of the excess amount.
- Residential Healthcare 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. Effective January 2025, HIV-SNP members are provided with coverage for hospital inpatient stays at 85% of the lower of contractual or Medicaid calculated rate for expenses between \$400,000 and \$800,000 in any one calendar year. For any expenses over \$800,000, 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 through March 31, 2025 and April 1, 2025 through March 31, 2026. 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 a fully implemented recommendation by Summit Reinsurance Services, Inc.

Stop loss 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 \$30.7 million and \$34.4 million at fiscal years ended June 30, 2025 and 2024, respectively.

UPL Supplemental Program

NYC Health + Hospitals provided healthcare services to individuals enrolled in MetroPlusHealth's Medicaid and HARP benefit programs for which the State of New York and CMS approved UPL funding as directed payments, inclusive of HCRA taxes and plan administrative fees of 3%, through MetroPlusHealth. MetroPlusHealth recorded the add-on UPL amount, HCRA taxes, and a plan administrative fee received or receivable from the State of New York as premium revenue. Corresponding add-on UPL amount and HCRA taxes were recorded as other than personal services. The UPL program ended after SFY 2024.

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For the year ended June 30, 2025, MetroPlusHealth received \$606.3 million in UPL funding from the State of New York and released \$518.4 million in payments to NYC Health + Hospitals. MetroPlusHealth paid \$15.9 million in HCRA taxes and earned \$9.2 million in plan administrative fees. As of June 30, 2025, MetroPlusHealth accrued \$1.0 million due to NYC Health + Hospitals, \$24.3 million in HCRA taxes payable, and \$33.6 million in excess UPL funding for SFY 2024 due to NYSDOH in accounts payable and accrued expenses. Additionally, MetroPlusHealth accrued \$6.6 million due to NYC Health + Hospitals, \$0.5 million in HCRA taxes payable, and \$7.2 million premium receivable for UPL funding for SFY 2023 (April 1, 2022 through March 31, 2023) as a result of NYSDOH's final reconciliation based on validation of actual encounter data.

For the year ended June 30, 2024, MetroPlusHealth did not receive any UPL funding from the State of New York or release payments to NYC Health + Hospitals. MetroPlusHealth paid \$17.8 million in HCRA payments and earned \$7.4 million in plan administrative fees. As of June 30, 2024, MetroPlusHealth accrued \$238.5 million due to NYC Health + Hospitals, \$20.5 million in HCRA taxes payables, and \$101.0 million in UPL program overfunding, all recorded in accounts payable and accrued expenses. Additionally, \$364.0 million was recorded in premium receivable from NYSDOH, representing UPL funding for SFY 2024 and first quarter of SFY 2025 (April 1, 2024 through June 30, 2024). Subsequent to fiscal year end 2024, MetroPlusHealth received \$225.3 million from the State 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. Payments to impacted providers are made through reprocessing claims or lump sum payments. The goal of this rate enhancement is to expand access to services and promote health equity for all EP enrollees. Plans are expected to use the funding to increase provider medical reimbursement rates and improve quality, accessibility, utilization, and efficiency.

In April 2024, NYSDOH issued EP Guidance 3.1 under the provisions of the State of New York's SFY 2024 enacted budget. This program raises 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.

MetroPlusHealth reimburses providers at enhanced rates through claims reprocessing and issued \$6.9 million in lump sum payments during fiscal year 2024. No lump sum settlements occurred during fiscal year 2025. As of June 30, 2025 and 2024, unpaid claim liabilities of \$17.6 million and \$162.3 million, respectively, were reported in accounts payable and accrued expenses.

Safety Net Hospital Directed Payments

Safety Net Hospital Directed Payments fundings are provided to MetroPlusHealth to reimburse claims for services rendered by financially distressed hospitals during designated service periods. These payments only apply 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. Safety Net funding, inclusive of HCRA and 3% plan administrative fees, is recorded as premium revenue. Corresponding provider payments and HCRA taxes are recorded as other than personal services expenses.

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For the year ended June 30, 2025, MetroPlusHealth reported Safety Net funding of \$227.3 million, paid \$155.7 million to distressed hospitals, \$11 million in HCRA taxes, and earned \$6.1 million in plan administrative fees. As of June 30, 2025, \$45.0 million payable to the providers, \$3.2 million in HCRA taxes payable were recorded within accounts payable and accrued expenses, and \$15.7 million as net premium receivables from NYSDOH for this program. Additionally, SFY 2026 (April 1, 2025 through March 31, 2026) funding of \$56.1 million for the period covering July 2025 to March 2026 was reported as premiums received in advance with corresponding unpaid claims liabilities of \$50.9 million and \$3.6 million of HCRA taxes, all within accounts payable and accrued 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 payable, and a corresponding net payable of \$37.8 million due to NYSDOH, all within accounts payable and accrued expenses.

