

One New York

Health Care For Our Neighborhoods

Transforming Health + Hospitals



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NYC

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From Sick Care to Health Care: Transforming Our Public Health Care System

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Health + Hospitals By the Numbers:

- More than 40,000 employees
- 11 hospital centers
- 5 long-term care facilities
- 6 Diagnostic & Treatment Centers
- 70+ ambulatory care centers and extension clinics
- 500,000 members in their MetroPlus health plan

New York City's history as a national leader on public health goes back to 1736, when municipal leaders established a six-bed infirmary on a site now occupied by City Hall. Today, the primary guardian of that legacy is Health + Hospitals, which serves more than 1.2 million New Yorkers each year and is the largest municipal health system in the country. From playing a lead role in combating the threat of Ebola to handling nearly one-third of all emergency department visits within the five boroughs, Health + Hospitals is unmatched in scope. But it is not merely size that makes them one of the city's greatest institutions. Health + Hospitals is founded on the principles of inclusion and equality that are at the core of New York City's greatness. Our public healthcare system is *the* safety-net for the uninsured and underserved in New York City. It is no coincidence that Health + Hospitals is the city's single largest provider of care to Medicaid patients, mental health patients, and the uninsured. When you enter a Health + Hospitals system, you should expect the highest quality care regardless of your race, immigration status, or ability to pay.

We believe there must be a public healthcare system in New York to ensure that each and every New Yorker, regardless of income or immigration status, has access to the affordable high-quality care they need. A strong and enduring Health and Hospitals system is essential to this commitment. As public advocate, Mayor de Blasio underscored that the current healthcare system in New York City is broken – “An outmoded style of care – which relies on fee for service procedures, excessive reliance on emergency rooms, and inadequate primary and preventative care – is failing patients and providers alike.” A transformed Health + Hospitals will reverse this situation and actualize the OneNYC goal of equal and affordable access to the best in modern medicine embedded within neighborhoods where New Yorkers work and live. Reorienting from sick care to health care, Health + Hospitals is committing to delivering quality, equitable, and affordable care integrated with social supports that proactively keep people healthy and improves the health of entire communities.

This vital safety net is in danger of being stretched to the breaking point by a looming financial crisis. With the City's baseline budget support of \$1.3 billion, our public health care system will face a projected \$600 million operating gap in Fiscal Year 2016 (FY16), which will balloon to \$1.8 billion by FY20.

This gap and its growth over time are driven by multiple factors:

- **A large share of uninsured and Medicaid patients:** Medicaid and uninsured patients represent nearly 70% of Health + Hospitals total hospital stays, compared to 40% for other New York City hospitals.
- **Decreasing federal and state safety-net funding for the uninsured:** Federal and state funding that helps cover the cost of caring for the uninsured is projected to decline by almost a billion dollars – from \$2.2 billion in FY16 to \$1.4 billion in FY20.
- **Increased competition for Medicaid patients:** When it comes to Medicaid Managed Care hospital stays, Health + Hospitals has lost market share to other New York City hospitals. While other major systems saw a 5% increase, Health + Hospitals experienced a 3% decline.
- **Declining use of hospital services:** Hospital stays have dropped over 5% between 2012 and 2014, which is consistent with citywide trends. Over the past 13 years, 18 private hospitals have closed in New York City.
- **Empty beds in some facilities:** The busiest Health + Hospitals facilities have less than 10% of beds empty, but in the most underutilized facility more than half of the beds are empty.
- **Less revenue:** More empty beds mean less patient revenue covering the same fixed operating costs. The projected decline in safety-net funding exacerbates this problem.
- **MetroPlus:** MetroPlus is a health insurance plan owned by Health + Hospitals that offers low to no-cost coverage to eligible New Yorkers. MetroPlus is a valuable and growing asset, but is currently losing market share. From 2009-2015, MetroPlus Medicaid enrollment grew by 17%, while the overall market grew by 27%.

Health + Hospitals is not alone in facing significant challenges. Indeed, the entire healthcare industry is in transition. Increasingly, healthcare systems are no longer being paid more to do more. Instead, they are paid more only when the health of their patients improves. This move from “paying for volume” to “paying for value” is welcome and overdue. But such fundamental change in how we pay for health care require hospitals and physicians to embrace fundamentally new models of care—models that are designed to promote wellness and keep patients out of expensive hospitals and emergency rooms.

Given the size of the shortfall and the market trends outlined above, Health + Hospitals cannot expect to only grow its way out of this problem. Health + Hospitals must—and will—embrace the challenge of restructuring its system to reflect the changing healthcare landscape, with a focus on four primary goals:

- **Stabilizing funding:** Health + Hospitals must secure a sustainable funding source to provide care for the uninsured.
 - The City and Health + Hospitals will seek to work with state and federal officials to launch a program that commits new federal funding to care for uninsured New Yorkers.
 - The State must ensure that Health and Hospitals does not unfairly bear the brunt of federal cuts.
 - Finally, the City and Health + Hospitals will build on existing efforts with targeted, community-based outreach to enroll people who are eligible for coverage but remain uninsured.
- **Expand community-based care, strengthen coordination and care management, and integrate social supports to improve health outcomes.** Even as Health + Hospitals becomes leaner in some areas, it must also grow to better serve high-need communities. That effort will include:
 - Embedding more health centers in communities
 - Expanding the capacity of community-based sites, through longer operating hours and new services
 - Partnering across City agencies and with the city's many outstanding community-based providers

All of these steps are especially critical when it comes to treating high-risk patients, who require convenient access to multiple providers. These efforts will also improve broader health outcomes within the target communities.

- **Consolidate hospital services and improve operational efficiency.** This effort will proceed on multiple fronts:
 - Assess hospital services to ensure that we are efficiently delivering safe, high-quality and effective care.
 - Operate more efficiently and maximize revenue.
 - Develop vacant and under-utilized parcels of land on Health + Hospitals campuses.

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- **Restructure payments and build partnerships to support the health outcomes of communities.** Health + Hospitals will shift from a model that rewards doing more services to a model aligns financial incentives with evidence-based practice and positive health outcomes.
 - Move from payments based on volume to payments based on improving patient health.
 - Build cross-provider care management arrangements so patients can get coordinated care across the City, which improves health outcomes.

The health of each of our residents is the foundation of our vibrant city.

Every New Yorker has a stake in the success of Health + Hospitals. When our neighbors are healthy, our neighborhoods are healthy. And when our neighborhoods are healthy, our city thrives. In the 280 years since the opening of that first infirmary, New York City's healthcare system has faced countless challenges, and in the end it always emerged stronger. Through innovation and determination, we will transform Health + Hospitals and ensure that it remains as vibrant as the city it serves.

A Vision for Public Health Care In New York

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NYC Health + Hospitals Mission and Values

NYC Health + Hospitals is committed to excellence in health care. Our providers work together to provide comprehensive, personalized care to all New Yorkers.

Our mission is:

- To extend equally to all New Yorkers, regardless of their ability to pay, comprehensive health services of the highest quality in an atmosphere of humane care, dignity and respect.
- To promote and protect, as both innovator and advocate, the health, welfare and safety of the people of New York City.
- To join with other health workers and with communities in a partnership which will enable each of our institutions to promote and protect health in its fullest sense – the total physical, mental and social well-being of the people.

Since establishing the nation's first public hospital in 1736 and the nation's first public health agency in 1866, New York City has long recognized that the health of each of our residents is the foundation of our vibrant city.¹ The New York City Department of Hospitals owned and operated a network of public hospitals serving City residents through the early- to mid-twentieth century.² In 1969, the New York City Health and Hospitals Corporation—now New York City Health + Hospitals (“Health + Hospitals”)—was created to replace the Department of Hospitals, solidifying the City's promise for every resident of comprehensive health services of the highest quality, irrespective of their economic status, race, color, ethnicity, or immigration status.³

Since its start 280 years ago, when the six-bed infirmary for contagious disease that was to become Bellevue Hospital saw its first patient, New York City's public hospital system has remained true to its core mission.⁴ In the 1980s, its commitment to care for our neediest neighbors was reflected in its leadership role in responding to the HIV/AIDS crisis, and just last year, the City's public health and hospital system responded bravely and effectively to the threat posed by the Ebola virus. Health + Hospitals has not only responded to public health emergencies, but also serves the day-to-day needs of all New Yorkers, ensuring that everyone has access to the care they need. Health + Hospitals' commitment to serving the most vulnerable New Yorkers is central to its mission, and in this transformation plan, the City reaffirms and strengthens this commitment. Unlike what has happened in other cities, Health + Hospitals will remain a vibrant public system—it is not for sale and the City will not abandon it.



A Vision for Public Health Care in New York

To fulfill this mission, Health + Hospitals has continually adjusted to the changing needs of the City and rapid developments in medicine and health care, all while under constant financial challenges. Health + Hospitals also has continuously fought for adequate public financial support to fulfill its mission.

Today, Health + Hospitals stands at a crossroads once again, facing significant challenges and opportunities, as federal and state reforms and shifts in the healthcare market change where we deliver care and how we pay for it.

- *Today, health care proactively keeps people healthy.* The focus of health care is well care, not just treating someone after they become sick. To do this, health care today focuses on supporting people in managing their health. A patient navigator may help you book appointments. A care manager may call you after your doctor's visit to check if you have questions on any medications you were prescribed. A peer support specialist may reach out to you if you are diagnosed with a condition like diabetes to offer advice from someone who has been in a similar situation.
- *Today, hospitals are not the center of health care.* For the vast majority of illnesses, health care is moving from hospitals into the community and even into the home. Hospitals are no longer the safest, the most efficient, or the preferred way to provide care to New Yorkers.
- *Today, socio-economic factors are once again recognized as major contributors to people's health:* Health improvement efforts must address the burdens of unemployment, poor nutrition, homelessness and substandard housing, and mental health and substance use afflictions, in order to help create and sustain healthier communities. When healthcare providers are given the right resources, they can help connect patients to the social supports necessary to improve the health of the City's many underserved communities;
- *Today, undocumented immigrants have been left out of health care reform:* While the Affordable Care Act has succeeded in expanding coverage to hundreds of thousands of New Yorkers, too many City residents remain unable to access health insurance due to immigration status and other barriers.⁵ And because of federal and state policy changes, Health + Hospitals is facing the prospect of drastic cuts in funding for the care provided to uninsured New Yorkers.

These developments demand a transformed healthcare system for our City—a model responsive to the rapid and dramatic changes taking place and reflective of the City's long-standing national leadership in public health and healthcare services. This transformation plan will achieve a strong and sustainable future for the City's prized public healthcare system.

This plan views health as a human right and one that is inextricably linked to making our City a vibrant metropolis; one in which each individual is provided the support and tools necessary to accomplish her most treasured goals and ambitions.

A Vision for Public Health Care in New York



This plan is premised upon the fact that better health supports socioeconomic equality. Illness, especially chronic illness, often breeds financial despair. It affects not only the individual, but also entire families and their neighborhoods. Recognizing this, Health + Hospitals is continuing to dedicate itself to being at the vanguard of making the City's communities, especially the most impoverished ones, healthy and successful.

