STRATEGIC PLANNING COMMITTEE MEETING
OF THE BOARD OF DIRECTORS

APRIL 9, 2013
10:00 A.M.
HHC BOARD ROOM
125 WORTH STREET

AGENDA

I. CALL TO ORDER — **JOSEPHINE BOLUS, RN**

II. ADOPTION OF MARCH 12, 2013 STRATEGIC PLANNING COMMITTEE MEETING MINUTES — **JOSEPHINE BOLUS, RN**

III. SENIOR VICE PRESIDENT'S REPORT — **LARAY BROWN**

IV. INFORMATION ITEM:

i. 2013-14 STATE FISCAL YEAR EXECUTIVE BUDGET OVERVIEW

WENDY SAUNDERS
ASSISTANT VICE PRESIDENT, OFFICE OF INTERGOVERNMENTAL RELATIONS

V. OLD BUSINESS

VI. NEW BUSINESS

VII. ADJOURNMENT — **JOSEPHINE BOLUS, RN**

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

MINUTES

STRATEGIC PLANNING COMMITTEE MEETING OF THE BOARD OF DIRECTORS

MARCH 12, 2013

The meeting of the Strategic Planning Committee of the Board of Directors was held on March 12, 2013, in HHC's Board Room located at 125 Worth Street with Josephine Bolus presiding as Chairperson.

ATTENDEES

COMMITTEE MEMBERS

Josephine Bolus, NP-BC, Chairperson of the Committee
Robert F. Nolan
Anna Kril
Bernard Rosen
Michael A. Stocker, M.D., Chairman of the Board
Ian Hartman-O'Connell, representing Deputy Mayor Linda Gibbs in a voting capacity

OTHER ATTENDEES

R. Brooks, International Point of Contact
J. DeGeorge, Analyst, Office of the State Comptroller
M. Dolan, Senior Assistant Director, DC 37
C. Fiorentini, Analyst, New York City Independent Budget Office
M. Foley, Vice President, Sodexo
S. Herbst, Vice President, General Manager, Johnston Controls, Inc.
B. Giro, Regional Manager for the Northeast, Johnston Controls, Inc.
R. Kuplicki, Vice President, Sodexo
C. Marcin, Senior Manager, Nexera
M. Meagher, Budget Analyst, Office of Management and Budget
P. O'Brien, Senior General Manager, Sodexo
S. Terrano, Consultant, Johnston Controls, Inc.
S. Troiano, Patient Experience Manager, Crothall, Inc.
M. Villani, Vice President, Crothall, Inc.
K. Vlass, Senior Regional Manager, Crothall, Inc.

HHC STAFF

M. Belizaire, Assistant Director of Community Affairs, Intergovernmental Relations
D. Benjamin, Restructuring Project Officer, President's Office
L. Brown, Senior Vice President, Corporate Planning, Community Health and Intergovernmental Relations
D. Cates, Chief of Staff, Office of the Chairman
K. Depass, Assistant Controller, Coney Island Hospital
L. Guttman, Assistant Vice President, Office of Intergovernmental Relations
T. Hamilton, Director, HIV Services, Corporate Planning Services
C. Jenkins, Assistant Vice President, Medical and Professional Affairs
J. Jurenko, Senior Assistant Vice President, Office of Intergovernmental Relations
S. Kleinbart, Director of Planning, Coney Island Hospital
Z. Liu, Senior Management Consultant, Corporate Planning Services
P. Lockhart, Secretary to the Corporation, Office of the Chairman
T. Mammo, Chief of Staff, President's Office
A. Marengo, Senior Vice President, Communications and Marketing
H. Mason, Deputy Executive Director, Kings County Hospital Center
K. McGrath, Senior Director, Communications and Marketing
T. Miles, Executive Director, World Trade Center Environmental Health Center
J. Omi, Senior Vice President, Organizational Innovation, and Effectiveness
K. Park, Associate Executive Director, Finance, Queens Health Network
S. Penn, Deputy Director, WTC Environmental Health Center
S. Russo, Senior Vice President and General Counsel, Office of Legal Affairs
W. Saunders, Assistant Vice President, Office of Intergovernmental Relations
M. Sylvester, Assistant Director, Communications and Marketing
J. Wale, Senior Assistant Vice President, Behavioral Health
R. Wilson, M.D., Senior Vice President, Corporate Chief Medical Officer, Office of Medical and Professional Affairs

CALL TO ORDER

The meeting of the Strategic Planning Committee was called to order at 10:34 a.m. by the Strategic Planning Committee Chairperson, Josephine Bolus, RN. The minutes of the January 15, 2013, meeting of the Strategic Planning Committee were adopted.