Due to State of New York

The State of New York has informed MetroPlusHealth of instances requiring the return of premium payments due to audits and adjustments of payments previously made to MetroPlusHealth. Management estimates of such amounts of \$161.3 million and \$264.0 million which is reported within "Accounts payable and accrued expenses" as of June 30, 2025 and 2024, respectively, for payments that are not net settled with premiums earned. Premiums returned to the State are netted against premiums earned.

Included in \$161.3 million as of June 30, 2025 are estimated audit liabilities from the Office of the Medicaid Inspector General ("OMIG") of \$124.3 million and excess funding for H+H Inpatient UPL SFY 2024 of \$33.6 million. Included in \$264.0 million as of June 30, 2024 are estimated OMIG audit liabilities of \$121.5 million, excess funding for H+H UPL SFY 2023 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 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 Essential Plan, MAP, and HIV-SNP, and 89% for Medicaid, 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. As of June 30, 2025, the Plan's results show ratios well in excess of the NYSDOH minimums. As of June 30, 2024, the Plan estimated \$8.7 million of MLR rebates for MLTC, which were included as part of claims payable SFY 2022–2023, SFY 2023–2024, and SFY 2024–2025. However, as of June 30, 2025, the Plan is no longer in a rebate position for these State fiscal years.

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Managed Care Organization Taxes

Effective January 1, 2025, NYSDOH imposed Managed Care Organization (“MCO”) taxes. These taxes apply to Medicaid, HARP, HIV-SNP, EP, MLTC, MAP, Medicaid Dual, HARP Dual, and CHP lines of business and are funded by NYSDOH. The MCO tax rates are not directly correlated to Medicaid payments but are included in the premium rates and paid to the MetroPlusHealth on a Per Member Per Month basis (“PMPM”). These taxes are subsequently remitted to NYSDOH through the pool administrator. The MCO taxes are additionally imposed on non-Medicaid lines of business: QHP, MetroPlus Gold, and GoldCare.

As of June 30, 2025, MetroPlusHealth estimated \$125.9 million in premiums earned from MCO taxes, of which \$47.7 million has been funded by the State. MetroPlusHealth reported MCO taxes incurred of \$126.3 million for the six months as of June 30, 2025 and subsequently paid \$41.9 million for April to June of 2025 MCO taxes in July 2025. The due date for the January to March 2025 MCO Tax payment is still pending from the State.

New York Health Equity 1115 Medicaid Waiver

Effective January 1, 2025, MetroPlusHealth began receiving funding under the New York Health Equity Reform (“NYHER”) Program, a Medicaid Section 1115 Waiver initiative approved by the CMS. The program provides a PMPM payment for each Medicaid Managed Care member to support health-related social needs services, including screening, navigation, and enhanced care coordination. The NYHER waiver includes a statewide investment of approximately \$7 billion through March 2027, aimed at improving health outcomes, strengthening primary care, and supporting long-term workforce development across New York State.

MetroPlusHealth entered into contractual arrangements with Social Care Network (“SCN”) Lead Entities operating within its covered regions to deliver these services. Monthly PMPM payments are made to SCNs for eligible members based on lines of business and SCN region. These payments are subject to retrospective assessment adjustments, with a lookback period of up to 12 months to account for member eligibility and service reconciliation.

As of June 30, 2025, MetroPlusHealth recorded premium earned of \$47.9 million of which \$47.2 million was received, earned 3% Plan administrative fees of \$1.4 million, and paid \$37.8 million and reported \$8.7 million payable to SCN, of which \$7.5 million was paid to SCN in July 2025.

Leases

GASB issued Statement No. 87, *Leases* (“GASB 87”) which established a right-to-use (“RTU”) model that requires a lessee to recognize an RTU asset and lease liability on the Statement 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 Statement of Revenues, Expenses, and Changes in Net Position. See note 1(s) for more detailed explanation on this accounting treatment.

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.

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A summary of changes in the related leased assets during the year ended June 30, 2025 and 2024 are as follows (in thousands):

		<u>Balance beginning of year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance end of year</u>	<u>Accumulated depreciation</u>
2025							
Building and building improvements	\$	154,756	2,974	—	(8,989)	148,741	17,106
2024							
Building and building improvements		161,263	—	—	(6,507)	154,756	8,117

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:				
2026	\$	4,990	9,074	14,064
2027		5,721	8,751	14,472
2028		6,085	8,401	14,486
2029		6,016	8,037	14,053
2030		5,030	7,717	12,747
2031-2035		33,227	33,279	66,506
2036-2040		49,151	21,501	70,652
2041-2044		47,646	5,161	52,807
Total	\$	<u>157,866</u>	<u>101,921</u>	<u>259,787</u>

