OFFICE OF THE NEW YORK STATE COMPTROLLER

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NYC Health + Hospitals Check-Up: The Impact of COVID-19

Highlights

- H+H's patients reflect underlying socioeconomic and health disparities in New York City, and are more likely to have increased risk of contracting and experiencing severe cases of COVID-19.
- Combined, uninsured and Medicaid-insured patients accounted for two-thirds of both H+H inpatient discharges and outpatient visits in City FY 2019.
- H+H assumed a significant role during the pandemic, and acted quickly to expand capacity and launch new initiatives such as the Test & Trace Corps and vaccinations.
- During the pandemic, H+H hired 1,305 technical specialists, which included staff related to testing and contact tracing. They also contracted for 4,000 nurses.
- H+H estimates that total costs related to its COVID-19 response will reach $2 billion through FY 2022, excluding $3 billion in costs for the Test and Trace program.
- The receipt of federal COVID-19 relief funds early in the pandemic was critical to support H+H's financial condition in the short term. However, subsequent delays of FEMA reimbursement, while preliminarily approved in part, have created financial pressure.
- The pandemic highlighted the continued importance of the stability and reliability of federal, State, and local funding. Consistent and timely payments from all government sources going forward would better position H+H to plan for and respond to future emergencies.
- City-funded support is projected to exceed $2 billion annually in FYs 2022 through 2025, as compared to $1.3 billion annually between FY 2012 and 2015.

NYC Health + Hospitals (H+H) is the largest municipal public health system in the country and New York City's largest provider of care to Medicaid patients, mental health patients, and uninsured patients, serving more than 1 million New Yorkers within the five boroughs. In addition, H+H operates the MetroPlus Health Plan, a prepaid health insurance provider and a separate public benefit corporation, and provides various health care services for other City agencies.

Even before the COVID-19 pandemic, H+H faced significant financial difficulties, including the declining use of services, reduced federal funding and a large share of patients who lack health insurance. While similar challenges have been experienced across much of the U.S. health care system, H+H has been under substantial strain given its mission of providing quality health care to all New Yorkers, regardless of their ability to pay or their immigration status. During the pandemic, H+H pivoted to respond to immense new clinical and operational challenges, and has been instrumental in the management of the City's COVID-19 response.

The crisis created by the COVID-19 pandemic came at a time when H+H had been working toward stabilizing its financial situation. Since 2015, it has been introducing initiatives to increase revenue collections through improving billing procedures, negotiating higher insurance rates, attracting and keeping patients, and lowering personnel costs. This report reviews H+H's position before the pandemic, assesses the financial and operational impacts of its COVID-19 response, and weighs the long-term effects of the pandemic on the system.

Operations Before the Pandemic

Structural Budget Challenges

H+H provides health care through 11 acute care hospitals, five post-acute care (i.e., skilled nursing) facilities, and nearly 60 patient care locations in community and school-based health centers. H+H faced structural budget challenges prior to the pandemic, including the declining use of services, reduced federal funding and a large share of patients who lack health insurance

Since 2015, H+H has established initiatives to address recurring deficits and to stabilize its financial situation, including cost-saving measures and revenue-generating actions. However, its financial position also is dependent on its payer mix, which refers to the percentage of patient care revenue that is collected from government insurance programs, private insurance, or uninsured/self-paying.

Combined, uninsured and Medicaid-insured patients accounted for two-thirds of both inpatient discharges and outpatient visits in City fiscal year (FY) 2019 (see Figure 1). These payers are, on average, less likely to reimburse H+H for the full cost of services, creating a structural operating shortfall.[1] Uninsured and low-income patients covered by Medicaid are also more likely to suffer from chronic illnesses, which can require more expensive care.[2]

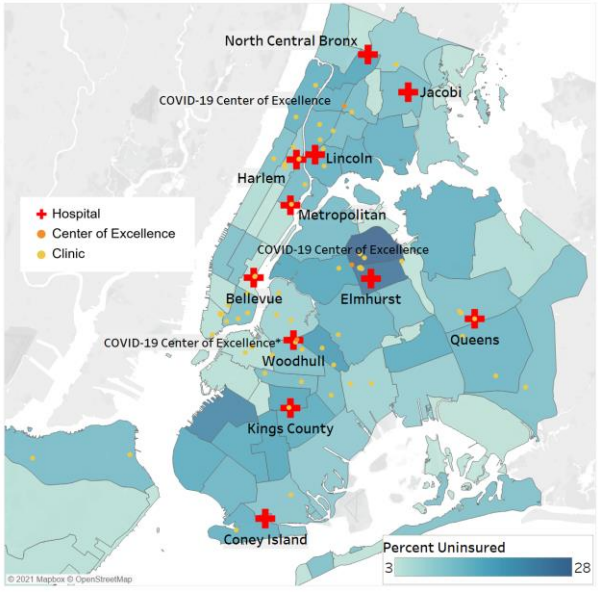
Given the current reimbursement structure for uninsured and Medicaid-insured patients, along with H+H's mission to serve all City residents without exception, its ability to manage its finances to achieve structural balance requires regular subsidization from the federal, State and City governments. In recognition of the role public health systems play in meeting the needs of underserved populations, federal and State programs have provided additional support through supplemental Medicaid payments. This includes the negotiation of more favorable Medicaid upper payment limits and the delayed cuts to Disproportionate Share Hospital payments (DSH). DSH helps hospitals cover the cost of providing care to uninsured and Medicaid patients.