SENIOR VICE PRESIDENT REMARKS

Ms. Brown greeted and informed the Committee that her remarks would include brief updates on city and state issues along with an update on the sequester cuts and important emergent regulatory issues at the federal level.

FEDERAL UPATE

Sequester – Automatic Cuts

Ms. Brown reported that, while the sequester cuts had been implemented on March 1, 2013, the Budget Control Act's mandated sequester will initiate cuts to the Medicare program starting on April 1, 2013. She explained that these cuts would apply to the reimbursement for services that had been provided in March. Medicaid and Medicaid Electronic Health Record (EHR) incentive payments are exempt from sequester cuts but Medicare provider payments, which include Medicare EHR payments, will be cut by 2%.

Ms. Brown reported that the City's Office of Management and Budget (OMB) had estimated that the impact on HHC's Medicare reimbursements (2% of total Medicare revenue of $900 million a year) would be a loss of $18 million per year. In addition, many programs including the Sandy Supplemental, September 11 Health, Ryan White, and WIC among others would be cut roughly by 6%. This also means that the $60 billion Sandy appropriation would be reduced by $3.6 million. Ms. Brown explained that it was not possible to calculate a specific reduction in any expected HHC reimbursements. Notwithstanding, the City's OMB also estimates an added loss of $2.4 million from direct federal grants received by the Corporation.

Ms. Brown stated that it was unpredictable whether Congress would act to avoid sequester cuts. She noted that there had been discussions about giving agencies some flexibility in determining how to implement the cuts. She added that there were discussions today about the House Budget Committee Chairman, Paul Ryan, promulgating his budget proposal. Mr. Ryan's plan would allow people who are now 55 and younger to opt out of Medicare and to purchase private insurance in the commercial sector with the federal government subsidizing that cost. Ms. Brown noted that Mr. Ryan's federal subsidy plan implied a reduction in the federal support for the Medicare program. Most importantly, his proposal seeks to move the Medicaid program and other federal programs like food stamps and other entitlement programs to the states. Under his plan, states would become fully responsible for those programs. Ms. Brown stated that there would be ongoing discussions about "block granting" the amount of federal dollars that funds the Medicaid program.

340B Rule Concerning Group Purchasing Organizations (GPOs)

Ms. Brown reported that, on February 7, 2013, the Health Resources and Services Administration (HRSA) had released a 340B Drug Pricing Program Notice to "explain and clarify" HRSA's position on 340B hospitals' use of group purchasing organizations (GPO), often referred to as the GPO exclusion.

The rule states that any system that is unable to achieve compliance by April 7, 2013, would be excluded from participation in the 340B program. Ms. Brown reminded Committee members that the 340B program was created to assist low-income patients to gain access to their prescriptions. Ms. Brown stated that this short deadline provided 340B participating hospitals with only 60 days to achieve major system changes. She stated that HHC was assessing how much time it would need to make the necessary changes. She explained that, if HHC is excluded from the 340B discount drug program for failure to achieve compliance within the required time frame, HHC's costs could increase by $205 million in the first year alone. Ms. Brown noted that, while HHC was not optimistic in getting the regulations changed, the Corporation is working on obtaining an extension so that it can make the necessary changes to comply with that rule.

Essential Benefits

Ms. Brown reported that the Obama Administration had issued a final rule on Wednesday, February 20, 2013, defining "essential health benefits" that must be offered by most health insurance plans next year. She explained that the Affordable Care Act (ACA) requires insurers to cover benefits in 10 broad categories including: ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, behavioral health treatment, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services, chronic disease management, pediatric services, oral and vision care. Ms. Brown noted that this rule would have a significant impact on the coverage of mental health services. As a result of the rule, the Administration has estimated that 32 million people would gain access to mental health care coverage and 30 million more people who already have some mental health coverage will see improvements in their mental health benefits.

STATE UPDATE

State Budget Update

Ms. Brown reported that both houses of the New York State Legislature had released their respective one-house spending plans over the past weekend. She stated that over the next week and a half, all sides would work to narrow their differences and ultimately achieve a consensus so that a budget can be passed by March 22, 2013. She added that both the Assembly and Senate spending plans make changes to the proposed 2% across the board Medicaid cut and phase this cut out in 2014. Ms. Brown noted that in the Executive Budget, the across the board cut would extend to 2015 but the Commissioner of the State Health Department would have discretion to end it sooner in 2014. In addition, the Legislature is also seeking to reinstate language that would allow for a future trend factor increase for healthcare providers, beginning in the first or second quarter of 2014. Ms. Brown stated that the Executive Budget sought to permanently eliminate the trend factor. She reported that both houses had also included language that would change how indigent care funding is distributed to hospitals to bring New York State into compliance with federal Disproportionate Share Hospital fund methodology changes that were included in the Affordable Care Act. Ms. Brown explained that these changes exclude the practice in New York of factoring bad debt into the equation when distributing indigent care funding to hospitals. Ms. Brown noted that the new formula will be phased in over three years with limits on how much hospitals can gain or lose per year. She added that HHC was grateful that the Executive branch had changed a provision in the 21-day budget amendments that would have redistributed $25 million in DSH funds from HHC to voluntary hospitals in order to fund the three year transition period. She noted that, regardless of the changes that the Legislature would be seeking, HHC still stands to lose approximately $50 million in state budget cuts this year.

