2011 Year in Review
President Alan D. Aviles
HHC Board of Directors
February 29, 2012

Introduction

As has become my custom, I expand my remarks at the February Board meeting to reflect on the general state of HHC, to review some of the accomplishments and challenges of the past year, and to relate our current work to our strategic agenda moving forward.

This past year was again one of considerable challenge as we continued to tackle a daunting structural budget deficit and struggled to address it while maintaining our impressive patient safety and quality of care gains of recent years. On the brighter side, this past year also heralded the beginnings of a new era of healthcare reform in our state. The Governor's launch of an ambitious redesign of New York State's Medicaid program has the potential to change our healthcare system dramatically and for the better in the long term.

Even as we labored to make our system more cost-efficient last year, we also worked hard to further build a foundation upon which to construct a new healthcare delivery model that can thrive under a redesigned Medicaid program and ultimately under a reformed broader healthcare environment. Before I outline our work this past year to harness the potential promise of reform going forward, let me first summarize the fiscal challenges that you now know so well, our progress on closing our budget gap, and some highlights of our on-going work to improve access, quality of care, and our infrastructure.

The Fiscal Challenges Continue

Three years into the severe economic downturn across our State and our nation, another round of Medicaid reimbursement cuts stripped our system of more than $170 million of annualized revenues, bringing the total cuts to HHC's annual Medicaid reimbursement base during the past three years to roughly $500 million. Even as our Medicaid reimbursement falls dramatically, costs beyond our control continue to spiral; most notably our pension costs, which stood below $50 million in 2004, but were close to $400 million this past year. At the same time, the persistently high rate of unemployment drove more uninsured patients to seek care in our system. Of the 1.3 million patients we served, 478,000 – or 37% – were without insurance, a 6% increase in the number of our uninsured patients compared to 2010.

In Washington, recent cuts to the Medicare program, beyond those already made as part of the Affordable Care Act (ACA), have compounded our fiscal challenge. Still more Medicare and Medicaid cuts have been proposed in Congress (and by the President) and may yet be enacted later this year. And, of course, the looming deep cuts of the ACA to supplemental Medicaid and Medicare funding, upon which safety net providers disproportionately rely, will begin to take effect in 2014. HHC projects that it may lose more than one billion dollars in funding over the seven-year period between 2014 and 2020.

These reductions in reimbursements are but the leading edge of an unrelenting drumbeat going forward to reduce healthcare costs. Of course, the hurdles will be even greater for safety net systems such as ours because of our heavy reliance on Medicaid reimbursement that is now below the actual costs of providing care, and the fast-dwindling supplemental federal funding that supports our extensive service to the uninsured.

Against this threatening backdrop, we continued to execute our multi-year cost containment and restructuring plan to ultimately trim $600 million from our projected budget deficit. To date, we have achieved roughly $400 million of that goal. As the Board well knows, some of our cost-containment initiatives have been painful and have strained our relationship with our unions.

Our workforce now includes about 2500 fewer full-time employees than it did three years ago, with targeted attrition accounting for most of that reduction. To the credit of our dedicated employees, we have maintained virtually the same service capacity across all care settings despite having trimmed our workforce by more than 6%. In the main, most of our targeted attrition has not involved direct patient care positions, and as a result the total number of our registered nurses remains undiminished from three years ago.

Selective Outsourcing Has Staved Off More Cost-cutting Drastic Measures

In confronting our gaping budget deficit, we have explored – and devised plans to implement – every possible means to responsibly contain costs without closing or curtailing essential services and programs. This has led us to analyze whether certain of our services could be managed more efficiently through outside entities with deep expertise in these service areas. Where the analysis reflects that such efficiencies are attainable through this approach, we have elected to outsource these services (or the management of these services).

Indeed, much of the hospital industry across the country has increasingly contracted for select services to reduce unnecessary costs and our own recent experience confirms that such savings can be substantial. Our outsourcing of the management of our dietary services has saved HHC

more than $40 million in the past eight years and is projected to save even more in the coming years now that the original capital investments in our centralized cook chill plant have been amortized.

This past year we completed the outsourcing of our laundry and housekeeping services, and we anticipate savings of $242 million over the next nine years. Although these initiatives have displaced incumbent managers, we have worked to ensure that these employees are offered comparable managerial positions with the new external management entities. Similarly, not a single unionized worker has lost his or her job as a result of these outsourced services, as we have retrained and reassigned displaced workers to other comparable (and, at times, higher paying) positions.