FIGURE 1
H+H Payer Mix

INPATIENT	FY 2019
Medicaid	60.7%
Medicare	23.4%
Commercial	9.4%
Other	0.5%
Uninsured/Self-pay	6%
OUTPATIENT	
Medicaid	41.7%
Medicare	21.5%
Commercial	10.9%
Other	0.9%
Uninsured/Self-pay	25%

Note: FY 2019 data as of first quarter only. Data is for adult patients only. Outpatient does not include emergency department visits. Commercial includes the Essential Plan for qualifying individuals with incomes at or below 200 percent of the federal poverty line starting January 1, 2016.
Source: NYC Health + Hospitals

FIGURE 2
New York City Uninsured Residents by Congressional District



Note: The COVID-19 Center of Excellence located in Bushwick, Brooklyn, is expected to open in September, 2021.
Sources: NYC Department of Health and Mental Hygiene; OSC analysis

H+H's patient base also reflects underlying socioeconomic and health disparities in New York City. Higher levels of chronic illnesses, more preventable hospitalizations and lower rates of health care coverage are more likely in low-income minority communities, where the majority of H+H patients live.[3] These communities were also more likely to experience a number of underlying conditions that increased the risk of contracting, and experiencing severe cases of, COVID-19.

Many H+H facilities are located in areas where a large percentage of adult residents report they are uninsured and have unmet health care needs (see Figure 2).

Transformation Initiatives and Progress

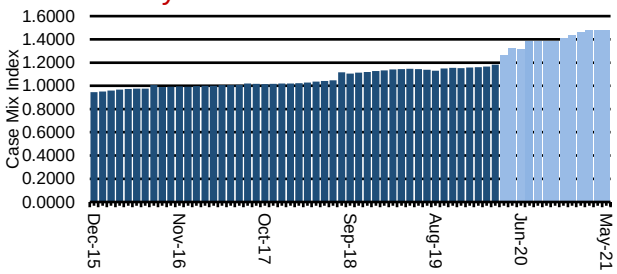
In recognition of these challenges, and in order to address the recurring deficit that was projected to reach $1.8 billion by FY 2020, H+H expanded efforts to transform its operations. Building on approaches begun in 2015, it established a transformation plan in 2016.

The transformation plan contained strategies to raise revenues (including government support) and reduce costs, and resulted in savings of $1 billion annually from FY 2017 through FY 2019. The plan laid out ways to narrow operating gaps by reducing the cost of services provided, encouraging uninsured patients to become insured, promoting preventive care, and pursuing higher reimbursement and collection rates. To keep the system from losing market share, H+H was committed to accomplishing these goals while maintaining quality.

Revenue-Generating Actions

In January 2018, Dr. Mitchell Katz joined H+H as president and chief executive officer. One of his initial commitments was to increase patient revenue. H+H accelerated efforts to maximize reimbursements through efficiencies in billing and coding, to provide more training for billing staff and to negotiate better rates with managed-care providers. These efforts have resulted in a higher all payer case-mix index, which is a measure used by the Centers for Medicare and Medicaid Services (CMS) to determine hospital reimbursement rates. A higher case-mix index indicates higher revenue collections for the delivery of care to sicker patients with more complex care needs (see Figure 3).

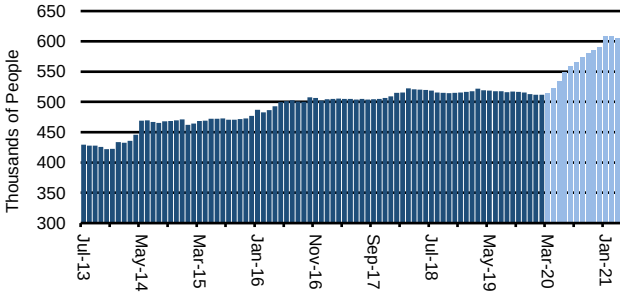
FIGURE 3
H+H All Payer Case Mix Index



Note: March 2020 through May 2021 represents the period impacted by COVID-19.
Source: NYC Health + Hospitals

H+H also made efforts to increase enrollment in MetroPlus, a health insurance plan it owns. Higher enrollment helps raise patient service revenue and also provides more people with consistent access to health care services. Revenue targets assumed that MetroPlus membership would reach 675,000 by FY 2020, but it was clear early on that such a target was

FIGURE 4
MetroPlus Enrollment



Note: March 2020 through March 2021 represents the period impacted by COVID-19.
Source: NYC Health + Hospitals, MetroPlus Health Plan

unattainable. In the year leading up to the pandemic (through March 2020), enrollment averaged 516,000 (see Figure 4).