CITY UPDATE

City Council Budget Hearing

Ms. Brown reported that HHC President Alan Aviles had provided testimony last week before the City Council on the City's preliminary Budget. She stated that members of the Council had expressed concern over the impact that budget cuts would have on HHC and the size of HHC's structural deficit. Specifically, they had urged the Administration to restore funding that the Council provides to HHC each year to support, child health clinics, expanded HIV testing, behavioral health programs and for the Sexual Assault Response Team program. The Council also inquired if HHC is planning for layoffs due to the size of its deficits. Ms. Brown noted that HHC's response was that, while the Corporation has no plans for layoffs at this time, HHC's plans could change down the road. Ms. Brown announced that HHC will provide testimony again before the Council on the Executive Budget in late May or early June.

INFORMATION ITEM

Update on Road Ahead Outsourcing Initiatives

Joseph Quinones, Senior Assistant Vice President of Operations

Mrs. Bolus introduced Mr. Joseph Quinones, Senior Assistant Vice President of Operations and invited him to provide an update to the Committee on specific HHC Road Ahead outsourcing initiatives including dietary, environmental, laundry, plant maintenance and dialysis services. Dr. Stocker, HHC's Board Chairman, stated that these initiatives had been undertaken by HHC over the past seven years. He commented that this update would also be presented to the full Board.

Dietary Operations Update

Mr. Quinones joined by representatives including Miles Foley, Vice President of Operations and Rick Kuplicki, Senior Vice President of Sodexo; Cortney Marcin, Nexera consultant; and Rhoda Brooks, Founding Partner of International Point of Contract (IPC), provided the Committee with an update on HHC's dietary initiative. Mr. Quinones reported that, in 2005, HHC had executed a contract with Sodexo Dietary Division, US Foods, and Nexera (the Consortium). The contract was fully implemented in early 2006 for a term of 10 years with three five year renewal options.

Mr. Quinones described the objectives of the dietary initiative including achievements to date, vendor performance, and patient satisfaction. This description is summarized below:

Objectives of Dietary Initiative

- Improve patient care, quality of food and standardize menus (within first year of the contract)
- Increase patient satisfaction (to be monitored by independent survey every year after full implementation)
- Reduce corporate-wide meal cost (year one of the contract)

- Re-tool the Cook Chill Plant by replacing non-working equipment and using plant to its full capacity (by December 2005)
- Standardize food policy and procedures throughout the Corporation (by year one of the contract)
- Increase staff productivity (implement training program for staff within six months)
- Target savings (first year after full implementation) of $5M per year
- No union layoffs

Achievements of Dietary Initiative

- No union workers were laid off
- Reduced staffing levels from 1,400 FTE's to current level of 963 FTE's (437 FTEs attrited)
- Instituted corporate-wide formulary in 2008 for nutritional supplements that resulted in improved patient care and lowered costs
- Implemented a 21-day menu cycle for all acute care and long term care facilities in early 2006
- Improved patient satisfaction scores and sustained improvement every year
- Staffing assessment identified workflows that improved direct and indirect patient care and resulted in maximizing efficiencies since early 2006
- Standardized policies and procedures for food delivery, floor stock, supplements, nourishments, and catering in 2005
- Standardized reporting systems for cost controls and financial analysis resulting in real time information that allowed for rapid management corrective action plans since 2006
- Completed renovation of Cook Chill Plant in late 2005, producing 19K meals/day, 7 million meals/year, and adding capacity for generating potential revenue
- Achieved cost savings of $5.7 million per year, which exceeded the Corporation's savings target of $5 million per year after full implementation

At Mrs. Bolus' request, Mr. Quinones clarified that, at the end of fiscal year 2012, a total saving of $34 million had been achieved.

Vendor Performance

- Each facility has assigned a contract liaison to whom the vendor reports.
- The vendor produces reports on a monthly basis to the facility and HHC's Office of Operations tracks the vendor's contractual obligation such as staffing, contract expectations, and survey readiness.