Health + Hospitals is Key to Ensuring Equity Given Persistent Inequalities

New York City is marked by sharp disparities in health across neighborhoods. Each year, the State's 62 counties are ranked by health outcomes. The latest survey available, published in 2016, tracks data ranging from 2007 to 2014. In this survey, the Bronx ranked last, with Brooklyn also near the bottom of the list; by contrast, Manhattan, Queens and Staten Island ranked relatively high.⁶ Indeed, the Bronx leads New York State in the percentage of premature deaths in people ages 65 years or under (32.5%).⁷ The percentage of adults reporting fair or poor health in Brooklyn (20%) is 25% higher than the national average (16%), and the Bronx (29%) nearly double the national average.⁸ Even within boroughs, large disparities persist—according to a recent research report, life expectancy within Manhattan can differ nearly 10 years in the six subway stops that separate Murray Hill and East Harlem.⁹

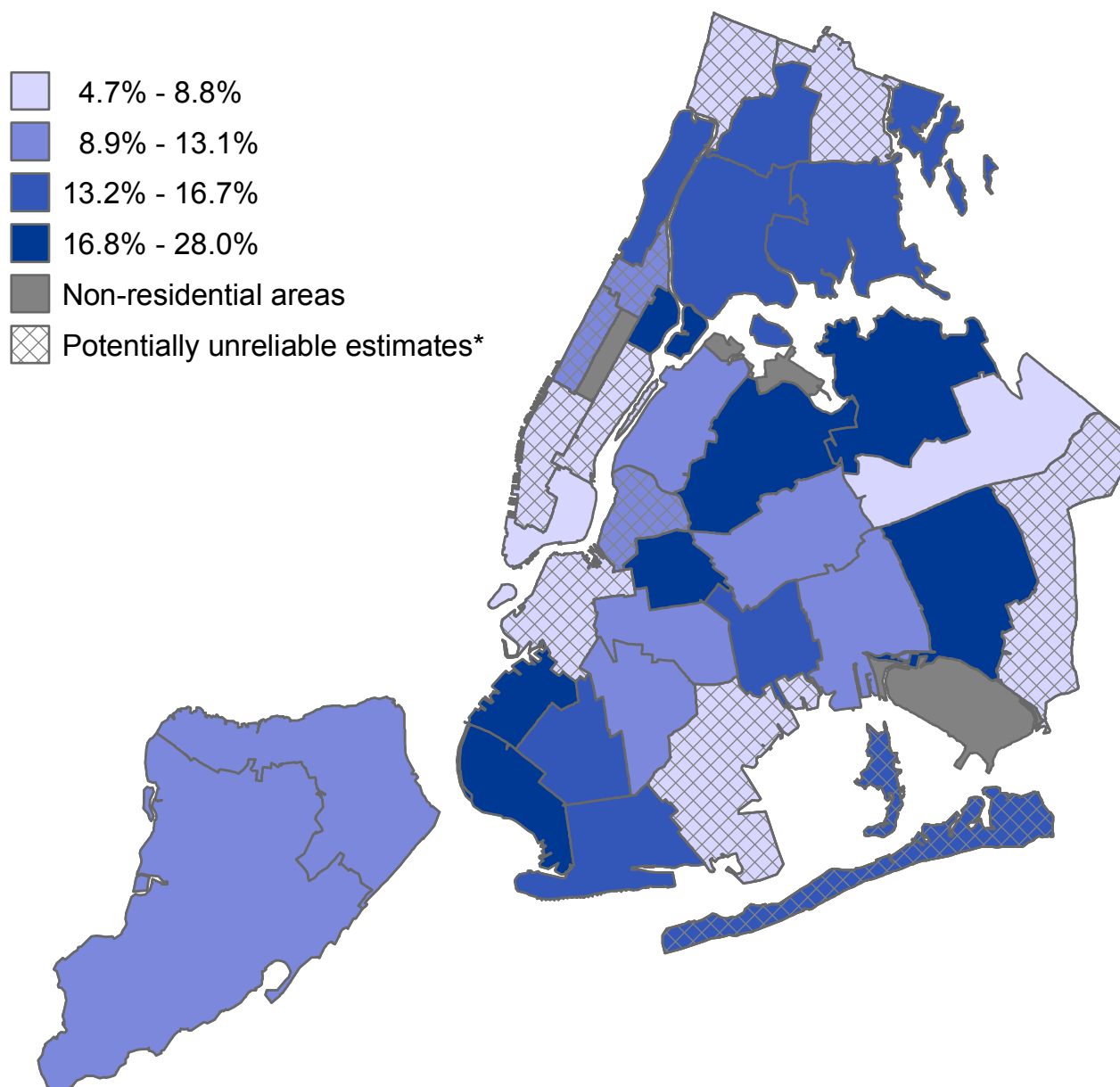
These differences across boroughs persist when looking at the rates of chronic disease. As shown below, 13.8% of Bronx residents have diabetes compared to 7.9% in Manhattan. The newly diagnosed HIV case rate per 100,000 age-adjusted lives, by contrast, is sharply higher in Manhattan at 45.1 than in Queens (21.3), or Staten Island (9.5).

With respect to preventable hospitalizations as shown below, the rate in the Bronx (221.2) is 80% higher than the rate in Manhattan (121.9), Queens (119.7), and Staten Island (125.4) and is significantly above the statewide average (127.4).¹⁰ Many of these hospitalizations could have been prevented had patients been engaged in accessible primary care supported by other community-based services.

Health insurance coverage is also uneven. The Affordable Care Act brought health insurance to millions of Americans and over a million New Yorkers,¹¹ but nearly a million City residents remain uninsured.¹² For the estimated 345,000 uninsured New Yorkers who lack documentation, there are no affordable coverage options, as they are excluded from enrolling in Medicaid and are not permitted to purchase coverage on the state's insurance exchange.¹³

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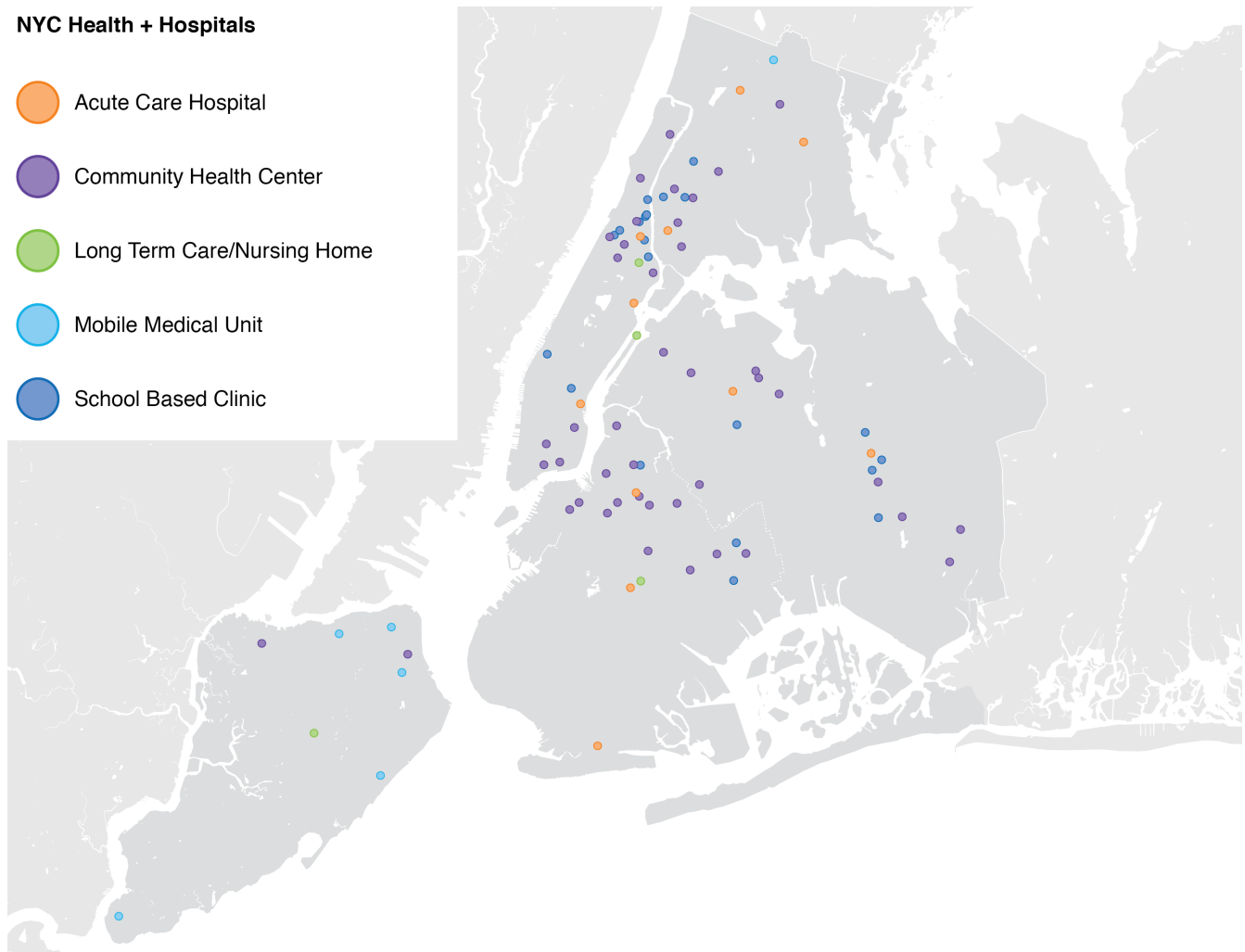
Percent Uninsured Adults 18 Years and Older by New York City Neighborhood, 2014



*Estimate should be interpreted with caution due to small sample size
Source: NYC Community Health Survey, 2014

Given these disparities in health status and insurance coverage, Health + Hospitals is singularly important for ensuring equitable health care access across the City. Health + Hospitals offers almost the entire continuum of healthcare services to treat New Yorkers of all ages – from prenatal care to birthing centers to nursing homes.

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Each year, Health + Hospitals serves more than 1.2 million New Yorkers.¹⁴ It is the largest publicly financed health system in the country with more than 40,000 employees¹⁵ staffing eleven hospital centers with nearly 5,000 beds; five long-term care facilities with nearly 3,000 beds; more than seventy community-based health care centers and extension clinics; a certified home health agency; and MetroPlus, a nearly 500,000-member health plan.

Consistent with Health + Hospitals' mission, a significant number of its patients have household incomes below the poverty level, are uninsured, or both. The system was responsible for approximately half of uninsured hospital stays and emergency department visits in New York City in 2014—a disproportionate share relative to every other health system in the City.¹⁶ The system is also the City's largest provider of behavioral health services, responsible for more than a third of psychiatric and substance use related hospital stays in 2014.¹⁷

Health + Hospitals facilities are also a vital source of medical training through affiliations with the leading medical schools and academic centers in New York City, responsible for some or all of the training of nearly 5,000 medical residents annually.¹⁸

A Vision for Public Health Care in New York

Health + Hospitals is an essential part of the fabric of the City because it mirrors the City's diversity, with 80% of staff coming from communities of color. Approximately one in four of its patients have limited English proficiency and interpretative services are available in nearly 200 languages, often from Health + Hospitals employees who reflect the diversity of the communities they serve.

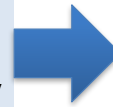


OneNYC and Vision 2020: Revolutionizing Health Care In New York

As public advocate, Mayor de Blasio underscored that the current healthcare system in New York City is broken – “An outmoded style of care – which relies on fee for service procedures, excessive reliance on emergency rooms, and inadequate primary and preventative care – is failing patients and providers alike.”¹⁹ OneNYC, released in April 2015, articulates A Vision for Public Health Care in New York for how we reform the City's healthcare landscape to ensure that all New Yorkers have access to the physical and mental healthcare services they need and deserve.²⁰ OneNYC calls for: high-quality essential healthcare services embedded within communities; a significant expansion of community-based primary and preventive care, which includes integrated mental health care; coordinated care across providers supported by technology; and paying appropriately for the healthcare services that proactively keep people healthy.