In addition, in FY 2019, only 40 percent of MetroPlus health care spending occurred with H+H providers, down from 45 percent in 2014. To maximize revenues from MetroPlus, H+H needs to attract more members and encourage higher utilization of H+H services.

Cost Savings

In 2015, H+H instituted a staffing plan to reduce global full-time-equivalent employees (FTEs) and achieve savings. It reduced global FTEs by 7 percent (about 3,500 employees) by June 2018 compared to the level in June 2016 (see Figure 5).[4] The reduction occurred largely through attrition with some planned layoffs of management staff, but also resulted in clinical staffing shortages in some facilities.

FIGURE 5
Prepandemic Changes in Global FTEs
Higher/(Lower)

Employment Category	Jun 2016-Jun 2018	Jun 2018-Feb 2020
Managers and Supervisors	(623)	183
Technical Specialists	(436)	657
Registered Nurses	(371)	757
Licensed Practical Nurses	(123)	(40)
Aides and Orderlies	(235)	347
Environmental Services	(505)	165
Clerical Workers	(656)	493
Physicians	(105)	141
Physician Residents	37	51
Physician Assistants	3	(1)
Nurse Specialists	(2)	5
Nurse Practitioners	3	0
General Temporary Workers	(393)	(419)
Patient Care Temporary Workers	(95)	(350)
TOTAL VARIANCE	**(3,502)**	**1,989**

Note: The global FTE cost-savings initiative includes full-time and part-time employees, staff included in affiliate contracts, temporary workers and staff overtime. Global FTEs do not include employees in programs reimbursed by other sources such as correctional health, which is fully reimbursed by the City, or MetroPlus employees. Totals do not add due to rounding.
Sources: NYC Health + Hospitals; OSC analysis

In 2018, the global FTE staffing initiative was revised to add clinical positions such as nurses, primary care doctors and specialists, and revenue-generating positions such as billers and coders (located in the technical specialist category), resulting in a net increase of global FTEs. These hires were intended to provide better access to primary care as well as to help H+H's financial position by increasing the use of services, investing in preventive care to avoid more costly emergency visits, and maximizing reimbursement from insurance companies. Other cost savings were achieved through improved administrative efficiencies, including centralizing and standardizing the purchases of equipment and supplies.

City Financial Assistance

While H+H has implemented plans to strengthen its financial condition, it still relies on the City for financial support. Between FY 2012 and FY 2015, City-funded support averaged about $1.3 billion annually. Starting in FY 2016, and in line with the transformation plan, the City increased this support, largely by raising the planned City subsidy by $204 million annually in anticipation of reductions to its supplemental Medicaid obligations. The City also forgave more than $330 million in payments due to the City and provided $160 million in additional one-time financial support in FY 2016. By FY 2019, the City's financial support had reached $2 billion.

The largest component of the City's financial support includes providing the nonfederal share of supplemental Medicaid payments to H+H. The City funding allows H+H to draw on matching federal funds. These payments are provided to offset uncompensated costs for hospitals that serve a large share of uninsured and Medicaid patients, and H+H's financial stability relies heavily on the continued receipt of these payments.

Although the receipt of these payments is dependent on approvals from State and federal

authorities, which can be inconsistent and often delayed, the City assists with H+H cash-flow shortfalls by adjusting for the timing of certain payments.

The City provides additional financial support for collective bargaining costs (beginning in FY 2015) and debt service (beginning FY 2016), and an unrestricted City subsidy (increased in FY 2016). The City also funds the NYC Care program, which provides health care including primary and preventive care to uninsured patients, which will ramp up to $100 million annually starting in FY 2022.

Role in COVID-19 Response

On January 21, 2020, the first COVID-19 case was reported in the United States and H+H activated its COVID-19 emergency command center. The first case of COVID-19 in New York City was confirmed by the Governor on March 1, 2020. H+H initially experienced some highly publicized challenges with supply shortages and emergency room and ICU capacity, particularly at Elmhurst hospital, which was at the epicenter of the pandemic. However, as the pandemic unfolded, H+H also assumed a significant role in planning for and responding to New York City's public health emergency.

Representatives of H+H became regular participants in the Mayor's daily COVID-19 press briefings. Along with other hospital networks, H+H moved to build capacity, purchase equipment and supplies, expand its work force, and accelerate an expansion of telehealth services to treat patients remotely. At the Mayor's request, within three months of the first identified case in the City H+H had launched the largest test and trace program in the country, and once a vaccine was available, it built up a vaccination program.

It also accelerated the expansion of programs and launched new initiatives during the pandemic to meet the changing demands of health care.

Some of these initiatives are temporary, such as the NYC Test & Trace Corps and a collaboration with the Department of Education to ensure sufficient nursing coverage at City public schools. The City expects that the majority of these costs will be funded with one-time federal relief funds. Other changes may have a permanent impact on H+H finances and operations, including the expanded use of telehealth and the opening of three new COVID-19 centers of excellence.