Selective "Insourcing" Can Also Cut Costs

We also are committed to "insourcing" services currently performed by outside vendors where our analysis reflects that this will be more cost-efficient. As a result, during the past year we have recruited 54 new employees in our information technology operations to do the work formerly done by consultants. To date, this has saved HHC $3.2 million on an annualized basis. We have targeted the insourcing of another 40 positions during the coming year.

Our multi-year cost-containment and restructuring plan includes more than 35 discrete initiatives that must be fully implemented by the end of FY 2014. The seven initiatives that were slated for completion in FY 2011 were executed and have yielded the projected savings, and we are presently on track to meet our FY 2012 fiscal objectives as well. Because some of the cost-containment initiatives slated for completion in FY 2013 and 2014 are complex and require significant lead time for execution, we have initiated the preliminary work on many of those already.

We are now tracking closely significant reductions in inpatient utilization that have appeared at most of our facilities over the last six months to assess whether, if sustained, they will require clinical staffing adjustments not now reflected in our financial plan.

Leveraging HHC's Size through E-Commerce

Last year, HHC, in partnership with Global Healthcare Exchange (GHX), developed and implemented a new online purchasing system. The new system standardizes the ordering process and consolidates purchasing across HHC, helping us to achieve significant cost savings through higher discounts based on our purchasing volume. Under our new e-commerce system

it now takes two hours to complete a purchase order from beginning to end, versus an average of four days with the old paper system. GHX has put HHC on track to save approximately $14 million in the first full year of use. Over time, HHC will migrate to a just-in-time delivery system, which will further reduce costs and inefficiencies associated with keeping excessive inventory on hand.

Breakthrough Teams Continue to Make Operations More Efficient and Effective

As HHC's process improvement tool, Breakthrough empowers frontline staff – the people who do the work – to determine ways to improve processes, remove wasteful steps and activities, and increase efficiency. When new processes and procedures are implemented, Breakthrough teams evaluate and monitor them, creating opportunities for continuous improvement.

Breakthrough continues to contribute significantly to operational efficiency and has reduced our costs while optimizing our revenue collection. As the Board knows, a central tool of Breakthrough is the RIE, a week-long rapid improvement event. During an RIE a front-line team experiments with and then implements changes that streamline and make more efficient the part of our operations within which they work. This past year, our facilities conducted 254 RIEs across 15 facilities, bringing the total number of RIEs over the last 4 years to more than 850. During this time, the improvements devised by Breakthrough teams have resulted in more than $215 million in combined savings and new revenue. As of the end of 2011, more than 4,000 employees have participated in at least one RIE, and more than 11,000 employees have received some level of Breakthrough training.

Some Breakthrough teams have achieved truly impressive results. A handful of examples follow:

- Jacobi Breakthrough teams dramatically improved the on-time start of surgical procedures, and significantly reduced patient waiting time. In less than a year, on-time starts of first of the day cases improved by 48%.

- At Bellevue, Breakthrough teams' efforts helped to decrease the average delay between surgical procedures by 68%, allowing an increase in the number of procedures completed, therefore generating significant additional revenue.

- At Queens Hospital, the time patients spent waiting in the Emergency Department between triage and seeing a provider dropped from 146 minutes to 47 minutes.

Beyond the obvious benefits of empowering our own employees to make more efficient the work processes that they know so well, the spread of Breakthrough training and thinking throughout HHC is increasing our system's capacity for fairly rapid adaptive change. As the pace of change in our healthcare environments continues to quicken, this heightened adaptive capacity, fueled by the ingenuity and experience of our own employees, will prove invaluable.

Building on Patient Safety and Quality Gains While Addressing Unmet Community Needs

Even as we have focused on making our operations more efficient, we have worked hard this past year to sustain and build upon the significant gains of recent years in the quality of our care and access to our services. I will not catalogue all of the impressive clinical improvements over the last year, but I do want to provide a few illustrative examples.