(16) Other Long-Term Liabilities

Other long-term liabilities for the years ended June 30, 2025 and 2024 were as follows (in thousands):

		<u>June 30, 2023 Balance</u>	<u>Additions (net)</u>	<u>June 30, 2024 Balance</u>	<u>Additions (net)</u>	<u>June 30, 2025 Balance</u>
Accrued compensated absences	\$	522,526	36,482	559,008	45,410	604,418

(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. 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 recognized \$341.9 million in FEMA revenue. In fiscal year 2025, NYC Health + Hospitals had its last COVID Project Worksheet obligated by FEMA and submitted the corresponding grant closeout totaling \$28.1 million, which has been recognized as FEMA COVID revenue for fiscal year 2025.

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

NYC Health + Hospitals operated multiple HERRC sites on behalf of the City. These HERRC sites provided 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; and
- Medical and social services.

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

NYC Health + Hospitals incurred \$845.6 million and \$1.52 billion in expenses in fiscal years 2025 and 2024, respectively, to provide these services on behalf of the City. NYC Health + Hospitals worked closely with New York City Mayor’s Office of Management and Budget to ensure sufficient funding for all incurred expenses. NYC Health + Hospitals earned \$702.4 million and \$1.3 billion in appropriations from the City for the HERRC program for the years ended June 30, 2025 and 2024, respectively. In addition to appropriation revenue, NYC Health + Hospitals recognized FEMA grant revenue of \$26.7 million and \$96.3 million for the years ended June 30, 2025 and 2024, respectively, and New York State grant revenue of \$116.5 million and \$104.8 million for the years ended June 30, 2025 and 2024, respectively. 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

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 Statement of Net Position in accordance with GASB 87. As of June 30, 2025, these lease assets included both equipment and facilities. See note 1(s) for more detailed explanation on this accounting treatment.

In addition to these equipment and facility leases, NYC Health + Hospitals has non-cancellable SBITAs which are similar to leases and are recognized with corresponding liabilities and RTU assets. The existing SBITAs have terms extending through 2030.

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.

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A summary of changes in the related leased assets during the years ended June 30, 2025 and 2024 are as follows (in thousands):

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance end of year</u>	<u>Accumulated depreciation</u>
Building and building improvements	\$ 347,268	1,404	18,427	(25,902)	341,197	71,209
Equipment	404	617	—	(292)	729	664
Total as of June 30, 2025	<u>\$ 347,672</u>	<u>2,021</u>	<u>18,427</u>	<u>(26,194)</u>	<u>341,926</u>	<u>71,873</u>
Building and building improvements	\$ 370,831	—	(910)	(22,653)	347,268	45,351
Equipment	126	467	—	(189)	404	372
Total as of June 30, 2024	<u>\$ 370,957</u>	<u>467</u>	<u>(910)</u>	<u>(22,842)</u>	<u>347,672</u>	<u>45,723</u>

Future annual lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years:			
2026	\$ 13,819	21,769	35,588
2027	15,466	20,898	36,364
2028	16,190	19,976	36,166
2029	17,641	19,002	36,643
2030	19,340	17,926	37,266
2031-2035	99,752	71,344	171,096
2036-2040	87,799	45,796	133,595
2041-2045	90,243	16,287	106,530
2046 and years thereafter	21,137	3,841	24,978
Total	<u>\$ 381,387</u>	<u>236,839</u>	<u>618,226</u>

As of June 30, 2025 and 2024, NYC Health + Hospitals recognized RTU assets and corresponding operating liabilities of \$31.2 million and \$24.2 million, respectively, based on the present value of the remaining minimum payments for existing SBITAs as of that date.

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A summary of changes in the related SBITA during the years ended June 30, 2025 and 2024 were as follows (in thousands):

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance end of year</u>	<u>Accumulated depreciation</u>
Data storage and management	\$ 2,334	—	—	(562)	1,772	983
Software	21,610	4,257	—	(8,969)	16,898	32,380
Software as a service	291	14,097	—	(1,823)	12,565	1,850
Total as of June 30, 2025	<u>\$ 24,235</u>	<u>18,354</u>	<u>—</u>	<u>(11,354)</u>	<u>31,235</u>	<u>35,213</u>
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)	291	27
Total as of June 30, 2024	<u>\$ 28,699</u>	<u>8,107</u>	<u>—</u>	<u>(12,571)</u>	<u>24,235</u>	<u>23,859</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year:			
2026	\$ 11,794	1,574	13,368
2027	11,705	876	12,581
2028	4,535	376	4,911
2029	3,194	102	3,296
2030	6	—	6
Total	<u>\$ 31,234</u>	<u>2,928</u>	<u>34,162</u>

Lease Receivables

NYC Health + Hospitals leases real estate to independent third parties. The rental income under these lease agreements was approximately \$5 million in each of fiscal years ending 2025 and 2024. NYC Health + Hospitals had lease receivables of approximately \$2.1 million and \$1.8 million as of June 30, 2025 and 2024, respectively, which are included as a component of other assets. NYC Health + Hospitals had deferred inflows of resources of approximately \$100.6 million and \$105.5 million associated with these leases as of June 30, 2025 and 2024, respectively.