Temporary Initiatives

Capacity, Staff, Supplies

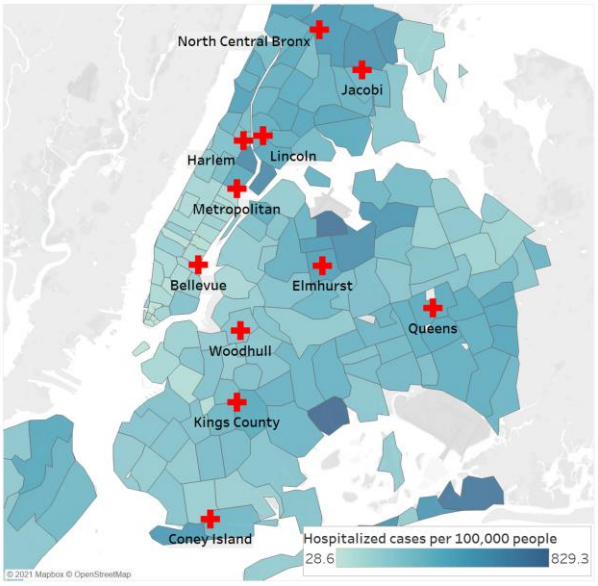
On March 1, 2020, in response to COVID-19, the CEO declared an emergency, which enabled H+H to award contracts to respond to the health crisis without complying with standard operating procedures. This, combined with the procurement enhancements that H+H had already implemented, enabled it to quickly execute 82 new contracts to support the COVID-19 response effort, including the Test and Trace program. These related to temporary staffing, hotels for patients, staff, and the public who needed to quarantine, medical equipment and supplies, pharmaceuticals, telemedicine and transportation. The declaration was in effect through February 28, 2021. However, as the pandemic continues, further emergency exceptions to normal procurement policy are being adopted on a case-by-case basis.

In response to the Governor's executive order requiring hospitals statewide to increase bed capacity, for the safety of its patients and to redirect resources to areas of need, H+H suspended parts of its ambulatory care services and canceled all elective procedures. This allowed it to create additional acute-care capacity and to redeploy staff to accommodate patient surges in emergency departments and intensive care units.

Additional bed capacity was created by converting procedural areas and operating room

space, adding beds in previously dormant spaces, and by opening a temporary surge

FIGURE 6
New York City COVID-19 Hospitalization Rates by ZIP Code, April 2020



Note: Data accessed August 1, 2021. The City has since updated data to reflect the addition of probable COVID-19 cases.
Sources: NYC Department of Health and Mental Hygiene; OSC analysis

hospital in separate and unused space at H+H/Coler on Roosevelt Island. H+H also contracted with 20 hotels to house people who were recovering from COVID-19 but not well enough to return home. During March and April 2020, it more than doubled its medical bed capacity and added more than 1,000 intensive care unit (ICU) beds.

Hospitalizations of people diagnosed with COVID-19 peaked citywide in April 2020. Rates for people living in the Bronx and Queens were higher than the citywide average and greatly impacted hospital capacity in those areas (see Figure 6). H+H transferred patients from its most affected hospitals (Elmhurst, Queens, Lincoln, Woodhull, and Kings County) to those that had more capacity. By March 2021, H+H had treated more than 108,000 COVID-19 patients, and more than 54,000 hospitalized patients with COVID-19 had been discharged.

During the pandemic, the position of technical specialist included staff related to testing and contact tracing through the NYC Test & Trace Corps, and this accounts for the large increases in staffing between February 2020 and May 2021 (see Figure 7). H+H also contracted with more than 30 staffing agencies to bring on an additional 4,000 nurses, 500 medical providers and more than 450 other temporary staff.[5]

Test & Trace Corps

The NYC Test & Trace Corps strives to mitigate the spread of COVID-19 by identifying people who test positive for the disease, assessing who may have been in close contact with those people, and instructing them to isolate. While the City Department of Health and Mental Hygiene (DOHMH) managed the early testing and tracking efforts, H+H took the lead in June 2020.

Through the Test & Trace Corps, H+H manages testing sites throughout the five boroughs, including City public school testing and more than 40 mobile units that are deployed in conjunction with partners such as community-based organizations. It also manages a hotel program for those who have been exposed to COVID-19 and are unable to isolate at home, which had served almost 21,000 people by June 2021.

On July 29, 2021, the Board of Directors approved 11-month contracts with 12 vendors to provide COVID-19 testing in schools and in the community as needed for an amount not to exceed $250 million in total.

A memorandum of understanding with the City for the test and trace program, including the operation of three vaccination hubs, states that the City will not leave H+H with unmet expenses through June 30, 2022. H+H estimates the costs of the program will be $3 billion in sum through FY 2022; federal funding is expected to cover a majority of these costs. The City has provided City funds to cover H+H's current needs until federal funding is received.