OneNYC: The Plan for a Strong and Just City

- ❖ Ensure all New York City neighborhoods have access to high-quality essential healthcare services
- ❖ Transform NYC Health + Hospitals into a system anchored by community-based preventive care
- ❖ Expand access to primary care by establishing health centers in high-need communities
- ❖ Expand access points for mental health and substance abuse care, including integrating primary care and behavioral health services
- ❖ Work with New York State in enabling and supporting the transformation of the healthcare delivery system



NYC Health + Hospitals: Vision 2020 Priorities

- ❖ Provide high-quality safe care in a culturally-sensitive, coordinated manner
- ❖ Expand access to serve more patients
- ❖ Anticipate and meet patients' needs
- ❖ Engage Health + Hospitals workforce to ensure accountability and support
- ❖ Increase efficiency through investments in technology and capital

A Vision for Public Health Care in New York

At the same time that OneNYC was published, Dr. Ramanathan Raju, President of Health + Hospitals, launched Vision 2020, a plan to transform Health + Hospitals from sick care to health care, from a hospital-centric system to one focused on patients and communities.²¹ Vision 2020 pivots Health + Hospitals to align with the changing healthcare landscape and puts the promise of OneNYC into action via three strategic objectives:

- Bringing excellence to patient experience by providing high quality and safe care in a culturally sensitive, coordinated manner.
- Expanding access to serve more patients.
- Reforming the organization and engaging the workforce to ensure accountability and support, and increasing efficiency through investments in technology and capital.

Shifting from sick care to health care requires organizational change. Health + Hospitals has reorganized into citywide service lines, moving away from the legacy hospital-centric borough-based networks because people move across the city and their experience should be consistent across the entire Health + Hospitals system. To ensure a high-quality and consistent experience, Health + Hospitals has made a series of critical investments in its infrastructure including (1) the launch of a new electronic health records platform, EPIC, the industry gold-standard; (2) the implementation of evidence-based standard clinical processes and protocols, including care coordination, and (3) an enterprise resource planning system, PeopleSoft, another best-in-class technology platform that supports day-to-day management and operations.

These investments are beginning to yield results. Health + Hospitals recently announced the successful recruitment of several new hospital and service-line leaders with vast leadership experience ranging the full spectrum of hospital, community-based and nursing home care. Over the past two years, the number of calendar days to the third next available appointment, a validated measure of access to care, has dropped dramatically from 55 days to 21 days for adult primary care; from 31 days to seven days for mental health; and from 14 to seven days for pediatric primary care. Health + Hospitals has also increased its patient satisfaction scores by 0.6% each year since 2014, a rate that is three times the national rate of improvement and is committed to continuing this upward trend.

Health + Hospitals has also taken steps to prepare itself for the new ways that we are paying for healthcare services by successfully launching a Medicare Accountable Care Organization (ACO) in January 2013. ACOs that lower their growth in healthcare costs while meeting performance standards on quality of care and putting patients first are able to share a percentage of the savings they generate. In its first two years, the Health + Hospitals ACO was able to save a total of \$14.6 million over two years, \$6.3 million of which was shared with Health + Hospitals and its affiliated providers to support investments in care management and access

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that led to this success. Health + Hospitals is the only public healthcare system whose ACO has earned these bonus payments consistently across all years of operations.

All told, since 2014, Health + Hospitals has earned over \$8 billion in federal and state support, demonstrating its role as a national leader among publicly-financed healthcare systems. Thanks to the Medicaid waiver funding achieved via a joint City and State effort in 2014, Health + Hospitals is receiving up to \$1.2 billion across five years to implement reforms that improve the quality of care, keeping people healthy and out of the hospital.²² Health + Hospitals also successfully negotiated \$1.72 billion in new post-Sandy Federal Emergency Management Agency funding,²³ and received smaller awards to fund important initiatives relating to the World Trade Center Environmental Health Center,²⁴ a new National Ebola Training and Education Center²⁵ and a new emergency department care management program.²⁶

Despite this progress, and due to policy changes and market forces outside of the City's direct control, Health + Hospitals faces enormous challenges and unprecedented financial peril. Together, OneNYC and Vision 2020 have laid the foundation for a bright future. This plan builds upon these initiatives by identifying new strategies necessary to accelerate the transformation of Health + Hospitals and to establish a strong and enduring financial foundation.



Transforming Health + Hospitals Ensures Healthcare Equity and Access

This is a pivotal juncture where Health + Hospitals simultaneously: 1) reasserts its unyielding commitment to provide healthcare for New Yorkers regardless of their insurance status, immigration status, financial status, or ability to pay; 2) renews and enhances its commitment to provide high quality, culturally appropriate, equitable and affordable care; and 3) takes full stock of the rapidly changing realities in the state and federal policy and the local healthcare market landscape. And in so doing this transformation plan lays out a full-throttle drive out of an outdated hospital-based system to toward a community-focused system where patients get the right care at right place at an affordable cost every time. It drives transformation from an outdated sick care system to the future of health care that is focused as much on keeping individuals and communities healthy as it is on caring for them when illness strikes.



This transformation plan is not a plan to close hospitals, lay off workers, or impair quality or access to Health +Hospitals healthcare services. We cannot cut our way out of this problem in ways that destabilize quality and access in underserved communities. Instead, the City is making an unparalleled investment in Health + Hospitals to preserve its vital role delivering healthcare services by nurturing staff who reflect the diversity of the City's melting pot. This plan weaves Health + Hospitals deeper into the fabric of community life by embedding more affordable and convenient healthcare services where people live and work.

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This plan responsibly calls for continuing to seek additional operating efficiencies because even top performers always strive to improve. As a public system where a majority of the operating budget is publically financed, we owe it to our taxpayers to deliver efficient and high-quality care. This plan aggressively seeks to secure new funding to appropriately compensate Health + Hospitals for the culturally-competent care it delivers to those who cannot afford to pay because current funding streams do not cover the true cost of service.

This plan also calls for a reimagined relationship between the City's other healthcare providers and our public healthcare system. If we are to truly improve the health of communities, and keep people healthy throughout their entire lives, then we must all band together to build a coordinated health system that extends beyond health care. Health + Hospitals is an essential asset in this equation -- uniquely positioned to successfully bridge City social and public health services and healthcare services to keep vulnerable populations and all New Yorkers healthy.

Throughout its history, Health + Hospitals has weathered many challenges. However, the challenges before it today are both qualitatively and quantitatively different. The stability of Health + Hospitals, and the City itself, requires bold thinking, new resolve, and strong collaboration with the community, labor, and state and federal partners. Working together and remaining steadfast to its mission, Health + Hospitals can move beyond the current crises to achieve a strong and sustainable future for our public healthcare system.

Health + Hospitals Faces a Significant and Looming Financial Crisis

Health + Hospitals Faces a Significant and Looming Financial Crisis

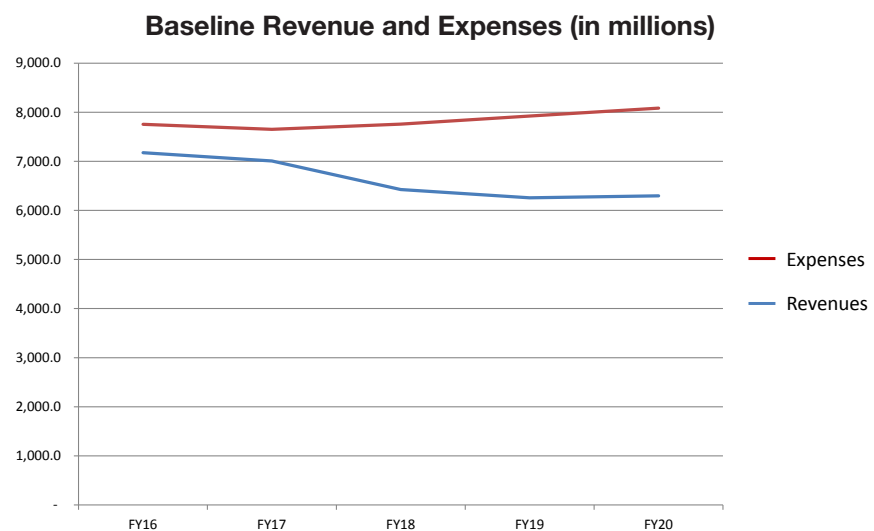
Without swift and aggressive action, Health + Hospitals is on the edge of a financial cliff. A recent analyses by the Citizens Budget Commission has reached similar conclusions.²⁷

Over the FY16 – 20 period, patient care revenues are projected to grow modestly (+\$30 million, or 0.9percent). Over the same period, baseline spending is projected to increase by \$325 million, or 4.2 percent. The baseline budget forecast assumes continuation of annual City subsidies and grants at about the \$1.3 billion level for each of the forecast years. Taken together, Health + Hospitals is projected to face an operating deficit of almost \$1.8 billion in FY20.

Baseline Projections					
In \$M of Dollars	FY16	FY17	FY18	FY19	FY20
Patient Care Receipts	\$3,521	\$3,451	\$3,494	\$3,521	\$3,551
Safety-netfunding	\$2,229	\$2,209	\$1,628	\$1,410	\$1,418
City Subsidy, Grants and Other	\$1,425	\$1,347	\$1,303	\$1,324	\$1,328
Disbursements	\$7,758	\$7,640	\$7,749	\$7,920	\$8,083
Operating (Loss)	(\$582)	(\$633)	(\$1,324)	(\$1,665)	(\$1,787)

Two major trends are driving this gap and its growth over time:

1. The rapid projected decline in safety-net funding, from \$2.2 billion in FY16 to \$1.4 billion in FY20, due to federal and state policy changes, despite Health + Hospitals caring for an increasing share of uninsured patients citywide; and
2. A combination of operational and market factors that have emptied hospital beds, leading to decreased patient revenues with no corresponding reductions in operating expenses.



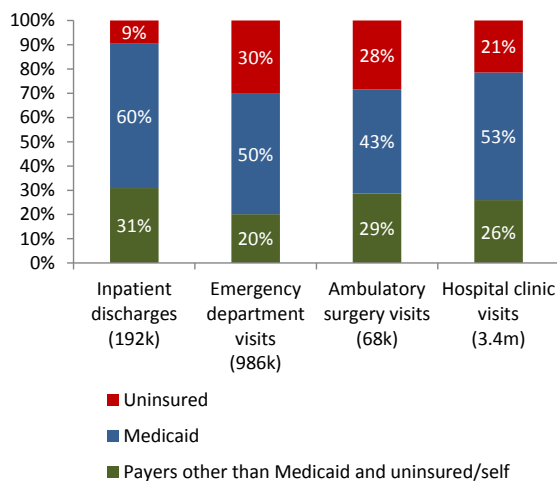
Health + Hospitals Faces a Significant and Looming Financial Crisis

The contributing factors behind these two trends are explained in more detail below..