- The vendor and facility staff conduct quality assurance audits to assure compliance with Center for Medicare and Medicaid Services' (CMS), Joint Commission's, and Department of Health's (DOH) guidelines as directed by each facility.

- Mock surveys are conducted by vendor and Central Office. The results are sent to senior staff of each facility.

- Mock surveys are also conducted by an independent consultant at least one year prior to an anticipated survey. All results are shared with the senior staff of each facility.

Measuring Patient Satisfaction

- The Corporation entered into an agreement with International Point of Contact (IPC), an independent company specializing in conducting surveys.

- HHC and IPC developed a survey tool made up of 17 questions consistent with survey standards in order to measure the patient experience in a comprehensive way.

- The sample size was statistically validated by the vendor and totals approximately 800 patients surveyed face-to-face.

- A baseline face-to-face patient survey was conducted prior to the Sodexo conversion to the Cook Chill Model in 2006.

- The survey has been conducted each year since 2007 and the results are compared year over year and to the baseline year.

- Results of the Patient Satisfaction Survey for FY 2012 for both acute and long term care (LTC) from 2005 to 2012 (Wave I to Wave VII of the initiative) are all above satisfactory.

Mrs. Bolus expressed her concern about how long it took for the Board to obtain an update on the dietary initiative. She commented that the Board should have been apprised of the progress of the initiative at least every three years. Mr. Quinones responded that he had reported to the Community Relations Committee several times when requested. Ms. Brown clarified that Mr. Quinones had reported to the Council of Community Advisory Boards, at their request and at least once a year, since the initiation of the patient satisfaction survey. Ms. Brown also added that there had also been, over time, targeted presentations tailored to the long term care facilities (Coler/Goldwater and Dr. Susan Smith McKinney) since the beginning of the new food service arrangements. Ms. Bolus further commented that the Board had asked on more than one occasion for an update.

Environmental Services Operations Update

Mr. Quinones invited representatives of Crothall, Inc. to join him for the presentation. These representatives included Sophia Troiana, Patient Experience Manager, Ken Vlass, Senior Regional Manager, and Michael Villani, Vice President, Northeast Region. Mr. Quinones reported that, in November 2011, HHC had executed a contract with Crothall, Inc. The contract was fully implemented in early December 2011. The contract's term is for a period of nine years.

Mr. Quinones described the objectives of HHC's environmental services initiative including achievements to date, vendor performance, and patient satisfaction. This description is summarized below:

Objectives of the Environmental Services Initiative

- Assure regulatory survey readiness of facilities 24/7
- Increase worker productivity (by year one of the contract)
- Increase Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS) scores for all facilities
- Standardize workflow (within six months)
- Lower overtime costs (within six months)
- Obtain capital equipment from vendor at no cost to Corporation
- Training program for union staff
- No union layoffs
- Achieve target cost savings of $2.4M by November 2012, year 1 of the contract
- Achieve total cost savings over 9 years of $180M

Achievements of the Environmental Services Initiative

- No union workers were laid off.
- Environmental services operations retrained and absorbed 156 workers from the Brooklyn Central Laundry and facility laundry distribution workers throughout first year of contract.
- Attrition objectives have been achieved. Prior to the contract, there were 1,955 FTEs, which included 156 Laundry workers who were transferred to EVS. Current staff is 1887. Total staff attrition was 222, with another 22 backfilled to other jobs. The target attrition of 63 FTEs was achieved by first year of contract.
- Capital equipment totaling $1.3M has been delivered to EVS at HHC facilities at no cost to the Corporation - completed September 2012.
- All workflows at all facilities have been standardized and worker productivity has increased - completed January 2012.
- Overtime costs have been lowered by $600K - completed December 2012.
- Target savings of $2.4M have been exceeded and total savings for the first year was $6,774,511.

- Corporation exceeded its contract cost savings target by $2.3M, which brings the total savings to $6.7M.

Vendor Performance

- Each facility has assigned a contract liaison to whom the vendor reports
- The vendor produces reports on a monthly basis to the facility and HHC's Office of Operations that tracks the Vendor's contractual obligation such as staffing, contract expectations, and survey readiness.
- The vendor and facility staff do "floor rounding" inspecting the areas of the hospital to assure compliance with Centers for Medicare & Medicaid Services (CMS), Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and Department of Health (DOH) guidelines as required by each facility with Administrators of the facility.
- Mock surveys are conducted by the vendor and Central Office and the results are sent to senior staff of the facilities.
- Mock surveys are also conducted by an independent consultant at least one year prior to an anticipated survey. All results are shared with senior staff of the facilities