We have made significant improvement at many of our sites in reducing urinary tract infection associated with urinary catheter use. In addition, further reductions in central line-associated blood stream infection at several of our sites have been achieved. Over the past two years, 2009 to 2011, seven HHC facilities have demonstrated a reduction in patient falls. Over the past year, five of our hospitals have reduced their rate of hospital-acquired pressure ulcers. Finally, the patient satisfaction scores of several HHC hospitals have improved significantly. HHC hospitals now have the highest patient satisfaction scores among all hospitals in each of the boroughs of Brooklyn, the Bronx, and Queens, and an HHC hospital has the third highest score in Manhattan.

Staff at HHC facilities continue to innovate around patient safety goals, and one good example is Metropolitan Hospital's Quiet Zones, which is aimed at eliminating medication errors by removing distractions to dispensing nurses. When nurses give medication to patients they don yellow belts, similar to crossing guard belts, alerting other staff and patients that they cannot be interrupted. This relatively inexpensive low-tech initiative is already showing significant impact at Metropolitan Hospital and is being replicated at other HHC facilities.

Our continued work around using our clinical information technology to drive improvements in care led Elmhurst Hospital Center to receive a 2011 IPRO Quality Award. Elmhurst received the award on the strength of the demonstrated collaboration between its medical-surgical nursing staff and the hospital's information technology team in using clinical IT to facilitate pain reassessment one hour post medication administration. The records of patients who need to be reassessed are easily viewed by nursing staff on the vital signs record in the EMR, and additional intervention occurs if pain has not been relieved.

Reducing maternal and infant harm in obstetrical care was a major focus of our improvement work across the system last year. For its compelling work in reducing adverse outcomes in labor and delivery, the North Bronx Healthcare Network's Women's Health Service recently received the prestigious National Association of Public Hospitals and Health Systems Safety Net Patient Safety Award, as well as HANY's coveted Pinnacle Award. The initiative implemented practices that effectively reduced certain adverse perinatal events, such as Erbs Palsy, and with the help of our Institute for Medical Simulation and Advanced Learning, are now being replicated across our system.

The Role of TeamSTEPPS and Just Culture Training

Last year we continued to deploy TeamSTEPPS communications training for clinical teams across our system. TeamSTEPPS was developed by the Department of Defense and the Association of Healthcare Research and Quality, and is a proven evidence-based method for enhancing patient safety by improving clinical team communication and performance. During 2011, we trained more than 4,000 clinical staff, bringing to nearly 11,000 the number of HHC staffers who have been through TeamSTEPPS training. Of these, about 700 have become master trainers and are qualified to teach TeamSTEPPS to their colleagues.

We also continued to train staff in Just Culture. This training supports our move toward a work environment that acknowledges the responsibility we all bear for improving our systems, communication, and teamwork to reduce the probability of error. It supports active reporting and analysis of significant medical errors while balancing individual accountability for avoiding reckless conduct with a non-punitive, systems-focused approach to reducing medical errors. In 2011, more than 900 managers received Just Culture training and nearly 6,000 staff members were trained in the basics of Just Culture.

IMSAL Becomes an Enterprise-Wide Training Resource for Safer Care

As you know, last year, HHC's newly constructed Institute for Medical Simulation and Advanced Learning (IMSAL) opened its doors and began providing state-of-the-art clinical training to individuals and clinical teams. Using high-fidelity patient mannequins, virtual reality simulators, and other advanced teaching modalities, IMSAL allows our clinical teams to practice and strengthen critical, often life-saving skills and to improve the communication and coordination dynamics that are the hallmark of high-performing teams. The nearly 3,000 employees trained by IMSAL last year are now better prepared to successfully tackle complex emergency situations with confidence.

Under the guidance of recently appointed Director Katie Walker, IMSAL is now working with HHC facilities to identify specific training needs and create additional courses to address them. IMSAL will develop rigorous metrics to evaluate the impact of its training, serving as an integral tool to continue our unyielding commitment to patient safety and quality care.

Continuing to Tailor Services to Meet Community Needs

Robust primary and preventive care, as well as early screening for incipient disease, has been an HHC priority for many years. During the past several years, HHC has pioneered making rapid HIV testing a routine service across many care settings – primary care, specialty care, the emergency department, inpatient units, and even our dental clinics. In 2011, we expanded testing yet again and improved care coordination to better manage chronic diseases that many HIV patients suffer, including hepatitis C.