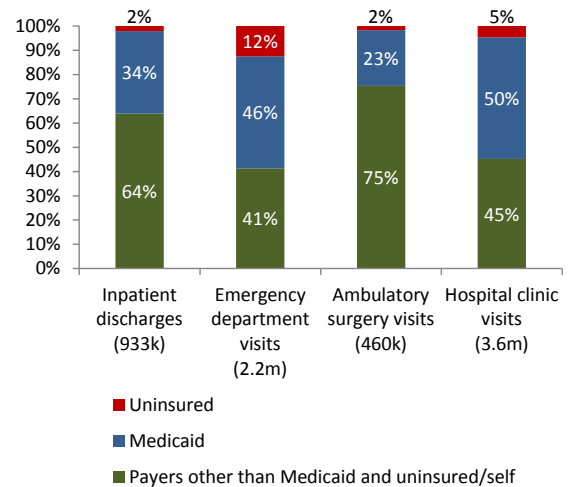
Health + Hospitals Delivers More Care to the City's Uninsured

Our public healthcare system is **the** safety-net for the uninsured and underserved in New York City. Health + Hospitals provides more medical and surgical care to uninsured patients, in both hospital-based and community-based settings, than any other provider in the City. Nearly 70% of Health + Hospitals hospital stays are by low-income Medicaid and uninsured patients, compared to less than 40% of stays for other New York City hospitals.²⁸

Health + Hospitals Hospital-Based Visits by Payment Source (2014)



Rest of New York City Hospital-Based Visits by Payment Source (2014)



Source: Statewide Planning and Research Cooperative System (SPARCS)

Health + Hospitals cares for a disproportionate and growing share of the uninsured. Hospitals are required by federal and New York State law to treat all people in emergency situations regardless of ability to pay.²⁹ Today, there are far fewer hospitals in New York City and not all community-based providers are required by federal or state law to treat the uninsured. Since 2003, 18 hospitals have closed, leaving 61 hospitals currently in operation. With fewer providers to care for the uninsured, Health + Hospitals has been left shouldering the responsibility to provide essential health care for this vulnerable population.

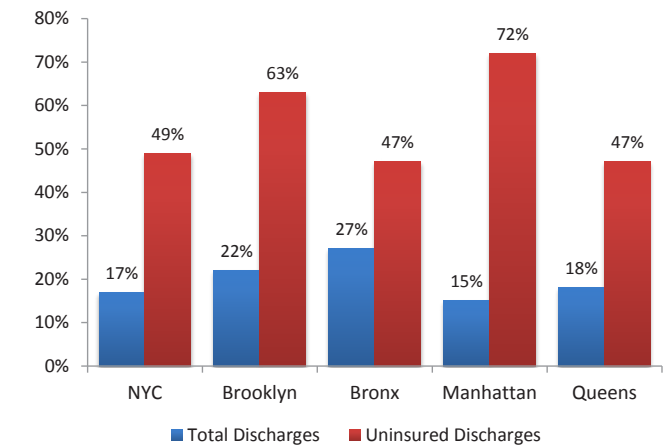
Health + Hospitals Faces a Significant and Looming Financial Crisis

Recent New York City Hospital Closures

Brooklyn	Bronx	Manhattan	Queens	Staten Island
<div><div></div> Caledonian (2003)</div> <div><div></div> St. Mary's Female Hospital (2005)</div> <div><div></div> St. Mary's Hospital (Oct. 2005)</div> <div><div></div> Victory Memorial Hospital (2006)</div> <div><div></div> Long Island College Hospital (2014)</div>	<div><div></div> Westchester Square Medical Center (2013)</div>	<div><div></div> Doctors Hospital (2004)</div> <div><div></div> St. Vincent's Midtown (2007)</div> <div><div></div> Cabrini Medical Center, including Italian Hospital (2008)</div> <div><div></div> St. Vincent's (2010)</div> <div><div></div> North General Hospital (July 2010)</div>	<div><div></div> Parkway Hospital (2008)</div> <div><div></div> Mary Immaculate Hospital (2009)</div> <div><div></div> St. John's Queens Hospital (2009)</div> <div><div></div> Peninsula Hospital, including Rockaway Beach Hospital (2012)</div> <div><div></div> Holliswood Hospital (2013)</div> <div><div></div> St. Joseph's Hospital—part of St. Vincent's Catholic Medical Centers (2014)</div>	<div><div></div> Doctors Hospital of Staten Island (2003)</div> <div><div></div> Bayley Seton—part of St. Vincent's Catholic (2004)</div>

Half of all uninsured hospital stays and uninsured emergency department visits in New York City happen at Health + Hospitals facilities.³⁰ Across the City, Health + Hospitals provides the majority of hospital care for uninsured New Yorkers. Nearly three-out-of-four uninsured New Yorkers in Manhattan go to Health + Hospitals for hospital stays.

Health + Hospitals Hospital Stays as a Percentage of Borough Total (2014)

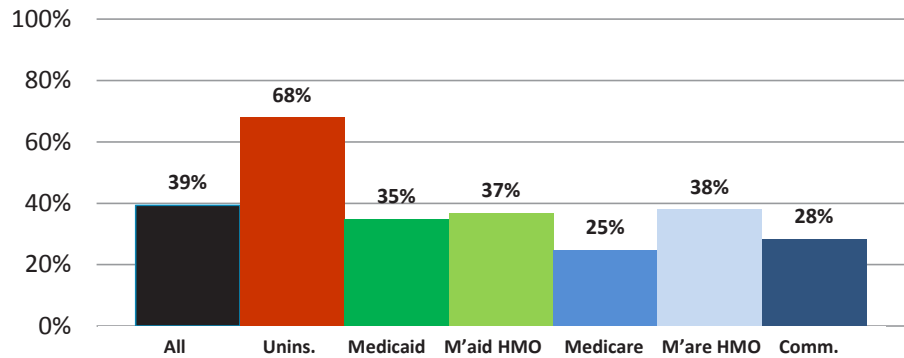


Source: Statewide Planning and Research Cooperative System (SPARCS)

Health + Hospitals also provides a significant amount of non-emergency, primary and specialty care in its hospitals and community-based clinics. About 80% of the uninsured non-emergency hospital visits in New York City are at Health + Hospitals facilities; the remaining 20% are at other hospitals.³¹ But Medicaid generally pays far below the cost of providing non-emergency hospital and community-based care, exacerbating the operating gap at Health + Hospitals.

Health + Hospitals Faces a Significant and Looming Financial Crisis

Health + Hospitals 2014 Citywide Share of Hospital Clinic Services by Payer Class³²



Source: Statewide Planning and Research Cooperative System (SPARCS)

Caring for the uninsured and low-income patients is a core mission of our public healthcare system and as a result, the system is significantly dependent on public funding from all levels of government – federal, state and city. All levels of government should and must share this obligation and commitment, especially since we share the common goal of improving the health and social outcomes for all communities

Critical Safety-net funding is declining sharply

Essential safety-net funding has never completely covered the full cost Health + Hospitals incurs caring for the uninsured and low-income patients who rely upon Health + Hospital to receive quality health care.

Safety-Net Funding Gap

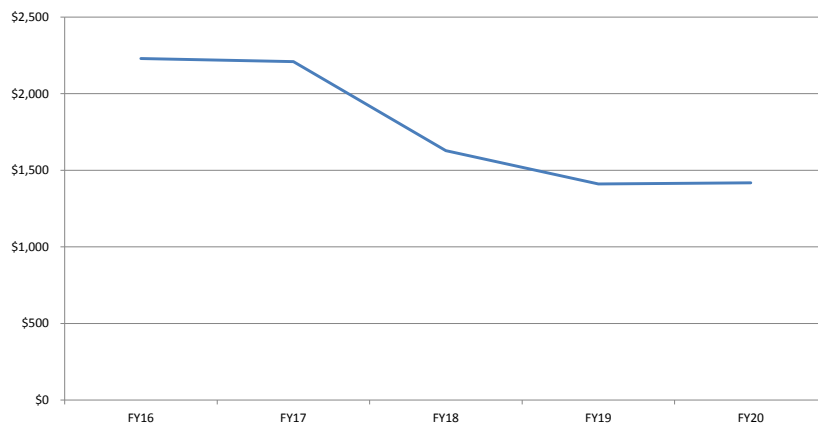


Health + Hospitals Faces a Significant and Looming Financial Crisis

Safety-net funding for Health + Hospitals is projected to decline by approximately one-third from an estimated \$2.2 billion in FY16 to \$1.4 billion in FY20.

Both federal and state policies are contributing to the quick and steep decline in essential safety-net funding. Currently there are two primary sources of this funding that help Health + Hospital partially cover the cost of caring for the uninsured and low-income patients.

Projected Safety-Net Funding to Health + Hospitals (in millions)

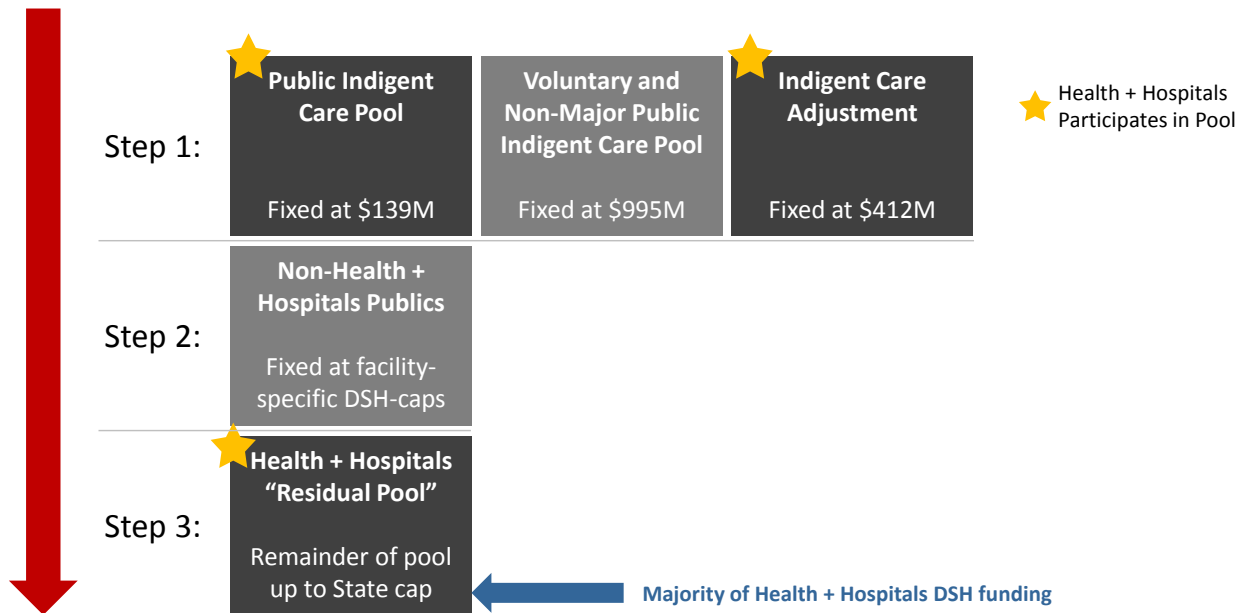


- 1. Disproportionate Share Hospital (DSH) funds** are federal dollars distributed by the State to help cover the cost of the uninsured and make up for low-Medicaid payments.
- 2. Upper Payment Limit (UPL) payments** are payments make up the difference when some types of Medicaid payments are below what Medicare pays for the same service.

DSH funding is intended to be directed to hospitals that serve larger shares of uninsured and Medicaid patients, but states have considerable discretion in how they distribute DSH funds. New York State’s formula for distributing DSH funding is codified in State law and illustrated in Figure A below. As shown in Figure A, while Health + Hospitals received DSH funding from 3 out of the 5 pools and steps, the majority of DSH funding stems from the Health + Hospitals “Residual Pool,” which is last on the list.

Health + Hospitals Faces a Significant and Looming Financial Crisis

Figure A: New York State DSH Funds Distribution



The Affordable Care Act (ACA) reduces DSH payments under the assumption that almost all uninsured will be eligible for health insurance post-ACA enactment. The federal DSH cuts are now scheduled to begin in federal fiscal year 2018 (which begins October 1, 2017) although the formula for distributing the cuts has yet to be finalized by the federal government. Based on projections developed by the Medicaid and CHIP Payment and Access Commission (MACPAC), New York State's federal allotment will decline by \$336 million in federal FY18,³³ and Health + Hospitals DSH payments will drop from \$1.3 billion in FY16 to less than \$1 billion in FY20. The DSH decline accounts for the vast majority (78%) of the total projected loss for Health + Hospitals in safety-net funding. This decline is due in part to the DSH allocation formula set by State law. Since the majority of DSH funding for Health + Hospitals comes from the "Residual Pool," once the ACA DSH cuts kick in, there will be little left to flow into the "Residual Pool" as the other pools and steps are required to be fulfilled first.

