



Budget Gap Closing Plan Highlights March 2009

Budget Background

- The number of uninsured patients being served by HHC facilities has significantly increased. In 2008, HHC served nearly 450,000 uninsured patients – an increase of 8% from 2007.
- Funding losses and projected increased operating expenses over which HHC has little control have created a \$316 million budget shortfall for FY2010, which begins July 1, 2009. Specifically:
 - HHC has taken three (3) State Medicaid reimbursement cuts since April 2008 totaling \$66 million.
 - Collectively bargained wage increases, together with escalating pension and health insurance costs, will increase total annual labor costs by \$160 million;
 - OTPS inflation costs, including affiliation contracts are projected at \$75 million;
 - Interest earnings have declined by \$5 million;
 - City tax levy funding reductions total \$10 million;
- HHC facilities face an additional loss of up to \$300 million in Medicaid funding if the proposed State Budget is enacted.
- Nearly 65% of HHC's \$5.3 billion in revenues come from State Medicaid reimbursements.
- It costs \$850 million to treat the 450,000 uninsured patients served by HHC.
- The City of New York has contributed more than \$500 million dollars annually to support the cost of serving 450,000 New York State residents without health insurance during recent years. The State contributed \$50 million.
- HHC's Financial Plan projects a \$1 billion gap between revenues and expenses in fiscal year 2010 and more than \$1.4 billion in fiscal year 2013.

Savings through operating efficiencies -- \$78 million

- \$23.3 million from supply chain efficiencies in the procurement of prescription medications, as well as medical surgical supplies, and the implementation of "Lean" Toyota-style operational redesign initiatives.
- \$34.4 million from revenue collection, coding and billing systems improvements.

- \$20.3 million from a variety of spending reductions including ending consultant contracts, curbing use of per diem staff and cutting the health marketing and advertising budget.

Savings through consolidation and service reductions, attrition and layoffs -- \$27 million

Workforce Reductions -- 400 positions through attrition and layoffs by July 1, 2009

- 200 fewer positions through hiring freeze and attrition
- 200 fewer positions through layoffs
- Layoffs will include managers, physicians, nurses, social workers, and support staff.
- Layoffs involve the following labor groups: Doctor’s Council, DC 37, New York State Nurses Association, CWA, IBT Local 37, Local 1199

Service reductions –

- All the programs and clinics scheduled for closing will require State approval. HHC will submit a closure plan to the State that proposes how patients will be redirected to services in other parts of the HHC system.
- The closings are expected to be in effect by the end of June, 2009.
- The service reductions focused on programs that are disproportionately underfunded and would have a limited impact on patients because HHC would be able to identify sufficient capacity to redirect patients to services elsewhere.

Programs/Clinics Scheduled to Close	Locations	Patients Served
School based mental health program	PS 90, Brooklyn PS 225, Brooklyn PS 329, Brooklyn IS 96, Brooklyn	45 36 53 53
Community Clinics	Highbridge Health Center, Bronx Sunnyside Medical Center, Queens Springfield Gardens Medical Center, Queens Sheepshead Bay Clinic, Brooklyn	1,834 1,916 3,791 3,969
Satellite Pharmacies**	Charles R. Drew Center, Queens Drew Hamilton Health Center, Manhattan Grant Houses Health Center, Manhattan	2,034 4,813
Case management programs for AIDS/HIV patients	Harlem Hospital Center, Manhattan Jacobi Hospital Center, Bronx	100 80
Adult Mental Health Day Treatment Programs	Harlem Hospital Center, Manhattan	313
Adolescent Mental Health Day Treatment Program	Lincoln Hospital Center	80
Directly Observed Therapy (DOT) program for TB patients	Lincoln Hospital Center, Bronx	7

** Number of patients estimated based on total number of prescriptions divided by the corporate average number of prescriptions filled per patient.