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June 30, 2025 and 2024

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s):			
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	3,149	5,634	8,783
2031–2035	10,434	26,138	36,572
2036–2040	10,387	23,322	33,709
2041–2045	17,009	19,403	36,412
2046 and years thereafter	<u>57,504</u>	<u>20,333</u>	<u>77,837</u>
Total	\$ <u>109,693</u>	<u>119,064</u>	<u>228,757</u>

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
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Schedule of NYC Health + Hospitals' Contributions
NYCERS Pension Plan

(Unaudited)

Years ended June 30, 2025 through 2016

(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 540,074	483,616	459,065	498,657	503,758	505,624	515,454	507,335	492,161	497,715
Contributions in relation to the contractually required contribution	<u>540,074</u>	<u>483,616</u>	<u>459,065</u>	<u>472,457</u>	<u>529,957</u>	<u>505,624</u>	<u>515,454</u>	<u>507,335</u>	<u>492,161</u>	<u>497,715</u>
Contribution deficiency (excess)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>26,200</u>	<u>(26,199)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
HHC covered payroll	\$ 3,345,843	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
Contributions as a percentage of covered payroll	16.14%	16.22%	18.21%	19.45%	21.68%	21.35%	23.35%	23.90%	22.60%	22.30%

See accompanying independent auditors' report.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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Schedule of NYC Health + Hospitals' Proportionate Share of the Net Pension Liability
NYCERS Pension Plan
(Unaudited)
Years ended June 30, 2025 through 2016
(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
HHC proportion of the net pension liability	13.661%	13.539 %	13.280%	13.015 %	13.387 %	13.564 %	13.959 %	15.023 %	14.788 %	14.789 %
HHC proportionate share of the net pension liability	\$ 1,814,749	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
HHC covered payroll	3,345,843	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
HHC proportionate share of the net pension liability as a percentage of its covered payroll	54.24%	74.69%	94.01%	97.00%	35.12%	120.76%	117.10%	124.84%	160.97 %	130.73 %
Plan fiduciary net position as a percentage of the total pension liability	87.66%	84.25%	82.22%	81.28%	93.14%	76.93%	78.84%	78.83%	74.80%	69.57%

See accompanying independent auditors' report.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
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Schedule of NYC Health + Hospitals' Changes in Total OPEB Liability and Related Ratios
(Unaudited)
Years ended June 30, 2025 through 2018
(Dollar amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:								
Service cost	\$ 234,983	215,102	202,771	303,477	279,635	264,512	307,105	279,874
Interest	198,188	185,664	175,010	119,206	148,458	159,281	161,840	158,154
Differences between expected and actual experience	(43,943)	(2,596)	(19,048)	(191,019)	(189,272)	(450,871)	858,811	104,933
Changes of assumptions	(344,870)	(3,284)	87,180	(1,045,957)	(183,865)	99,391	(806,009)	110,707
Benefit payments	(205,347)	(200,172)	(282,443)	(267,370)	(116,817)	(230,815)	(171,559)	(235,395)
Other changes	—	—	—	—	—	(41,078)	—	—
Net change in total OPEB liability	(160,989)	194,714	163,470	(1,081,663)	(61,861)	(199,580)	350,188	418,273
Total OPEB liability – beginning	4,574,185	4,379,471	4,216,001	5,297,664	5,359,525	5,559,105	5,208,917	4,790,644
Total OPEB liability – ending	<u>\$ 4,413,196</u>	<u>4,574,185</u>	<u>4,379,471</u>	<u>4,216,001</u>	<u>5,297,664</u>	<u>5,359,525</u>	<u>5,559,105</u>	<u>5,208,917</u>
Covered employee payroll	\$ 3,110,524	2,690,409	2,601,774	2,548,754	2,444,860	2,320,005	2,222,409	2,211,014
Total OPEB liability as a percentage of covered employee payroll	141.9 %	170.0 %	168.3 %	165.4 %	216.7 %	231.0 %	250.1 %	235.6 %
<i>Changes of assumptions</i> . Changes of assumptions reflect the effects of changes in the discount rate. The following are the discount rates used in each period:	5.20 %	4.21 %	4.13 %	4.09 %	2.18 %	2.66 %	2.79 %	2.98 %

See accompanying independent auditors' report



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**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, 2025, 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 17, 2025.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

KPMG LLP

New York, New York
October 17, 2025