While New York's uninsured rate for adults³⁴ has declined 34% from 2013 to 2014 since the implementation of the ACA, many factors, including the immigration restrictions imposed on programs by federal law, result in a large number of people who will continue to be uninsured, particularly in New York City. Since we know Health + Hospitals is already caring for the majority of the City's uninsured, the DSH cuts are particularly painful to our public healthcare system and significantly imperil its ability to serve all New Yorkers.

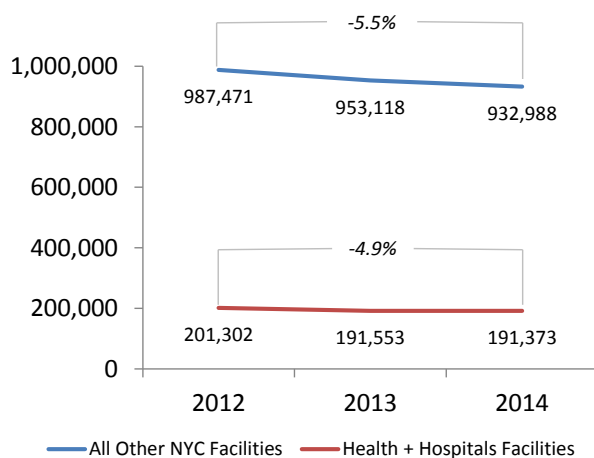
Health + Hospitals Faces a Significant and Looming Financial Crisis

UPL payments are declining due to another confluence of state and federal policy. Under federal law, UPL payments may be made when certain Medicaid fee-for-service payments are below what Medicare would have paid for the same service. With fee-for-service, healthcare providers are paid for each service delivered. In contrast, managed care pays providers a fixed or capitated amount per person over a fixed time period for all services delivered during that time period. As New York now requires most Medicaid participants to enroll in managed care, Health + Hospitals receives increasingly less fee-for-service payments, which decreases its UPL payments. Due to the statewide shift to Medicaid managed care, UPL payments to Health + Hospitals will decline to less than \$500 million in 2020.

Too Many Empty Hospital Beds

Today the Health + Hospitals' system is still primarily based around its hospitals —roughly 70% of patient revenues last year were from hospital stays. Both nationally and locally, the number of hospital stays have been dropping as services continue to transition to community-based sites that are less costly and often easier to access. Between 2012 and 2014, hospital stays at all New York City hospitals decreased over 5% or by 65,000 stays. Health + Hospitals facilities experienced similar declines losing nearly 10,000 hospital stays or five percent. Within Health + Hospitals, however, there is significant variation—with some facilities experiencing double-digit declines (e.g., North Central Bronx, Metropolitan, Woodhull and Elmhurst) and some experiencing increases (e.g., Bellevue and Lincoln) from 2012 to 2014.³⁵

Trends in Hospital Stays



Hospital Stays by Health + Hospitals Facility

Health + Hospitals Facility	2012	2013	2014	% Change 2012-2014
North Central Bronx Hospital	8,762	7,010	5,432	-38%
Metropolitan Hospital Center	14,900	14,695	11,613	-22%
Woodhull Medical Center	15,460	14,596	13,426	-13%
Elmhurst Hospital Center	26,233	24,713	23,113	-12%
Kings County Hospital Center	26,982	25,498	24,744	-8%
Jacobi Medical Center	20,942	20,923	20,286	-3%
Harlem Hospital Center	11,880	12,023	11,837	0%
Queens Hospital Center	13,984	13,790	13,723	-2%
Coney Island Hospital*	15,172	10,979	15,436	2%
Lincoln Medical Center	23,107	23,694	24,229	5%
Bellevue Hospital Center*	23,880	23,632	27,532	15%

**Declines in 2013 due to Superstorm Sandy*

*Source: Statewide Planning and Research Cooperative System (SPARCS)

Health + Hospitals Faces a Significant and Looming Financial Crisis

Consistent with City trends, the rate of empty hospitals beds across the Health + Hospitals system is increasing. In 2014, nearly all Health + Hospitals facilities had more empty beds than they had in 2012. But with the Health + Hospitals system, some facilities have more vacant beds than others. Certain hospitals like Queens and Kings are mostly full, while others hospitals are nearly half empty, like North Central Bronx, Harlem and Metropolitan.³⁸

Rate of Empty Beds by Health System

Health System	2012	2013	2014
New York City (incl. H+H)	23%	26%	27%
Health + Hospitals	25%	28%	27%
Northwell Health	30%	30%	30%
Mount Sinai	28%	31%	35%
Montefiore	11%	12%	16%
New York Presbyterian	15%	16%	17%
Independent	23%	26%	28%

Rates of Empty Beds by Health + Hospitals Facility

Health + Hospitals Facility	2012	2013	2014
North Central Bronx Hospital*	34%	42%	53%
Harlem Hospital Center	36%	35%	40%
Metropolitan Hospital Center	28%	27%	38%
Woodhull Medical Center	29%	32%	37%
Bellevue Hospital Center**	39%	49%	35%
Jacobi Medical Center	14%	19%	28%
Lincoln Medical Center	24%	23%	21%
Elmhurst Hospital Center	16%	17%	20%
Coney Island Hospital**	27%	49%	19%
Kings County Hospital Center	20%	8%	13%
Queens Hospital Center	0%	1%	8%

* Labor and Delivery closed in 2014 and re-opened in 2015

**Increases in 2013 due to Superstorm Sandy

Source: Statewide Planning and Research Cooperative System (SPARCS)

Hospital Consolidation Increasing Competition for Medicaid - the Core Revenue for Health + Hospitals

As mentioned earlier, the New York City hospital market has consolidated rapidly. The number of independent hospitals in the City has nearly halved from 34 to 18 over the past 10 years and is likely to continue to decline due to market pressures. Three out of every four hospital stays are now at hospitals affiliated with one of six major systems.³⁸

2014 New York City Hospital Stays and Market Share by Hospital System

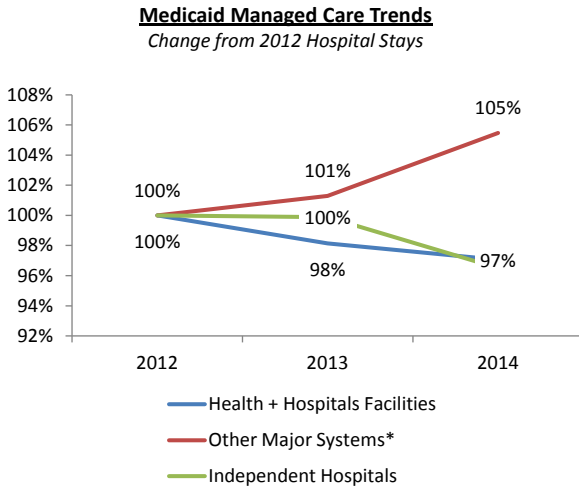
	Hospital Stays	% Market Share
New York City Total	1,124,361	-
Health + Hospitals	191,373	17%
Other Major Hospital Systems	582,094	52%
Northwell Health	149,181	13%
Mount Sinai	156,798	14%
Montefiore	84,169	7%
New York Presbyterian	154,025	14%
NYU	37,921	3%
Independent	350,894	31%

Source: Statewide Planning and Research Cooperative System (SPARCS)

In the past, most of the other hospitals in New York City did not actively seek to fill their beds with Medicaid patients because Medicaid payments are generally below the cost of providing care. Today, however, this historic pattern has rapidly reversed and large systems are competing against each other and with Health + Hospitals for Medicaid patients because they need to fill their beds to cover their operating costs. Large systems also want more patients because health care is moving from paying based on the volume and type of services to paying for keeping people healthy – so called “value-based” payments. Since there will always be sicker patients who use more health services, large healthcare systems need a sizable and diverse patient mix in order to spread out the cost of treating the expensive patients.

Health + Hospitals is quickly losing Medicaid patients to other hospitals as this zero-sum game unfolds. Between 2012 and 2014, overall Medicaid managed care hospital stays across all New York City hospitals were flat. Yet Medicaid managed care hospital stays at Health + Hospitals declined by three percent while other major hospital systems gained five percent.

Health + Hospitals Faces a Significant and Looming Financial Crisis



Number of Medicaid Managed Care Hospital Stays

	2012	2013	2014	% Change 2012-2014
New York City Total	311,528	311,559	312,078	0%
Health + Hospitals	76,693	75,266	74,439	-3%
Other Major Systems	122,863	124,457	129,580	5%
Northwell Health	26,128	27,587	30,025	15%
Mount Sinai	34,824	35,708	35,270	1%
Montefiore	26,508	26,581	27,936	5%
NYP	35,403	34,581	36,349	3%
Independent	111,972	111,836	108,059	-3%

Source: Statewide Planning and Research Cooperative System (SPARCS)

As described above, Health + Hospitals has been losing hospital patients. Fewer patients mean more empty beds and less revenue to cover operating costs.

Untapped MetroPlus Potential

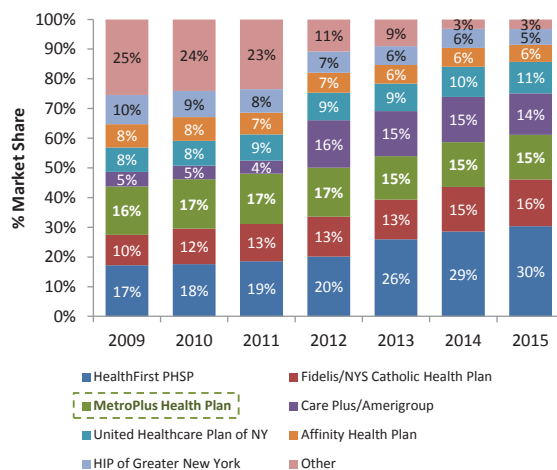
In 1985, Health + Hospitals created MetroPlus Health Plan. MetroPlus now provides health insurance to over 470,000 New Yorkers, mostly Medicaid enrollees (about 394,000 Medicaid members). Just as large health systems are now dominating the New York City healthcare provider market, the managed care market has also consolidated over time so that the vast majority of beneficiaries are now enrolled in only a handful of health insurance plans. In 1999, nineteen mainstream Medicaid managed care plans were active in New York City.³⁹ This number was relatively consistent until the late 2000s, when a wave of plan closures and consolidations dramatically reduced the number of plans in the market. As of April 2016, the number of active mainstream Medicaid plans in New York City has fallen to only eight. Today, five Medicaid health insurance plans now have more than 85% of total Medicaid managed care enrollees,⁴⁰ with three of these plans having more than 60% of enrollees. This consolidation has occurred as the market grew dramatically with the recent statewide shift from Medicaid fee-for-service to Medicaid managed care.⁴¹

Health + Hospitals Faces a Significant and Looming Financial Crisis

Medicaid Managed Care Enrollment

Medicaid MCO	2015 Medicaid Enrollment	% Change 2009-2015
Care Plus/Amerigroup	405,970	262%
HealthFirst PHSP	878,307	125%
Fidelis/NYS Catholic Health Plan	458,325	97%
United Healthcare Plan of NY	306,551	63%
Wellcare of New York	93,260	29%
Overall Market		27%
MetroPlus Health Plan	433,084	17%
HIP of Greater New York	155,272	-30%
Affinity Health Plan	165,420	-7%

