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FEATURED

## City Hospital System's Fiscal Illness Headed From Shaky to Critical

Obamacare Took Toll, And Fear Greater Woes May Arrive Under Trump

By BOBHENNELLY Updated Dec 30, 2016



THOMAS P. DINAPOLI: Running on fiscal fumes by June.



CHARLES  
BRECHER:  
Prods Mayor to

At a time when outside intervention seems more likely to hurt than help, NY Health + Hospitals is racing toward insolvency.

By next June 30 the agency will have only enough cash on hand to operate seven days, according to its own projections, stated a report issued Dec. 21 by New York State Comptroller Thomas P. DiNapoli.

**Trump Brings New Worries**

cut payroll.



MAYOR DE  
BLASIO: Insists  
he's thinking  
longterm.

While the crisis has been percolating for years, interviews with more than a state, city and union officials who represent most of the workforce produce consensus that the system's fiscal condition continues to deteriorate, despite Mayor de Blasio's committing over a billion dollars to help stabilize its balance sheet under the most-recent city budget.

The results in the national election that produced across-the-board GOP control in Washington have added considerable uncertainty as to just what role the Federal Government will be playing in subsidizing local health care through a myriad of existing programs. In New York City, increasing competition for inpatients and the drive for consolidation and cost-containment have already dramatically altered the landscape, with 16 private hospitals being forced out of business since 2003.



TOM PRICE:  
Unlikely to lend  
sympathetic  
ear.

"At this point we see at least an additional \$300-million dollar risk to the city's current budget," Ken Bliewas, New York State Deputy Comptroller for New York City, said in a phone interview. "NYC Health + Hospitals is falling behind on hitting its goals for staff reductions and on signing up new members for its MetroPlus health care plan."

### Had Banked on Hillary



STANLEY  
BREZENOFF:  
Troubleshooter  
in scramble  
mode.

But according to Mr. DiNapoli's analysis, it's not just NYC Health + Hospitals missing its targets that blew up the system's balance sheet, but assumptions and the de Blasio Administration made about additional aid coming from Washington, back when most city officials thought the only real question was how large a Clinton victory would be.

While the system's "forecast assumes implementation of a transformation plan which is forecast to save \$779 million in FY 2017," the "plan relies heavily on additional Federal aid (\$1.4 billion over four years), which has not yet been approved and may not be consistent with the policies of the incoming administration," according to the DiNapoli report.



"We have been concerned about the financial viability of this system for some

HENRY  
GARRIDO: DC  
37 doing what it  
can.



ANNBOVÉ:  
H+H 'backbone'  
of delivery  
system.



RICHARD  
GOTTFRIED:  
Pressing  
Governor for  
help.

time,” said Charles Brecher of the Citizens Budget Commission, a business funded non-profit watchdog. “The fiscal plans they have proposed are inadequate and unrealistic. The Mayor has committed to not cut jobs, but two thirds of the expenses are payroll. I just don’t know how you get around that

Mr. Brecher said that in the next fiscal year, the de Blasio administration has wiggle room in its balance sheet to keep NYC Health + Hospitals afloat. “But sooner you start to really deal with these issues, the easier it will be in the long run,” he said. “Absent additional initiatives from NYCHH, even with existing Federal policy in place, the outlook was going to be grim. If you’re talking about further reductions from Washington” H+H’s prospects go from “grim” to “grim

During the Mayor’s budget presentation last spring, he said that H+H would for greater “quality and efficiency” and use the system’s “buying power to reduce the cost of supplies.” The idea of selling off or leasing some hospitals’ real estate was also floated.

### **‘No Band-Aid Fix’**

“We are implementing longterm sustainable solutions, rather than a band-aid to stabilize hospital finances and save our public health-care system,” said de Blasio.

Yet, even with the “unprecedented” infusion of city support, H+H’s budget shortfall was expected to grow to \$1.8 billion by 2020, a 300-percent spike over its current gap. Hospital admissions continue to decline, and a rapidly consolidating market has hospitals in a fierce competition for paying patients

With Mr. Trump’s victory and continued Republican majorities in both houses of Congress, city and state officials agree H+H’s future has darkened. “The big picture here is that half of the NYC Health + Hospitals budget comes from the Federal Government,” Mr. Bliwas said. “And now we are in a new situation where we are likely to see fundamental changes in the relationship between Federal, city and state governments.”

## Trump Still an Enigma

During the campaign, Mr. Trump made dismantling and replacing President Obama's Affordable Health Care Act a central plank of his platform.

His nominee for Secretary of Health and Human Services, Georgia Congressman Dr. Tom Price, is chair of the powerful House Budget Committee and has been one of the ACA's most-vocal critics. Back in 2009, Dr. Price introduced his Empowering Patients First Act, which he billed as an alternative to the not-yet adopted Affordable Health Care Act, which he believed gave too much power "a stifling and oppressive Federal Government."

But repealing and replacing the ACA is only one item on his ambitious agenda which includes privatizing Medicare, which covers senior citizens, as well as shifting the obligation for Medicaid, which covers the poor and the disabled who lack health insurance, from Washington to the states. Combined, the two programs cost close to \$1 trillion in fiscal 2016, according to the Congressional Budget Office.