Measuring Patient Satisfaction

- In 2011, HHC entered into a contract with Press Ganey, Inc. to conduct a survey consistent with the Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS).
- The survey is the first national, standardized, publicly reported survey of patients' perspectives of hospital care. The environment of the hospital is measured as part of this survey.
- Press Ganey, Inc. conducts the survey in accordance with federal guidelines and uses a standard Centers for Medicare & Medicaid Services' (CMS) approved survey instrument and data collection methodology for measuring patients' perceptions of their hospital experience.
- January 1, 2012 – HHC converted the patient satisfaction surveying tool from Health Stream to Press Ganey, the #1 national organization on surveying methodologies. The use of Press Ganey, Inc. allows HHC to be Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS) compliant as recommended by CMS and subject to public reporting.
- When converting from Health Stream (phone survey) to Press Ganey (mail survey), the average adjustment in percentages is approximately -5.5%.
- The first survey was conducted by Press Ganey on January 2012 to May 2012.

Mr. Quinones explained that the baseline period (1st quarter of 2012) was set at 63%, the contract year to date at 63% and Year1 Target at 65%. The baseline period began when HHC first used Press Ganey, Inc. (January 2012 – March 2012). Year 1 survey data will be evaluated on July 1, 2013. There is a 2-3 month lag in data when using discharge data to generate reports. Mr. Quinones explained that surveys are distributed 48 hours to six weeks after discharge and patients have up to an

additional six weeks to return the survey. He noted that tremendous progress had been made and that the HCAHPS scores had improved at all the facilities with the exception of Elmhurst and North Central Bronx hospitals. These facilities scored below their baseline targets. Mr. Quinones reassured the Committee that these challenges will be addressed to increase those scores.

Mr. Nolan asked Mr. Quinones to clarify the existing challenges at Elmhurst and North Central Bronx hospitals. Ms. Troiana explained that it took six to nine months to see a change in data and progress over time. Mr. Quinones added that these two facilities were in the latter schedule and did not have the time to mature in terms of implementation of the full program. Ms. Troiana added that two individuals were stationed at each of these two facilities to conduct patient satisfaction surveys. Mr. Quinones added that the overall corporate data show that Crothall had been successful. Dr. Stocker acknowledged and thanked Crothall for its outstanding work during Hurricane Sandy.

Laundry Operations Briefing

Mr. Quinones invited representatives of Sodexo and Nexera to join him for the presentation of HHC's laundry initiative. These representatives included Courtney Marcin, Nexera Consultant, Rhoda Brooks of IPC, and Pam O'Brien, Senior General Manager for Sodexo. Mr. Quinones informed the Committee that HHC had executed a contract with Sodexo's Laundry Division and Nexera Inc., (the Consortium) in July 2011. The contract was fully implemented in November 2011. The term of the contract is for a period of nine years.

Mr. Quinones described the objectives of HHC's laundry operations initiative including achievements to date, vendor performance, patient satisfaction, and additional identified savings. This description is summarized below:

<u>Objectives of the Laundry Operations Initiative</u>

- Close Brooklyn Central Laundry and re-deploy staff by October 2011
- Lower cost for supplies and linen processing and meet or exceed first year budget savings
- Lower personnel services cost for laundry distribution
- Standardize HHC Laundry Operations Policies & Procedures
- No union layoffs
- Target savings for year 1 is $5.1M

<u>Achievements of the Laundry Operations Initiative</u>

- Completed 90-day transition of linen distribution and processing on schedule by the end of October 2011
- Transitioned 156 full-time HHC employees out of Linen & Laundry Operations to Environmental Services and 10 employees to other departments
- Closed Brooklyn Central Laundry (BCL) on schedule in October 2011

- Standardized policies and procedures for linen and laundry operations by the end of October 2011

- Implemented linen management web-based tool to track linen utilization in December 2011

- Achieved and exceeded year 1 cost savings target of $5.1M per year (achieved $6.5M)

- Corporation exceeded the budget to contract cost savings target by $1,402,287, which brings the total savings to $6,509,377

Vendor Performance

As noted below, the vendor's performance is monitored through the same steps identified in the previous initiatives.

- Each facility has assigned a contract liaison to whom the vendor reports.

- The vendor produces reports on a monthly basis to the facility and HHC's Office of Operations that tracks the vendor's contractual obligation such as staffing, contract expectations, and survey readiness.

- The vendor does facility "floor rounding" inspecting the areas of the Hospital to assure compliance with Centers for Medicare & Medicaid Services (CMS), Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and Department of Health (DOH) requirements as required by each facility with Administrators of the facility.

- Mock surveys are conducted by vendor and Central Office and the results are sent to senior staff at the facilities.

- Mock surveys are also conducted by an independent consultant at least one year prior to an anticipated survey. All results are shared with the senior staff of the facilities.