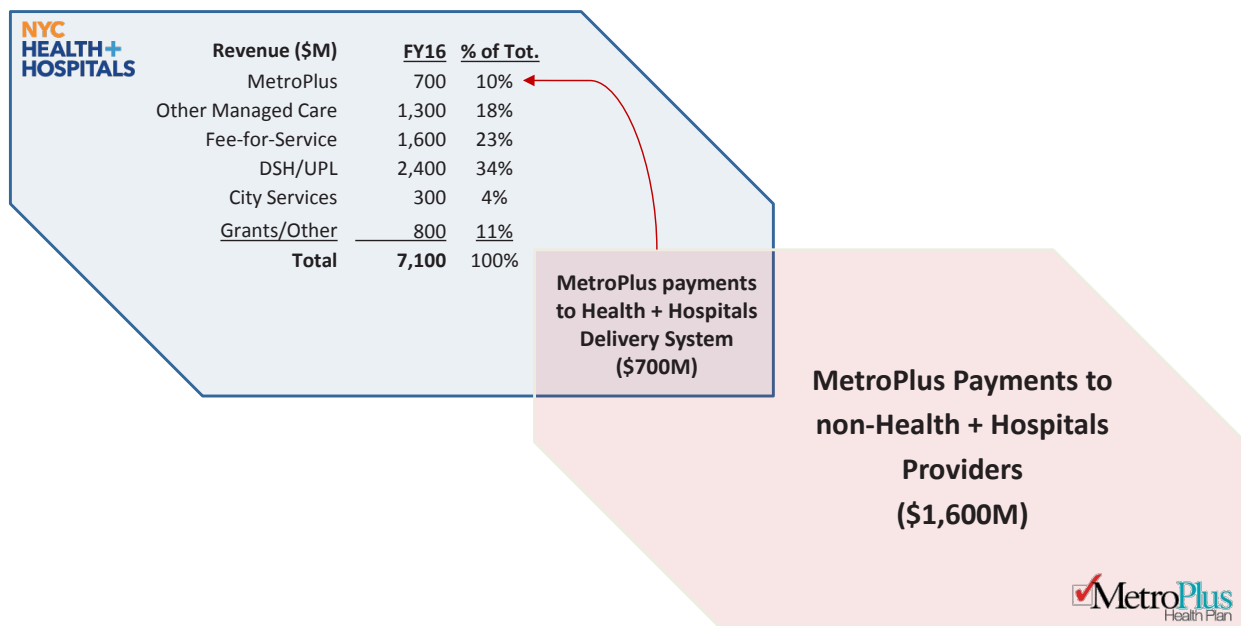
Change in Market Share from 2009 – 2015



Source: Medicaid Managed Care Operating Reports and Managed Care Enrollment Reports

Today, just as Health + Hospitals is losing patients to other hospitals, MetroPlus is losing Medicaid managed care plan enrollees to these sizeable health plans. MetroPlus Medicaid enrollment grew from 370,000 members in 2009 to 430,000 members in 2015, a 17% increase. But MetroPlus lost market share as the overall market grew at 27% over this time. Revised estimates for MetroPlus growth in this analysis assume that MetroPlus membership will approach 675,000 members by 2020. These estimates take into account existing Metroplus strategies and assume an expansion of Health + Hospitals' community-based care.

Health + Hospitals Delivery System



Health + Hospitals Faces a Significant and Looming Financial Crisis

Today, MetroPlus' 433,000 Medicaid managed care members are 15% of the NYC Medicaid managed care market.⁴² Given this moderate share of enrollment, revenue from MetroPlus to Health + Hospitals is an important but not dominant source. In FY15, revenue from MetroPlus totaled about \$700 million in or roughly 10% of total Health + Hospitals revenues. In contrast, Health + Hospitals received almost \$3 billion in payments from other, non-MetroPlus payers, including \$1.6 billion in fee-for service payments. The bottom line is that health insurance plans other than MetroPlus are critical to the long-standing financial strength of Health + Hospitals.

Why is MetroPlus not a greater revenue source for Health + Hospitals? Health + Hospitals' facilities and providers are a core part of MetroPlus' network, but the majority of MetroPlus payments are made to outside providers. Only about one-third of MetroPlus payments were used to pay for services provided by Health + Hospitals. Put another way, about two-thirds of MetroPlus revenue—a subsidiary of Health + Hospitals—was used to pay providers outside of the Health + Hospitals system. Several factors contribute to this situation. MetroPlus must include providers outside of the Health + Hospitals system to meet state insurance requirements for appointment access. Under state insurance regulations, when a MetroPlus member needs covered services that are not provided anywhere in the Health + Hospitals system, MetroPlus must pay providers outside of Health + Hospitals who provide the services. Doctors who treat MetroPlus enrollees also participate in other managed care plans, which may be influencing their referrals for hospital services.

Bridge to Better Health: A Transformation Plan to Achieve a Strong and Sustainable Public Health Care System For All New Yorkers

Bridge to Better Health

A transformed Health + Hospitals must thrive to ensure that all New Yorkers have equal access to the best in medical science. With this plan, Health + Hospitals is adapting to the fundamental and irreversible changes in how and where health care is delivered and how healthcare services are paid. The status quo is simply not an option given the structural transformation in medicine, technology, and payment policies.

This plan advances four major goals in order to achieve a strong and sustainable future for the City's prized public healthcare system while also promoting health equity for all New Yorkers:

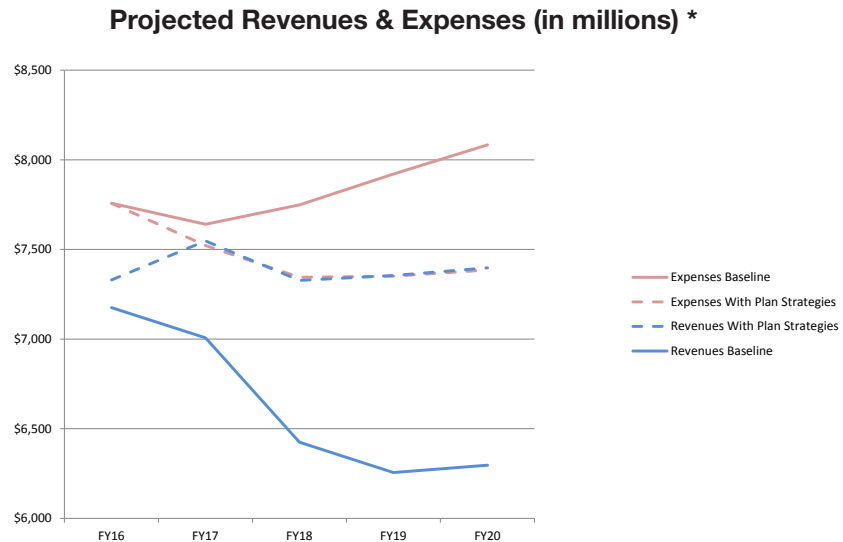
- Goal 1: Provide sustainable coverage and access to care for the uninsured;
- Goal 2: Expand community-based services with integrated supports that address the social determinants of health;
- Goal 3: Transform Health + Hospitals Into a high-performing Health System; and
- Goal 4: Restructure Payments to support the health outcomes of communities;

The balance of this report lays out specific strategies that will accomplish these goals.



Projected Financial Impact of the Transformation Plan

As shown earlier, Health + Hospitals is facing a projected \$600 million operating gap for FY16, growing to nearly \$1.8 billion by FY20. Health + Hospitals is already pursuing a set of existing initiatives that increase revenue and reduce expenses. When fully implemented by FY20, the existing initiatives and new strategies in this plan will bring in an estimated \$1.1 billion in revenue, and reduce expenses by \$700 million, closing the previously projected gap of \$1.8 billion.



*Note: Excludes MetroPlus

The City has a significant and long-standing financial commitment to a vibrant Health + Hospitals. Over the FY12–15 period, the City averaged \$1.3 billion in payments to subsidize the mission of Health + Hospitals. In January 2016, the City added \$337 million to bridge an immediate gap. Now the City is contributing an additional \$160 million in FY16 and \$180 million in an ongoing fashion, making an unprecedented long-term commitment to stabilize our public healthcare system. This funding will keep Health + Hospitals on sound footing. This critical City support will also allow Health + Hospitals to continue to provide care to all New Yorkers, regardless of their ability to pay, while undertaking the significant transformation efforts required to develop a sustainable and high-performing community-based healthcare system.

Goal #1: Provide Sustainable Coverage and Access to Care for the Uninsured

Providing high-quality care to vulnerable New Yorkers is central to the mission of Health + Hospitals. To advance this goal, Health + Hospitals needs stable funding to cover the costs of providing care to the uninsured. But the current way of delivering and paying for healthcare services is failing both vulnerable New Yorkers and Health + Hospitals. The existing patchwork of safety-net funding described earlier in this report is designed to fill budget holes. It was never designed to provide funding in a way that promotes ongoing and coordinated care for patients. The three strategies described below will help to stabilize safety-net funding, support coordinated care, and bring in additional revenue to support Health + Hospitals in caring for all New Yorkers, regardless of their ability to pay.

Strategy #1: Seek federal funding for a program that delivers coordinated healthcare services to the uninsured.

Health + Hospitals will roll out a system-wide health access program for uninsured New Yorkers, featuring care management services and emphasizing primary care to keep people healthy. Consistent with ActionHealth NYC, uninsured Health + Hospital patients with incomes under 200 percent of the Federal Poverty Line, will now be provided with care coordination with the goal of improving health and reducing costs by connecting patients to the right care when they need it.

The City will also immediately begin to work with State and Federal partners to secure federal Medicaid waiver funds for this program, with the goal of securing federal approval by end of 2016.

Strategy #2: Ensure that Health + Hospitals does not bear the brunt of federal DSH cuts.

As explained earlier, Health + Hospitals relies heavily on one component of safety-net funding, Medicaid Disproportionate Hospitals Share payments (DSH), to cover the costs of caring for the uninsured. Federal law reduces DSH funding nationwide by \$2 billion (16 percent) beginning in federal fiscal year 2018 (October 1, 2017), and those cuts will grow over time.⁴³ Postponing or eliminating the federal cuts would greatly improve the financial health of Health + Hospitals.

Without State legislative action, Health + Hospitals will bear almost the entire burden of cuts to DSH funding in New York. In other words, the public healthcare system that does the most to care for the uninsured will see the sharpest decline in safety-net funding. This was not the intent of the current State law that lays out the DSH distribution formula, and few could argue Health + Hospitals should bear this burden. Changes to state law to revise the distribution formula are necessary to prevent this from happening. In addition, a more equitable distribution of the funding should also help New York reduce the size of the federal cuts. The City will work with the hospital community and the State to seek legislative action during the 2017 legislative session to ensure that Health + Hospitals does not suffer

disproportionate cuts to DSH funding. In addition, the City will work proactively to develop a DSH distribution formula that minimizes federal DSH cuts to New York once the federal regulations outlining the cuts are issued later this year.

Finally, the City will lend its support to A9476/S6948 a bill currently before the State legislature, which seeks to increase Medicaid reimbursement for hospitals that primarily care for Medicaid and uninsured patients. If enacted, “enhanced safety-net hospitals” would receive an increase in fee-for-service Medicaid payments. Since most managed care payments for Health + Hospitals are based on the fee-for-service rates, enhanced rates would lead to increased patient revenue and help to offset reductions in safety-net funding. This legislation has been sponsored by the respective chairpersons of the Senate and Assembly Health Committees, Senator Kemp Hannon and Assemblyman Richard Gottfried. As of April 18, 2016, the legislation is pending before the Health Committees in both the Assembly and Senate.