COVID-19 Vaccinations

In December 2020, the U.S. Federal Drug Administration authorized the first COVID-19 vaccine for emergency use, and two additional vaccines have since been authorized. H+H provides vaccinations at all of its hospitals, post-acute care facilities and clinics. Through the Test & Trace Corps, it also manages three large vaccination hubs in partnership with the City's Department of Health and Mental Hygiene, as well as mobile vaccine vans and buses that target the communities most impacted by COVID-19, as well as unsheltered homeless people.

By June 23, 2021, H+H had administered 1 million vaccinations (11 percent of the vaccines administered in the City), with 76 percent of those delivered to people identifying as ethnic or racial minorities. This compares to 73 percent for the independent hospitals, and 56 percent for the other hospital systems in New York City.[6]

As the number of vaccinated people in New York City increases, the Test & Trace Corps is deploying mobile vaccine and testing units to communities with outbreaks, particularly areas with low vaccination rates. This function has become particularly important as new COVID-19 case numbers and positivity rates across the City have begun to rise in recent weeks.

Long-Term Actions

Expanded Use of Technology

The use of technology has allowed H+H to better engage with and monitor its patients during the pandemic. Since early March 2020, it has expanded telehealth services, and more of its patients now utilize MyChart, an online tool that allows patients to access their health care providers and medical records.

FIGURE 7
Changes in Global FTEs
Higher/(Lower)

Employment Category	Feb 2020-May 2021
Managers and Supervisors	210
Technical Specialists	1,305
Registered Nurses	(327)
Licensed Practical Nurses	(104)
Aides and Orderlies	(155)
Environmental Services	161
Clerical Workers	75
Physicians	87
Physician Residents	42
Physician Assistants	62
Nurse Specialists	13
Nurse Practitioners	0
General Temporary Workers	(34)
Patient Care Temporary Workers	(652)
TOTAL VARIANCE	**682**

Note: The global FTE cost-savings initiative includes full-time and part-time employees, staff included in affiliate contracts, temporary workers and staff overtime. Global FTEs do not include employees in programs that are reimbursed by other sources such as correctional health, which is fully reimbursed by the City or MetroPlus employees. Totals do not add due to rounding.
Sources: NYC Health + Hospitals; OSC analysis

The use of telehealth services increased dramatically across the health care industry during the COVID-19 pandemic. Telehealth services provided a safer option for patients by limiting their potential exposure to the virus while reducing patient demand on facilities.

By the second week in March, H+H had converted all routine face-to-face visits to telehealth consultations by telephone or video, including appointments for behavioral health and substance abuse treatments. Telehealth services increased from just 500 appointments in February 2020 to nearly 350,000 during January 2021, and now average about 120,000 consultations per month, of which 90 percent are by telephone.

Following statewide and national trends, telehealth use has declined in recent months but still remains above pre-pandemic levels.

In September 2020, H+H launched virtual ExpressCare, an extension of its existing walk-in urgent care clinics. This provided patients in need of non-emergency care with virtual access to a medical provider without a previously scheduled appointment.

H+H also encouraged more patients to use MyChart to access test results, fill prescriptions and schedule appointments. It regards MyChart as a potentially more efficient way to engage and retain patients. In particular, it hopes to retain patients who initially used MyChart to register for a COVID-19 test or vaccine and had not otherwise used H+H services. By June 2021, 69 percent of patients had activated MyChart accounts, a large increase from just 14 percent of patients during the months prior to the pandemic.[7]

H+H hopes to retain more patients through the use of these services even after the pandemic. Telehealth also provides an opportunity for potential savings as it warrants a different level of staffing. Video telehealth services were largely reimbursed at a similar rate as in-person visits during the pandemic, but telephone visits were reimbursed at a significantly lower rate. It is uncertain at this time how reimbursement will continue beyond the public health emergency.

COVID-19 Centers of Excellence

In 2018, H+H planned to build three new community-based health care centers to increase access to primary care in underserved neighborhoods in Jackson Heights, Queens; Tremont in the Bronx; and Bushwick, Brooklyn. These were initially funded with $82 million from the City's capital program.

The clinics were fast-tracked under emergency construction rules during the pandemic and redesigned to address the short- and long-term health care and mental health needs of recovering COVID-19 patients. The capital cost of the three centers increased to $140 million, with the additional costs covered by federal FEMA funds. As originally designed, the clinics will continue to provide health and mental health care to the surrounding communities during the pandemic and after. The Queens and Bronx locations are open, and the Bushwick location is expected to be open in September 2021.

The clinics are in areas that have high rates of uninsured patients and medically underserved neighborhoods. The clinic in Bushwick will serve the neighborhoods of Bedford-Stuyvesant, Bushwick, East New York and Williamsburg in Brooklyn, while the Tremont clinic serves patients in Bronx Park, Crotona, East Tremont, Fordham, Hunts Point and Mott Haven in the Bronx. The clinic in Jackson Heights is in the neighborhood just north of Elmhurst Hospital, which experienced a surge of COVID-19 patients during the height of the pandemic.

It is not yet known how long the health and mental health impacts of COVID-19 will continue. In April 2021, the Mayor established an aftercare program for people experiencing long-term effects of COVID-19, which connects them to health and social resources, including the COVID-19 centers of excellence.