Measuring Patient Satisfaction

- The Corporation entered into an agreement with International Point of Contact (IPC), an independent company specializing in conducting surveys.

- HHC and IPC developed a survey tool made up of 13 questions in order to measure the patient experience in a comprehensive way.

- The sample size was statistically validated by the vendor and totals approximately 800 patients.

- A baseline face-to-face patient survey was conducted prior to the Sodexo conversion July through August 2011.

- The survey was then conducted post transition in the first contract year of 2012.

- Nearly all the results of the patient satisfaction survey for acute and long term care facilities were rated "Above Satisfactory."

Mr. Rosen asked if the survey company developed the patient satisfaction measures. Ms. Brooks of IPC responded that IPC developed those measures in collaboration with HHC. She added that the selected measures reflected a standard research scale. Mr. Rosen asked for clarification concerning the achieved savings. Mr. Quinones explained that the Corporation had achieved the targeted budgeted saving of $5 million, in addition to a budget to contract cost savings of $1.5 million.

Mr. Robert Nolan, Board Member, asked about the frequency of the patient satisfaction surveys. Mr. Quinones responded that, like the dietary model, the surveys are conducted once every year.

Additional Savings Identified

Mr. Quinones reported that HHC had identified additional savings opportunities. These savings opportunities include:

- Transition of six facility internal laundries to Sodexo:
  - Total pounds processed by the internal laundries was 1.3 million additional pounds of linen
  - 24 additional FTE's were transferred out of laundry operation
  - The result was an HHC net savings of $2,045,816 vs. contract cost of $248,400

- Transition of residential clothing processing for Coler, Goldwater, Gouverneur and McKinney to Sodexo (Sea View is scheduled to be transitioned in FY 2013):
  - Due to the move from Goldwater to Henry J. Carter and the new design at Gouverneur, these facilities could no longer accommodate the processing of resident clothing on-site
  - A total of 640,000 lbs. of residential clothing are being processed with 26.8 FTE's identified to be transferred to other HHC departments
  - The result is a net savings of $1,279,106 vs. contract cost of $777,155

- Efforts to reduce linen losses. Linen losses are substantially higher than the projected $605,000 annually
  - Current trend indicate an additional annual cost of $2.2M
  - Sodexo has implemented a loss prevention program to address these costs. HHC is currently trending down in losses

- Implementation of a pilot initiative to explore the use of reusable linen items (under pads, gowns, and towels) to replace disposable items for further cost savings

Mrs. Bolus asked to which areas were the 24 employees transferred. Mr. Quinones responded that they were moved to the environmental services project. Mrs. Bolus added that, while the laundry operation may have lost the cost of the 24 FTEs that cost still remains with HHC because those FTEs have been transferred to environmental services. As such, it isn't too big of a savings.

Ms. Brown stated that, to clarify Mrs. Bolus' point, there is a contract cost that HHC would incur, by moving staff from laundry to environmental services, that is not represented in the savings calculation. As such, HHC's net savings would not be $2 million. Mr. Quinones clarified that the $2 million is purely processing costs and does not include personnel cost. Ms. Brown restated Mrs. Bolus' concern that, because these 24 and 26.8 FTEs would be transferred to a different project within HHC, there would

be a downstream cost to HHC. This cost is separate and apart from the contract with the vendor. Mr. Quinones responded that the transfer of the 26.8 FTEs had not yet occurred and those FTEs would be transferred to existing vacant lines. Mrs. Bolus explained that the vacant lines are not currently incurring costs but would begin to incur costs when those employees are moved to the vacant lines. Dr. Stocker clarified that the vacant lines are not new positions and in that sense, it wouldn't increase costs. Mrs. Bolus argued that, it was not a true savings. While it may be a savings for laundry services, it is a cost for the HHC unit that picks up the 24 FTEs. Ms. Brown agreed but clarified that there are still some savings. Mr. Quinones highlighted that the environmental services' projected staffing plan was on track. He explained that, the Board was informed that the projected staffing that would be achieved was 1,890 FTEs. Mr. Quinones reported that the current staffing level was 1,887 (i.e., this is below the target by 3 FTEs).

Concerning the pilot initiative to transition to reusable linens, Mrs. Bolus commented that a long time ago, hospitals had moved from reusable linens to disposable ones to prevent decubitus ulcers and mashes. Mr. Quinones added that the request for reusable linens had been made by nursing and clinical staff at the facilities. In addition, the goal is to improve the patient experience by, not utilizing disposable towels and utilizing reusable ones. He added that the reusable linens are not being imposed on the facilities. The pilot will be implemented only if proven to be beneficial to the patient and approved by the facilities' administration.