Strategy #3: Comprehensive outreach to enroll people who are eligible for health insurance.

Thanks to the ACA and New York State’s robust implementation of ACA reforms, hundreds of thousands of New Yorkers are now eligible for health insurance. While enrollment in health insurance has been robust, many who are eligible continue to be uninsured. Nearly half of the uninsured patients served by Health + Hospitals in 2015—139,000— are likely eligible for subsidized health insurance.⁴⁴ Enrolling these patients in health insurance and helping them stay covered brings in significant new patient revenue, grows MetroPlus enrollment, and helps ensure people have consistent access to health services.

The City will engage in comprehensive citywide outreach to enroll all New Yorkers who are eligible in health insurance. City outreach workers will be calling New Yorkers, going door to door, and attending community events to help them make appointments for health insurance screenings and legal services. Health + Hospitals will enhance current outreach and enrollment activities at their facilities by partnering with the New York City Human Resources Administration, to develop new protocols for eligibility screening and culturally-sensitive outreach and engagement strategies to educate patients about their options and enroll them. Enrolling 40 percent of Health + Hospitals’ uninsured patients will result in an additional \$40 million in revenue per year by FY20, while easing patients’ fears of going bankrupt if they suffer a major illness like cancer.

Goal #2: Expand Community-Based Services with Integrated Supports that Address the Social Determinants of Health

All New Yorkers deserve quality health care and other social services that help keep them healthy. The strategies described below are investments that transform our public healthcare system from sick care to health care that proactively keeps people healthy. Without these investments, there will increasingly be a Tale of Two Cities in health care in our City. This Administration is committed to combating this inequality because health care is a human right and all New Yorkers deserve access to high-quality and affordable health care.

Strategy #4: Invest in new community-based care in underserved neighborhoods.

Today Health + Hospitals, and all other healthcare providers in the City, are at a critical juncture with one foot stuck in the hospital while the other leg leaps into community-based care of the future. Health + Hospitals has long-relied on hospitals—many of which are more than 100 years old—to care for our City’s neediest residents. Patients at Health + Hospitals are entitled to the same high-quality and convenient modern medicine as all other New Yorkers. An uninsured patient should not have to miss several days of work because Health + Hospitals performs hip replacements only in hospitals when insured patients can get same-day hip replacements at private community-based surgery centers.

The City is investing \$100 million in capital funds over the next four years to expand and upgrade Health + Hospitals community-based health centers and clinics. This investment will enable Health + Hospitals to transform into a community-based system delivering high-quality, convenient care, with an emphasis on our neediest neighborhoods and communities. With this investment, wait times for many community-based services will decrease; patients will be seen in state-of-the-art upgraded facilities, and currently underserved populations and neighborhoods will gain new health centers and clinics.

This capital investment in community-based care operated by our City’s public healthcare system is in keeping with this Administration’s commitment to expanding community-based primary and preventive care. Last year, the Administration announced the Caring Neighborhoods initiative, which is significantly increasing primary care access for thousands of residents in underserved neighborhoods across New York City. As part of Caring Neighborhoods, Health + Hospitals is expanding services and patient capacity at six existing community-based clinics and opening two new community health centers, including a 20,000-square-foot new construction clinic on Staten Island.



Strategy #5: Invest in care management to improve quality and health.

Health + Hospitals serves a larger share of complex patients that cost more to treat when they are sick. For example, four out of ten hospital stays for psychiatric or substance use disorders citywide occur at Health + Hospitals facilities. Keeping these patients healthy is not only the right thing to do, but can also increase revenue as payment for healthcare services is becoming tied to keeping people healthy. Keeping these patients healthy requires a robust care management infrastructure of care managers, data analytics, and technology.

These investments will help enable the four essential activities of care management programs.⁴⁵

1. Identifying and engaging patients who are at high risk for poor health and unnecessary health care use.
2. Performing comprehensive health assessments to identify problems that if addressed will improve care and reduce the need for expensive healthcare services.
3. Working closely with patients and their caregivers as well primary care, specialty, behavioral health, and social service providers.
4. Rapidly and effectively responding to changes in patients' conditions to prevent emergency department visits or hospitalizations.

Health + Hospitals has already started constructing a system-wide care management infrastructure, including a dedicated care management IT platform. Health + Hospitals is working on consolidating currently fragmented care management programs and more sophisticated use of analytics to support care management.

By 2020, Health + Hospitals will enroll tens of thousands of new patients, both insured and uninsured, in effective, evidence-based care management programs to

address the needs of its highest-risk populations. To do this, Health + Hospitals will significantly expand its care management staff by adding hundreds of new care managers. In addition to improving quality and patient health, expanded care management will save Health + Hospitals an estimated \$19 million annually by 2020.

Strategy #6: Integrate government and community-based social services with health care services.

As our public healthcare system, Health + Hospitals is uniquely positioned to deliver the most advanced and comprehensive model of health care -- healthcare services integrated with social support services. As one part of the City's rich network of health and social support services, Health + Hospitals can partner with other City agencies such as, the New York City Human Resources Administration, the New York City Department of Homeless Services, and the New York City Housing Authority (NYCHA) to address the social determinants of health including: economic instability, poverty, and lack of employment; homelessness and housing instability; food insecurities and lack of access to healthy food; lack of transportation; and exposure to crime or violence.

To address the constellation of medical and social needs that drive health outcomes, Health + Hospitals will co-locate City social support services within Health + Hospitals facilities and integrate care coordination across these services. Examples of co-located services may include medical respite units managed through City-contracted community-based organizations to allow for homeless patients to recover in a safe environment after being discharged from the hospital, and drop-in centers where homeless individuals can go as an alternative to using the emergency room as a place to stay when no clinical needs exist. Examples of integrated care coordination include outreach staff for street homeless programs doing warm hand-offs to Health + Hospitals care managers when they encounter people with multiple chronic diseases or mental health issues.

These efforts, aligned with the broad public health efforts of the New York City Department of Health and Mental Hygiene, will make sure that "health happens" where New Yorkers live, work, learn, and play.

Strategy #7: Develop vacant and under-utilized parcels on Health + Hospitals campuses address the social determinants of health while raising revenue

Interventions addressing the social determinants of health improve the health of sick individuals and prevent some health conditions before they develop, later reducing costly health services. Programs addressing housing instability such as supportive housing, have demonstrated the largest reductions in healthcare costs, a few of which are highlighted below. Interventions such as the "10th Decile Project" in Los Angeles and the Bud Clark Commons in Oregon have been shown to reduce healthcare costs by 72% and 55% respectively.⁴⁶

Summary of Select Housing Interventions⁴⁷

Intervention Description	Target Group	Outcomes
Housing First: Harm-reduction approach that provides supportive housing	Homeless adults with mental and behavioral health conditions (Seattle and Boston)	<ul style="list-style-type: none"> Savings of \$29,388 (Seattle) and \$8,949 (Boston) per person per year in net savings Reductions in ED visits, inpatient days, nights in emergency shelter, incarceration
Special Homeless Initiative: Provides permanent supportive housing arrangements to help tenants achieve stable living	Adults with serious mental illness (Boston)	<ul style="list-style-type: none"> 93% reduction in hospital days for clients after two years of housing placement Costs to Department of Mental Health associated with hospitalization dropped by \$18 million
10th Decile Project: Provides permanent supportive housing	Hospital-identified top 10% of patients who are homeless and have highest public and hospital costs (Los Angeles)	<ul style="list-style-type: none"> 72% reduction in total health care costs over two years Every \$1 invested in housing and support was estimated to reduce public and hospital costs by \$2 the following year and \$6 in subsequent years
Bud Clark Commons: Supportive housing, including case management, community building exercises, and counseling	Homeless Medicaid recipients (Oregon)	<ul style="list-style-type: none"> 55% reduction in total monthly Medicaid costs 14% decrease in ED use 16% increase in participants with stable PCP
Collaborative Initiative to Help End Chronic Homelessness: Simultaneously provides permanent housing, primary health care, and substance abuse and mental health treatment	Chronically homeless adults at 11 sites (nationwide)	<ul style="list-style-type: none"> 50% reduction in total average quarterly health costs amounting to \$13,824 per person per year 28% - 50% reduction in substance use by drug users Increase in number of days spent housed

Many of the currently vacant and underutilized portions of Health + Hospitals campuses can be developed into affordable and supportive housing. Pursuing these development projects will help Health + Hospitals' bottom line in two ways: 1) generating revenue from land sales and ground leases and 2) reducing costly healthcare services. Health + Hospitals can also build new community-based health centers and clinics into these development projects to simultaneously expand the essential community-based care described in Strategy 4 above.

Goal #3: Transform Health + Hospitals into a High-Performing Health System

A high-performing health system provides coordinated healthcare services in an efficient manner and is continually dedicated to improving quality. The strategies in this section put our public healthcare system on this path by significantly improving day-to-day operations, rebalancing how and where Health + Hospitals delivers services to be higher quality and more convenient, and using MetroPlus to better support efficient health care use.

Strategy #8: Implement operational improvements building on existing efficiency initiatives.

Over the past 12 months, as part of Vision 2020, Health + Hospitals has taken a number of critical steps to improve its core operational processes, including migrating from a decentralized, legacy network-based organizational model to a more centralized system with shared operational functions (such as procurement and supply chain management). Much work remains to be done to develop and strengthen the core organizational competencies required to manage system-wide performance at a time of increasingly scarce financial resources with declining reimbursement and increasing review of patient outcomes, quality and satisfaction metrics.

Health + Hospitals has lagged behind in enterprise-wide technology implementation and adoption. Through recent City capital allocations, DSRIP funding and the New York State Capital Restructuring Financing program, Health + Hospitals has made—and will continue to make—significant investments in technology that will help facilitate the alignment of centralized processes, clinical protocols, revenue cycle management, and population health and risk management across its facilities and physician practices.

Revenue Cycle Management

Health system “revenue cycle management” covers the entire life of a patient’s account, from first contact through collection of all payments against contractual allowances. Comprehensively addressing revenue cycle management has the potential to help Health + Hospitals realize 2% - 4% annual gross revenue increases. Health + Hospitals has dedicated efforts in place that can be expanded and enhanced, including (a) continuing current efforts to improve revenue cycle management, such as initiatives to enhance coding and charge capture; (b) placing a dedicated focus on additional areas of opportunity, such as following up on denials from insurance companies, and developing more robust insurance contract management capabilities; (c) strengthening efforts to ensure that patients eligible for Medicaid are enrolled for coverage; and (d) designing and implementing standardized processes, enabled by information technology, across all sites of care with ongoing measurement and continuous improvement.

Supply Chain Management

Health + Hospitals system-wide supply chain management improvement efforts, launched in 2013, have yielded significant savings. The organization continues to advance supply chain management through the deployment of new IT tools and application of best practices to new services lines. Over the next 18-24 months, Health + Hospitals will continue to enforce standardization of front-end purchasing processes; implement protocols to better estimate utilization at a facility and unit level, working with other departments; and expand centralization efforts to distribution and tracking of supply deliveries to individual facilities and payments to vendors. Finally, the organization will focus on training and workflow design to support better supply chain management.

Health Information Technology, Data Analytics and Business Intelligence Capabilities

Health + Hospitals must ensure its caregivers and facilities have adequate infrastructure to perform effectively and efficiently to ensure quality of care. Health + Hospitals is in the middle of a critical system-wide electronic health record implementation. The organization has also invested in a business intelligence analytics toolset. Expanded data analytics, measurement and tracking capabilities will be critical to realize broader system transformation goals. Over the next 12-18 months, Health + Hospitals will develop a robust data and analytics plan (leveraging its existing efforts under DSRIP and pilot programs) and begin rolling out a suite of tools to support clinicians and staff.