Current Financial Status and Future Challenges

The Pandemic's Financial Impact

FY 2020

Despite the intense operational demands that the pandemic placed on hospitals, H+H ended FY 2020 with a closing cash balance of $688 million, and largely attained its bottom-line target for the year under the transformation plan. In total, it achieved $1.3 billion in savings during FY 2020.

The receipt of federal COVID-19 relief funds early in the pandemic was instrumental in supporting

H+H's financial condition in the short term, providing direct support for activities related to the public health emergency. Pandemic-related costs of $788 million in FY 2020 were offset with the receipt of more than $1 billion in provider relief funds (see Figure 8).

Federal COVID-19 aid to the State and the City has also been crucial, temporarily enabling the State to restore Medicaid cuts in the State FY 2022 budget, which otherwise would have negatively impacted H+H by almost $500 million over two years. Federal aid has also shored up City finances, allowing it to continue its current level of financial support. However, those funds will not be recurring.

H+H anticipates that costs related to COVID-19 will reach $2 billion through FY 2022 (not including costs related to the Test & Trace Corps). Thus far, it has received $1.2 billion in Provider Relief Funds and $266 million in FEMA funding. However, it anticipates the receipt of another $587 million in FEMA funding through the end of FY 2024 as reimbursement for expenses incurred from March to August 2020 (see Figure 8). At the urging of federal representatives, FEMA has preliminarily approved a portion of these expenses after several months of delay. This will ultimately relieve cashflow pressures, but the timeline for reimbursement is still not known. Reimbursement requests are also expected to increase as new variants continue to spread.

FIGURE 8
H+H Federal COVID-19 Aid
(Cash Basis, $ in millions)

	FY 2020	FY 2021	FY 2022	FY 2023-2024	Total
COVID-19 Costs	**$ 788**	**$1,058**	**$200**	**-**	**$2,046**
CARES Act	1,031	171	-	-	**1,201**
FEMA	-	363	300	190	**853**
Received	-	*266*	-	-	*266*
Anticipated	-	*97*	*300*	*190*	*587*
Total COVID-19 Aid	**$1,031**	**$ 534**	**$300**	**$190**	**$2,054**

Sources: NYC Office of Management and Budget; OSC analysis

H+H also benefited from a restoration of $343 million in supplemental Medicaid cuts (specifically Disproportionate Share Hospital payments) that were authorized by the Affordable Care Act but were again delayed by the federal government. Additionally, during the height of the pandemic, reported inpatient revenue was higher than planned, due largely to enhanced rates for COVID-19 patients and increased Medicare rates. The increased inpatient revenue offset some of the losses due to declines in outpatient visits and nonemergency procedures.

In total, higher revenue from transformation plan initiatives offset shortfalls in planned cost-reductions in the supply chain, expected through centralizing and standardizing the purchases of equipment and supplies, and global FTEs for FY 2020.

FY 2021

On May 11, 2021, H+H released its executive financial plan for FY 2022 (the "May Plan"), which includes a projection for FY 2021, which would end June 30. The May Plan estimates savings of $747 million annually achieved from the previous transformation plan starting in FY 2021, and $1.2 billion in new FY 2021 savings including $611 million of new supplemental Medicaid payments. Additionally, the plan assumes the delay of planned cuts in federal supplemental Medicaid payments of $580 million.

H+H also ended FY 2021 with $737 million in cash, enough to pay its bills for 33 days. Although it continued to benefit from collecting higher patient care receipts, several events outside of its control occurred subsequent to the release of the May Plan that have adversely impacted its cash balance.

An unintentional consequence of the federal Families First Coronavirus Response Act (enacted early in the pandemic) that had reduced supplemental Medicaid funding by $383 million in FY 2021 has been corrected and the funding

restored, but the federal funds have yet to be distributed. In total, about $1.4 billion in funding related to federal programs anticipated in FY 2021 has not been received, and the majority has not yet received federal approval.

In order to assist H+H with its cash flow and provide it with the financial resources to pay its bills, the City delayed the receipt of about $700 million in payments for obligations incurred on H+H's behalf. This includes a $212 million debt service reimbursement that the City has not required H+H to pay since 2015.

FY 2022 Through FY 2025

As noted earlier, federal legislation has delayed planned cuts in federal supplemental Medicaid payments through federal fiscal year 2023. The May Plan assumes that these delays will benefit H+H by an estimated $622 million in each of FY 2022 and FY 2023. These additional financial resources would relieve the need for further planned restructuring and staffing reductions through FY 2023. Congress has yet to eliminate these cuts, and H+H expects to resume its staffing reductions in FY 2024 as part of its cost-reduction initiatives.[8]

The May Plan estimates that new strategic initiatives will generate a net of $1.4 billion in FY 2022, rising to $1.8 billion in FY 2025, almost all from higher revenue. More than half of the revenue is generated from the receipt of new supplemental Medicaid payments of $611 million in FY 2021, $913 million in FY 2022 and $835 million annually through FY 2025.