Ms. Kril, Committee Member, inquired about the cause of linen losses. Mr. Quinones responded that, while the losses had been reduced, it is still a challenge to keep track of them. Ms. O'Brien added that over the last five years, linen purchases had increased from $3.2 million to $4.7 million. This cost was reduced to $2.8 million last year.

Plant Maintenance Operations Update

Mr. Quinones invited representatives of Johnson Controls, Inc., (JCI) to join him in presenting an update on HHC's Plant Maintenance Operations initiative. These representatives included Steve Herbst, Vice President, Steve Terrano, Director of Operations, and Bob Giro, Regional Manager for the Northeast. Mr. Quinones informed the Committee that HHC had executed a contract with Johnson Controls, Inc., in July 2012. The contract term is for a period of nine years. The contract was implemented in October 2012.

Mr. Quinones described the objectives of HHC's Plant Maintenance initiative including achievements to date, vendor performance, and patient satisfaction. He informed the Committee that the contract with JCI had only been in place for a period of six months. As such, his update would only cover this time frame. Mr. Quinones' update on the JCI contract is summarized below:

<u>Objectives of Plant Maintenance Initiative</u>

- Total staff attrition of December 31, 2012 - 28 FTEs (target year one 55 FTEs)
- Hire HHC management staff - completed in October 2012
- Implement training program for managers - completed in July 2012
- Transition HHC facility contracts to JCI contracts - completed by October 2012

- Transition facility work order system from various HHC work order systems to JCI systems completed by February 2013
- Control overtime at all facilities (in the first year of the contract)
- Standardize workflow at all facilities (in the first year of the contract)
- Issue policy and procedures for how the work gets done and how much time it takes to do the work (in the first year of the contract)
- Maintain or replace exhausted assets
- Provide necessary repair and maintenance tools
- Meet total target savings of $1.3M after first year of the contract
- All financials will be released 60 days after the first twelve months of the contract

Measuring Vendor Performance

- Each facility has assigned a contract liaison to whom the vendor reports.
- The vendor produces reports on a monthly basis to the facility and HHC's Office of Operations that tracks the Vendor's contractual obligation such as staffing, contract expectations, and survey readiness.
- The vendor does facility "floor rounding" inspecting the areas of the hospital to assure compliance with Centers for Medicare and Medicaid Services' (CMS), Joint Commission's, and Department of Health's (DOH) requirements as required by the administrators of each facility.
- Mock surveys are conducted by vendor and Central Office and the results are sent to senior staff of the facilities.
- Mock surveys are also conducted by an independent consultant at least one year prior to an anticipated survey. All results are shared with senior staff of the facilities.

Dr. Stocker acknowledged and thanked JCI for doing a great job for HHC during Hurricane Sandy. It was noted that some of JCI's staff slept in their cars at Coler-Goldwater to ensure that the needs of the facility were met.

Dialysis Transition Update

Mr. Quinones concluded his presentation by providing the Committee with an update on the Dialysis transition initiative. He reported that the contract with Atlantic Dialysis Management Services was executed in February 2013. He described the implementation schedule as the following:

- Woodhull Medical and Mental Health Center March 2013
- Queens Hospital Center March 2013
- Coney Island Hospital May 2013

- Jacobi Medical Center July 2013
- North Central Bronx Hospital July 2013

Mr. Quinones reported that Harlem Hospital Center, Kings County Hospital Center, Lincoln Medical and Mental Health Center and Metropolitan Hospital Center would transition to Atlantic Dialysis Management Services after the state has granted the license. Harlem Hospital's new unit will be outfitted by the vendor and will open in 2014. Lincoln Medical and Mental Health Center's new unit will be built by the vendor (the date yet to be determined). A new unit will be constructed by the vendor at North Central Bronx Hospital (the estimated start of construction is in 2015). When all construction is fully completed, more than 50 dialysis stations would have been added to the system.

Mrs. Bolus thanked Mr. Quinones for an excellent presentation. Mr. Rosen agreed and commented that the presentation was very thorough.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:27 a.m.