Increase Capacity in Hospital-Based Ambulatory Specialty Care Clinics

Access to needed specialty care is one of the greatest challenges for underserved populations and one of the most vital services Health + Hospitals provides the residents of the City of New York. Patients often face months-long waiting lists for appointments to see specialists and community-based primary care providers have difficulty referring patients for follow-up care.

Health + Hospitals will work to expand access to specialty care in its hospital-based specialty care clinics by addressing administrative challenges, streamlining processes, ensuring appropriate referrals to specialists, developing tighter linkages to primary care and creating continuity of care with team based approaches in the clinics. This will be accomplished over the next five years through a combination of process and workflow redesign and technology implementation such as electronic scheduling and e-consult and telemedicine capabilities.

Improve Post-Acute and Long-Term Care Operational Performance and Care Integration

Post-acute and long-term care services are a critical component of the continuum of care. A patient-centered approach to care seeks to provide better coordination between care providers and easier transitions from one setting of care to another for patients. Health + Hospitals owns and operates five long term care facilities that achieve high quality ranking and a home health agency that provides a number of specialized home care programs. Health + Hospitals has created an operating unit to manage post-acute and long term care services and will implement processes to improve discharge planning and transitions in care and to minimize avoidable hospital use.

Strategy #9: Through a transparent process, restructure health-care services system wide to improve quality and lower cost.

To adapt to the changing healthcare landscape described in detail in this report, Health + Hospitals will rebalance where and how it delivers health care in ways that improve access and quality while reducing costs. As part of this transformation, Health + Hospitals will modernize its technology and protocols for many procedures—both hospital and community-based—and ensure they are being performed in the most optimal care setting for quality, efficiency, value and outcomes.

Several key factors will guide this transformational restructuring and investment:

- Quality and patient safety
- Evolving community health and social needs
- Community access to healthcare services
- Advances in medicine and trends in the migration of hospital services to community-based settings
- Availability and training of clinical staff
- Impact on overall workforce
- Impact on medical education
- Financial impact

The comprehensive restructuring planning process will include neighborhood-level analysis of community health needs, hospital utilization data, Health + Hospitals quality data, Health + Hospitals workforce data, services cost, and revenue data. Ideas and feedback from key stakeholders, from facility staff and labor representatives to community members and elected officials, will be included throughout this planning process. This analysis will produce a comprehensive facility and community level view of the current and future demand for physical and behavioral health services, and establishes the best pathway to enable Health + Hospitals to provide high quality efficient care to deliver the best health outcomes for New Yorkers and meet the needs of all community residents

Restructuring is expected to yield a savings of \$444 million annually by 2020. Recognizing that 70 percent of Health + Hospitals expenses are staffing-related, achieving these savings without an effect on the size of the organization's workforce is difficult. Transforming Health + Hospitals from sick care to health care will shift the emphasis of our public healthcare system from the hospital to community-based settings, which entails workforce changes. In particular, as healthcare services migrate from hospitals to community-based settings, hospital staffing should decrease while staffing for community-based care and care management will increase. As part of the restructuring plan, there will be a substantial investment in

re-training inpatient staff to equip them with new knowledge and skills required to be part of a highly effective community-based workforce. Even with re-training and shifting existing hospital staff to community-based health centers and clinics, there is likely to be a net loss of hospital-based jobs. The City and Health + Hospitals is committed to no layoffs – and instead rightsize the workforce by attrition and partnering with labor to retrain workers for areas of growth in our Health and Hospital system and across City government

No hospital buildings will close as part of this transformation from sick care to health care. Many parts of Health + Hospitals campuses that are freed up as a result of embedding more healthcare services in communities where New Yorkers live and work will be repurposed to house social support and other community-based services, including affordable and supportive housing per Strategy 7 detailed above. This way Health + Hospitals facilities will continue as vibrant anchoring institutions within our communities that promote health and quality of life for all New Yorkers.

Strategy #10: Maximize revenue through MetroPlus.

Vision 2020 recognizes that MetroPlus is essential for strengthening Health + Hospitals, and there are additional strategies that can maximize the revenue MetroPlus feeds to its parent public healthcare system.

Service utilization, including primary care visits, directly impacts health plan risk scores which are used to set rates in New York State's Medicaid managed care program. Many MetroPlus Medicaid enrollees do not visit their primary care provider on an annual basis thus depressing plan risk scores which leads to lower health plan rates. By connecting these “non-users” to at least one visit annually, MetroPlus could increase its premiums and, in turn, revenue for Health + Hospitals. To address this, MetroPlus and Health + Hospitals will reach out to all first-time MetroPlus enrollees within the first 60-days of enrollment and attempt to schedule a visit with their assigned primary care provider. MetroPlus and Health + Hospitals will work together to do outreach to enrollees who have not used healthcare services within the last 12 months. Getting people engaged in primary care and preventive care is the right thing to do regardless.

In addition, MetroPlus will develop a strategy to educate physicians contracted with MetroPlus to refer patients to Health + Hospitals facilities and other providers, and Health + Hospitals will continue to expand their community-based locations to make it easier for MetroPlus members to choose a Health + Hospitals primary care doctor, and for other MetroPlus-contracted physicians to refer patients to these Health + Hospitals physicians.

Goal #4: Restructure Payments and Build Partnerships to Support the Health Outcomes of Communities

How we pay for healthcare services continues to evolve quickly and our public healthcare system can harness these changes to better serve all New Yorkers. The outdated fee-for-service model rewards healthcare providers for doing “more stuff,” regardless of whether this was actually improving patient health. Recognizing this disconnect, newer models are focused on better aligning financial incentives (payments) with evidence-based practice and positive health outcomes.



Strategy #11: Move from payments based on volume to payments based on value.

The State is investing in transforming the way health care is delivered to achieve better health outcomes for individuals and communities. As part of this transformation, the State is requiring managed care plans and healthcare providers to enter into value-based payment arrangements, with the goal of covering 80-90% of all Medicaid payments through such arrangements by 2020. When a health system receives a fixed (capitated) amount per person over a fixed period of time for all services delivered during that time period, healthcare providers invest in preventative care and the long term health outcomes for individuals to avoid unnecessary hospitalizations or overuse of healthcare services. With value-based payments, the healthcare providers can use shared savings arrangements with payers, to manage risk across their population and increase margin. In this transformative environment, health systems with strong infrastructure and care management capabilities will have the ability to manage the health of not just patients, but of populations and communities.

Health + Hospitals will pivot to take full advantage of the shift from fee-for-service reimbursement to value-based payment to increase its patient revenues. The strategies described above are the tools in the toolbox that Health + Hospitals must use in order to manage population health. These include: 1) continuing to build out the necessary capabilities to identify patients at risk through data analytics (Strategy 8), 2) expanding capacity to provide community based care where people live (Strategy 4); and 3) to develop first class care management capabilities for chronically ill patients (Strategy 5).

Today, approximately 25% of Health + Hospitals' total managed care patient revenue (approximately \$1.1 billion in FY 2015) is in value-based payment arrangements with its two largest payers—MetroPlus and Healthfirst. Health + Hospitals, however, currently holds managed care contracts with 25 different managed care plans. In some but not all cases, Health + Hospitals has negotiated a capitated-per-member per month rate with managed care plans and assumes a high degree of financial risk for beneficiaries. In other cases, Health + Hospitals has negotiated a risk-based contract for some but not all services. By moving more managed care revenues to value-based payment, and assuming investments in keeping people healthy and expanding access to community-based care, Health + Hospitals should be able to reduce the cost of caring for patients.

Strategy #12: Partner with other healthcare providers committed to serving all New Yorkers to build comprehensive care management infrastructure delivering patient-centered coordinated care that improves the health of communities.

While a transformed Health + Hospitals is critical to ensuring access to quality healthcare services for all New Yorkers, the burden of a healthy city cannot fall on the public healthcare system alone. New York City is home to many of the best not-for-profit healthcare and social service institutions in the world. These institutions are a critical part of City life and benefit tremendously through state and city tax subsidies, and Health + Hospitals must actively engage New York City's key healthcare and social service institutions and leaders to make the Mayor's OneNYC Health Vision a reality.

Strong partnerships across healthcare providers and community-based organizations are critical as patients frequently move across and between healthcare systems. Citywide, Health + Hospitals is the only health system that shares a significant patient population with every other major health system. That means no major health system in New York City can effectively manage population health without Health + Hospitals.

To deliver patient-focused coordinated care the care management infrastructure must reach beyond Health + Hospital's borders. In the coming year, Health + Hospitals will leverage its position as the largest provider of Medicaid services in the City, and will evaluate regional care management arrangements with other healthcare providers with significant patient overlap. Health + Hospitals' scale,

combined with that of their partners, could enable these regional care management arrangements to cover large populations in each borough. Putting in place these arrangements will facilitate investment in population health capabilities, including care coordination and an IT platform to support clinical integration, and should incentivize partners to focus on keeping people healthy and reducing the need for hospital care. The regional care management arrangements will include standardized care protocols to ensure appropriate utilization, and “warm hand-offs” so that information follows the patient at care transitions. In some respects, this collaboration has already begun. Health + Hospitals worked together with non-profit hospitals in Brooklyn and the Bronx to select the same projects to work on under the State’s effort to transform the system; in Brooklyn they also selected the same care management IT platform to manage complex chronically ill patients.

Regional care management arrangements will also enable Health + Hospitals and its partners to engage in community health planning to ensure access to healthcare services in all NYC neighborhoods. A collaborative planning effort will facilitate the development of detailed clinical services plans, mapped to community need, appropriate sites of service and medical education support. This approach will allow Health + Hospitals to focus on investments in expanding community based care, while developing Centers of Excellence in key facilities with specialty programs for high-need populations. Neighborhood-level health planning and services has been a consistent priority of Mayor de Blasio in order to preserve and augment essential health care access across the City.

Next Steps: Implementing the Plan

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These strategies have been informed by feedback from Health + Hospitals stakeholders—namely patients, community members, caregivers, healthcare institution and social services leaders, Health + Hospitals workers and their representatives, and elected officials. Over the coming months, further details of this plan will be developed through a timely and comprehensive planning and implementation process, which will include vigorous, ongoing stakeholder engagement at every step of the way.

The de Blasio administration will appoint a blue ribbon Commission on the Health Care of our Neighborhoods comprised of national policy experts and community leaders to inform implementation of a plan that realizes excellence in quality and financial stability for a reimagined Health and Hospitals Corporation. The Commission on Health Care for our Neighborhoods will expand upon the strategies developed in this report and shape recommendations for implementation. The de Blasio administration will coordinate substantive input from labor leadership and robust neighborhood engagement with community stakeholders across the five boroughs.

The conclusions from this study will inform how our public healthcare system can optimally balance hospital and community-based care today and into the future to meet the needs of New Yorkers. Working collaboratively and with a sense of urgency, New York City can continue to lead the nation in improving the health of its residents and its communities - especially for low income and immigrant New Yorkers. Together, New Yorkers can build a strong, just, and healthy city—OneNYC..

Summary of Next Steps

- Convene Commission on the Health Care of our Neighborhoods
- Create Office of Transformation at Health + Hospitals to drive planning and implementation of strategies including:
 - community-based care expansion
 - Centers of Excellence for high-quality care
 - operational efficiency initiatives
 - value-based payment
 - care management
- Create cross-agency workgroup to identify opportunities for integrated care coordination and service delivery
- Launch citywide outreach campaign on health insurance enrollment
- Apply for new federal funding for coordinated care for the uninsured
- Support legislation amending how New York distributes safety-net funds

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