Also, the May Plan continues to assume H+H will collect additional annual revenue from negotiating better rates with insurance providers ($57 million) and improved billing and coding ($162 million). Further revenue is expected to come from expanding services and increasing efficiencies throughout its system, and better attracting and retaining patients. City-funded support is expected to exceed $2 billion annually in FY 2022 through FY 2025, including $580 million annually for the nonfederal share of new supplemental Medicaid payments as noted above.

Longer-Term Outlook: Federal, State and Local Aid

The longer-term outlook for federal support remains uncertain. Federal legislation passed during 2020 spurred another delay to planned cuts to supplemental Medicaid payments, which are set to return in FY 2024. In an effort to reduce uncertainty about its future funding levels, H+H has been working with the federal, State and City governments to update how it will receive certain supplemental Medicaid payments, with the goal of not only providing additional revenue but also obtaining the payments on a more reliable and consistent schedule. However, these payments have yet to receive federal approvals.

As Medicaid is its largest source of patient revenue, H+H's continued financial stability relies heavily on actions taken by the State to reduce Medicaid costs as well as the continued receipt of supplemental Medicaid payments, which are dependent on City and State support. The uncertain impacts of the COVID-19 pandemic on the State and City budgets could affect future financial support.

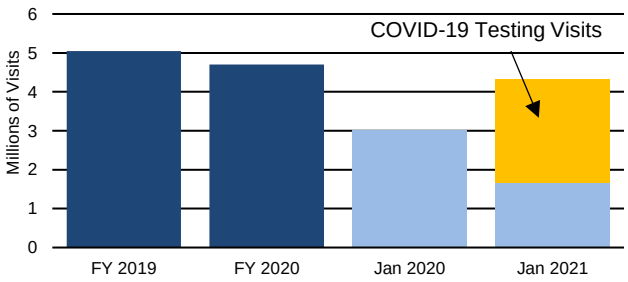
Other Challenges and Opportunities

A number of operational changes that H+H implemented prior to the pandemic aided in its efforts to respond to New York City's health care needs during COVID-19. In its capacity as a provider of COVID-19 testing and medical services in various venues throughout the City, H+H has been presented with a unique opportunity to treat more patients. It expects that the increased use of technology, including telehealth and MyChart services, will lead to greater patient retention and increased enrollment in MetroPlus. However, it still faces challenges going forward.

After years of slow growth, enrollment in MetroPlus surged during the pandemic, rising by almost 93,000 members from January 2020 to March 2021. The growth is attributable to new members enrolled in Medicaid and the Essential Plan as well as a moratorium on disenrollment in these insurance plans, which is expected to continue through the federal public health emergency. MetroPlus enrollment is likely to decline when the moratorium ends, and it remains to be seen if more of its members will use H+H facilities.

Similar to the statewide trend, at the height of the pandemic H+H experienced large declines in service volume, whereas before the pandemic it had been actively working to expand care in community settings, particularly primary care services.[9] While total outpatient visits in fiscal year 2021 have increased compared to the prior year, the growth is attributable to patients who received COVID-19 testing and may not return to H+H for additional health care services. From July 2020 through January 2021 compared to the same period a year earlier (prior to the pandemic), outpatient visits increased by 43 percent. However, when COVID-19 testing is excluded, visits declined by 18 percent during the same time period (see Figure 9).

FIGURE 9
Cumulative Outpatient Visits



Note: Outpatient visits include primary care. January data represents cumulative data from July 1 through January in each fiscal year.
Sources: NYC Health and Hospitals; OSC analysis

Telehealth presents potential opportunities as well as challenges. It is still unclear how telehealth visits will be reimbursed after the public health emergency has ended, at what level patients will continue these visits, and whether H+H has successfully used technology to capture and retain patients who received care and testing during the pandemic. Until more information is known, the role that telehealth technology will play in the future of H+H health care remains uncertain.

Recognizing trends that are moving hospital-based care to community-based outpatient care, H+H has invested in staffing for outpatient clinics and the opening of three new community-based clinics to expand its capacity to provide primary and preventive care. However, the pandemic has highlighted the need for hospitals to maintain hospital beds and to be able to quickly create space for and staff new beds, and this could complicate any future plans to restructure hospital space.

On September 9, 2021, the New York City Council passed a bill to establish a program that provides primary care services and patient navigation in all community districts across the City regardless of a patient's immigration status. Services will be offered by health providers, including H+H and Federally Qualified Health Centers, and other not-for-profit and private providers who choose to participate. The program will include telehealth services and will require at least one participating hospital providing specialty services in each borough. The NYC Care program provides similar services but is only available at H+H facilities. It is unclear how the program will impact the number of patients at H+H but it is possible that the system could benefit from referrals for specialty services.

The U.S. Department of Health and Human Services recently announced that it will distribute $17 billion nationally in additional Provider Relief Funding. H+H expects to be eligible for its share of the funding but the amount is not yet determined.