2013-14 State Fiscal Year Executive Budget Overview

STRATEGIC PLANNING COMMITTEE

APRIL 9, 2013

Final 2013-14 State Budget

- $135 Billion Budget
- Closes $1.3 Billion deficit
- Earliest passage in decades
- Total impact on HHC estimated at approximately $63.3 million
- Estimated $26 million MetroPlus impact (due to 2% across-the-board Medicaid cut)

Final 2013-14 State Budget

- New two-year agreement on Medicaid
- Extends Global Medicaid Cap for two years
  - Excludes funds for Hurricane Sandy
  - Requires SDOH to include more information in updates
  - Extends SDOH's "superpowers" to make cuts to stay under Cap
- No inflation factor for providers until April 2015 (-$26.4 million HHC impact)
- Extends 2% across-the-board rate cut until 2015, with option to end earlier (on track for April 2014) (-$17.6 million HHC impact)

Charity Care Reform

- Reforms charity care reimbursement / Disproportionate Share Hospital (DSH) funding to comply with federal ACA requirements
- 3 year transition
- Includes additional reporting requirements on impact of changes on safety net providers and improvement in amount of charity care provided

Charity Care Reform

- Creates Financial Assistance Law Compliance Pool
- More funding to hospitals that care for uninsured, underinsured and Medicaid enrollees (likely some small HHC benefit)
- No longer reimburses for Bad Debt
- **Rejects** using HHC DSH room to fund Voluntary Hospital Transition Pool ($25 million)

Final 2013-14 State Budget

- Allows previously disqualified nursing homes to receive Upper Payment Limit (UPL) funding (-$6.4 million HHC impact)
- Decreases Outpatient APG rate (not intended to apply to public hospitals)
- Decreases Article VI public health funding for HHC's child health clinics due to reforms to focus on local DOH core public health services (up to -$4.5 million HHC impact)

Final 2013-14 State Budget

- Administratively reduces Patient Centered Medical Homes reimbursement (Tier II reimbursement) (-$2.4 million HHC impact)
- Creates $15 million Health Home Establishment Grants
- **Rejects** reforms to Excess Medical Malpractice Pool. Allows up to 1,000 additional policies

2013-14 State Budget

- **Rejects** streamlining CON process
- **Rejects** changes to Character and Competence requirements
- Allows temporary operator for Health Care Facilities 1) in dire financial situations that threaten access to care; or 2) when facility requests extraordinary State aid

2013-14 State Budget

- **Rejects** private equity pilot proposal
- **Rejects** proposal to allow limited services "retail" health clinics
- Adds $52 million for Vital Access Providers/Essential Community Providers
- Adds $5 million for Critical Access Providers

2013-14 State Budget

- **Rejects** SDOH authority to set rate for Nursing Home Capital reimbursement
- **Rejects** uniform wage requirement for nursing home workers
- Creates SDOH Home and Community Based Care Workgroup to consider issues, including alignment of functions between managed care and CBOs

MRT 1115 Medicaid Waiver

- Reflects current discussions with CMS on MRT Waiver
- Gives SDOH authority to enter into agreements with public hospitals to use IGTs to fund non-federal share of MRT Initiatives
- Would utilize Delivery System Reform Incentive Payments (DSRIPs)

Housing Initiatives

- Reduces Affordable Housing funding by total of $17.5 million
- Supportive Housing Reinvestment Program from downsizing hospitals and nursing homes
  - 1,000 units for nursing homes (400 in 2014)
  - 4000 for adult homes (1,400 in 2014)
  - 3400 homeless housing in NYC (634 in 2014)

Managed Care

- Expands populations enrolled in Managed Care and Managed Long Term Care (MLTC)
- Expands Prescriber Prevails to previously exempt classes of pharmaceuticals (unable to calculate impact)
- Establishes the Fully Integrated Duals Advantage (FIDA) Program – a managed care program that will align Medicaid and Medicare for dually eligible patients

SUNY Downstate

- Requires SUNY Downstate to submit restructuring plan by June 2013
  - SDOH and DOB must approve
- Must achieve financial stability and remain teaching hospital
  - Can reallocate funds from other SUNY hospitals
- Can reduce or eliminate services & can contract with for-profit entities
- Must consult with labor, community representatives and other stakeholders

ACA Implementation

- Family Health Plus enrollees will enter Health Benefits Exchange, but State will pay premiums for all enrollees up to 150% FPL
- Allows Statewide Enrollment Center to make Child Health Plus eligibility determinations
- Does not include Basic Health Plan, but creates workgroup to consider establishment for individuals up to 200% FPL

Scope of Practice Changes

- **Rejects** scope of practice changes:
  - ✓ Allow NPs to provide primary care without written collaborative agreement with a physician
  - ✓ Allow physician to supervise up to 4 PAs (currently 2)
  - ✓ Allow Home Health Aids to administer routine, pre-measured medications
  - ✓ Create Certified Advanced Home Care Aides to provide nursing services to self-directing patients under RN
  - ✓ Allow dental hygienists to work in hospital with a collaborative agreement

Behavioral Health

- Creates new Mental Hygiene Stabilization Fund (carves out $730 million from Global Cap)
- Delays implementation of Behavioral Health Special Needs Managed Care Plans until April 2014
- Requires report on transition of behavioral health services to managed care
- Creates State Mental Health Incident Review Panels

Questions?