According to the CBO, both the nation's aging population and health-care costs that continue to outpace the rate of growth of the economy will result in a significant increase in the percentage of the Federal budget dedicated to maintaining Medicare, Medicaid, and the Children's Health Insurance Program. CBO projects that carrying these programs as currently conceived would push the spending on them up from 6 percent of the Federal budget to 10 percent over the next three decades.

## H+H: Challenges Real

"While the challenges Comptroller DiNapoli identifies are very real, including concerns about the impact of 'policies of the incoming administration' in Washington, we are actively pursuing numerous efforts to transform the health care system and address the budget deficit," said Stanley Brezenoff, interim president and CEO of H+H, in a statement responding to a query from THE CHIEF-LEADER.

He was named by Mayor de Blasio in November to take over on an interim while a national search is conducted for a longterm leader. He led the city's hospital system during Mayor Koch's administration and has a lengthy public service résumé which includes serving as Mr. Koch's First Deputy Mayor, as well as the Executive Director of the Port Authority of New York and New Jersey

Mr. Brezenoff most recently served as the CEO and President of Continuum Health Partners, which merged with the Mount Sinai Health System back in 2015. While sources inside H+H, not cleared to go on the record, don't argue with DiNapoli's analysis, they say the agency continues to reduce headcount through attrition and to attract thousands of new participants to its MetroPlus Health Plan.

H+H has close to 40,000 employees that include members of the Doctors' Council, SEIU 1199, the New York State Nurses Association, and District Council 37. Formed in 1969, the system for decades has provided a kind of universal health care where no one is turned away based on their immigration

status or their ability to pay. City public hospitals don't have the cost-saving option of just stabilizing seriously-ill patients, then transferring them to another facility.

DC37 Executive Director Henry Garrido said, "We are aware of the financial situation and are working together with community-based organizations and elected officials for solutions to increase funding, develop effective practices and create a stable future for their patients and dedicated employees."



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Print Edition

While the Affordable Care Act reduced the number of uninsured, both around the country and here in the city, it expressly prohibited from coverage undocumented immigrant adults, a major portion of the city's municipal hospital patient base. The ACA also cut significantly how much the Federal Government would pay for support systems, like H+H, that continued to have a higher percentage of indigent patients without coverage.

### **Downside of Obamacare**

Back in May of 2015, City Comptroller Scott Stringer flagged this "Obamacare exposure" in his report "Holes in the Safety Net—Obamacare and the Future of the City's Health and Hospitals Corporation." In 2016 the city's Independent Budget Office released a study that found that, after the full implementation of ACA, the percentage of city residents without health-care coverage dropped from 21 percent in 2013 to about 14 percent in 2014. Yet the IBO found that more than one in four of the patients using the municipal hospital system's outpatient diagnostic facilities were still uninsured.

The downside of the ACA that pinched H+H's bottom line was also an issue for dozens of upstate urban and rural hospitals. These so-called "safety-net" hospitals have a patient base that includes a higher percentage of undocumented and indigent patients.

Back in June, a statewide coalition supporting those hospitals, led by DC 3

NYSNA and the Doctors Council, got both the Democratic-led Assembly and Republican-controlled Senate to pass the Enhanced Safety-Net Bill which will ensure that Albany used a more-generous funding formula for them.

"When you look at health care in New York City as a whole, you see that Health + Hospitals is the backbone of the entire health-care delivery system," said Anne Bové, who leads the local chapter of NYSNA that represents 9,000 nurses in the city system. "NYC Health + Hospitals and a small number of community hospitals take on the brunt of providing in-patient, emergency, mental health, clinic and other services for communities" with "patient populations and types of diagnoses that the private providers and large voluntary hospital networks have no interest in covering."

### **Make It Easy for 'Privates'**

"In fulfilling this role, NYC Health + Hospitals creates the conditions that allow large voluntary hospital networks to generate large surpluses while competing with each other for well-insured patients in affluent communities," said Ms. Bové. "It is no accident that NYU/Langone Hospital reported a net operating gain of \$278 million in 2016 while Bellevue Hospital, located right next door, lost \$1 million. That's why the Enhanced Safety Net Hospital legislation is so important. It recognizes the key role of H+H and other urban and rural safety-net hospitals in maintaining the viability of the entire system and forces a discussion of ways to ease the financial burdens this role imposes."

Assemblyman Richard Gottfried, who chairs the Assembly's Health Care Committee and was one of the bill's prime sponsors, said in a phone interview that it had been sent to Governor Cuomo's desk on Dec. 20 and that he had 10 days to sign it. At presstime, sources closely tracking the bill's progress were doubtful that Governor Cuomo would enact it.

"There continues to be an on-and-off conversation. Mainly I have been talking with the Governor's Counsel's Office," said Mr. Gottfried. "They raised concerns and I respond to them. They are very reluctant to sign off on anything they see as risky."

creating a demand for more state spending next year and I have argued to 1  
that demand is going to be there whether they sign the bill or not.”

### **From Dire to More So**

“Before Nov. 8, the situation was dire for the NYC Health + Hospitals, and for public and rural hospitals around the state,” said Mr. Gottfried. “That is all going to get dramatically worse under the new administration in Washington.”

“The situation is dire,” said State Sen. Bill Perkins in a phone interview. He believes the H+H fiscal crisis offers a unique opportunity for the Mayor and Governor to unite in common cause. “People are really feeling anxious about it and it would bring the public real relief if these two men came together on this.”