Conclusion

The pandemic provided a stress test for H+H's finances and operations in the midst of its planned transformation to achieve structural budget balance and provide high-quality care to all the City's communities. The response necessitated the adoption of certain immediate changes, including emergency procurement measures, operational capacity shifts and the use of telehealth services. Over the course of the past 18 months, H+H also continued to build on its planned transformational strategies, including expanding community care and improving its receipt of reimbursement payments. The pandemic and the multifaceted response to its challenges will impact H+H's long-term fiscal health, and its ability to continue to serve its public mission for years to come.

Most critically, the pandemic highlighted the continued importance of the stability and reliability of federal, State and local funding in allowing H+H to properly serve the City's most vulnerable populations. It was able to remain financially sound through the worst of the pandemic surge, largely because of the receipt of federal funding and the actions of the City to provide cash flow support as needed. Actions taken prior to the pandemic, including the City's commitment to leveraging federally matched dollars to boost its financial position, proved important for managing through the pandemic, and will remain so in future years. The elimination of planned State cuts to Medicaid, also thanks to federal support for the State, highlights a source of volatility in H+H's revenue profile that is outside of the City's, and its, control.

Recent delays in the receipt of federal funding, and the City's continued partnering to manage H+H's cash flow, further show how dependent H+H is on government support for managing its day-to-day operations. While the preliminary approval of additional FEMA reimbursement is helpful, the payment timeline is still uncertain, and H+H has unfunded out-of-pocket expenses which has strained cash flow. Consistent and timely payments from all government sources going forward would relieve cash flow pressures, and would better position it to plan for and respond to future emergencies.

While the pandemic slowed efforts to provide more elective procedures, it offered opportunities to serve new patients and confirmed the benefits of higher reimbursement rates from federally funded programs. H+H should continue its efforts to increase collections of patient revenue, work with insurance companies to increase reimbursement rates, further its efforts to retain the new patients gained during the pandemic, promote primary and preventive care in underserved communities, and undertake long-range preparedness planning for future health crises.

These efforts will allow the City, which made a commitment to the public hospital system prior to the pandemic, to sustain its recent financial support and ensure that H+H can continue to serve its most at-risk populations. Uncertainties around H+H's financial condition, in light of potential uncertainties facing the City's future financial condition, could otherwise make this commitment more difficult to sustain.

In the short term, the operational and financial impacts of COVID-19 depend on the pandemic's duration. H+H reports that patient utilization is slowly approaching pre-pandemic levels, but new COVID-19 variants could impact its recovery. Ultimately, however, the public hospital system must stay the course on its transformation plan and leverage revenue opportunities to stabilize its finances in order to continue to provide high-quality care for City residents.

Endnotes

[1] KFF's State Health Facts, data source: Stephen Zuckerman, Laura Skopec, and Marni Epstein, "Medicaid Physician Fees after the ACA Primary Care Fee Bump," Urban Institute, March 2017, at https://www.kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D; Eric Lopez, Tricia Neuman, Gretchen Jacobson, and Larry Levitt, "How Much More Than Medicare Do Private Insurers Pay? A Review of the Literature," Kaiser Family Foundation (KFF), April 15, 2020, at https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-private-insurers-pay-a-review-of-the-literature/; and Citizens Budget Commission, *A New Approach to Funding New York City Health + Hospitals*, December 16, 2019, at https://cbcny.org/research/new-approach-funding-new-york-city-health-hospitals.

[2] KFF, "The Role of Medicaid for Adults With Chronic Illnesses," November 16, 2012, at https://www.kff.org/health-reform/fact-sheet/the-role-of-medicaid-for-adults-with-chronic-illnesses/.

[3] New York City Health + Hospitals, One City Health, *Community Health Needs Assessment 2019*, June 30, 2019, at https://hhinternet.blob.core.windows.net/uploads/2019/08/chna-2019.pdf.

[4] The staffing initiative was instituted in June 2015, but monthly data by employment category was not available until June 2016. FTEs did not start to decline until December 2015, and declined by 1,500 by June 2016.

[5] Temporary staff hired for the H+H pandemic response are not included in the staffing chart.

[6] New York City Health + Hospitals, "1 Millionth COVID-19 Vaccine Dose Administered" (press release), June 23, 2021, at https://www.nychealthandhospitals.org/pressrelease/1-millionth-covid-19-vaccine-dose-administered/.

[7] According to H+H, the MyChart activation share of 69 percent at H+H facilities is higher than the national average of 48 percent of MyChart activations by Epic Systems Corporation customers.

[8] The H+H strategic initiatives assume cost savings of $16 million in FY 2021, $33 million in FY 2022, $108 million in FY 2023, $258 million in FY 2024 and $333 million in FY 2025. The cuts to federal supplemental Medicaid funding that had been delayed by federal legislation are expected to resume in 2024, and in response H+H has ramped up its projected savings in FY 2024, when it will resume hospital restructuring and global FTE staffing reductions.

[9] New York State Executive Order 202.10 created a requirement for health care facilities to increase bed capacities in order to treat COVID-19 patients, including by canceling all elective surgeries and procedures, and contributed to the decline in service volume at H+H and all hospitals in the State.

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