This past year, HHC facilities tested 195,516 patients for HIV, more than three times the number tested just six years ago. For those patients that test positive, more than 90% are linked to appropriate medical treatment within our system. In December, we reached the milestone of performing our one millionth rapid HIV test. The CDC formally recognized us for this accomplishment and featured HHC's testing initiative on its website.

Recognizing that lesbian, gay, bisexual, and transgender (LGBT) individuals often lack access to truly patient-centered care, last May HHC launched a mandatory employee-training program. Our training program will help all staff to provide respectful, patient-centered and culturally competent healthcare services to the thousands of LGBT New Yorkers we serve each year. By focusing as well on the special clinical needs of the LGBT community, it will also help us to reduce health disparities that correlate with sexual orientation and gender identification.

Another area of special focus begun last year aligns with Mayor Bloomberg's Young Men's Initiative (YMI), a set of new policies and programs designed to reduce healthcare, social, and economic disparities that affect Black and Latino young men. One key HHC YMI effort is called "Guns Down, Life Up," a multi-faceted program designed in partnership with community-based organizations to confront and address behavior and risk factors that contribute to gun violence among adolescents and young men. This initiative, intended to decrease gun violence, and especially retaliatory gun violence among gang members, will be fully implemented at Harlem Hospital Center and Kings County Hospital Center this summer.

As an additional part of our YMI work, HHC has received funding to launch a teen and young adult health program that will seek to better engage young males in the healthcare system. We are creating a training program for our healthcare personnel to enhance their adolescent health knowledge and skills as well as bolster their ability to communicate effectively with young men about healthcare issues they face. We are experimenting with offering dedicated clinical hours for male adolescents at existing locations and initiating a peer-counseling program.

Completing our Facility Modernization Projects

Despite the deep cuts that HHC has had to make in its five-year capital plan, we are continuing to complete several important facility modernization projects. Our work at Harlem Hospital is on track for substantial completion by August 2012. This includes a new patient pavilion, the renovation of the existing Martin Luther King Jr. Pavilion, and preservation of the hospital's historic WPA Murals. Along Lenox Avenue, the spectacular multi-story glass facade that replicates one of the murals is already a Harlem landmark and a source of pride for one of HHC's most venerable and beloved institutions.

In November, Gouverneur Healthcare Services, in Manhattan's Lower East Side, completed the first phase of its major modernization, which includes a new Ambulatory Care Pavilion. The balance of the project, which includes a renovated, state-of-the-art skilled nursing facility with an additional 85 beds, will be completed by late 2013.

For many years, Lincoln Hospital Center has been New York City's busiest single site emergency department. In 2012, the final phase of Lincoln's renovation will make significant progress toward the ultimate completion of an expanded and modernized ED in May 2013.

In September, Morrisania Diagnostic and Treatment Center opened its new adult and pediatric suites, designed to help integrate a patient-centered medical home model of care. The expanded space co-locates "one-stop" services such as financial counseling, nutrition, and social work, and decreases patient waiting time.

We are also in the midst of an exciting project that involves our Goldwater and Coler campuses. By the end of 2013, we will have relocated Goldwater's long-term acute care hospital and skilled nursing facility operations to new facilities on the former North General Hospital Campus. "Goldwater North" will provide more space and greater privacy for patients and residents while also accommodating a new model of resident-centered programming. Goldwater North will have 164 skilled nursing facility beds and 201 acute long-term care beds.

Because Goldwater North will be substantially smaller than the existing facility on Roosevelt Island, we are working to identify community-based housing alternatives (with supportive services) for current Goldwater residents for whom such an alternative is appropriate. Approximately 300 Coler/Goldwater skilled nursing facility residents could be transitioned with home-and community-based services if affordable housing options can be identified. Therefore, we are actively working to secure discharge options for these individuals over the next 20 months, including the development of affordable housing for about 175 current Goldwater residents on a parcel on the Metropolitan Hospital campus.

Laying the Foundation to Succeed in a Reformed Healthcare Landscape

With a fundamental redesign of the Medicaid program legislated as part of last year's budget, virtually all Medicaid recipients, including those with the most complex needs, will be moved into a care management model of care within the next two to three years. With similar reforms set in motion at the federal level, focused on gradually introducing pay-for-performance into Medicare reimbursement, we began to pivot HHC into alignment with this healthcare reform trajectory toward more accountable care. Over the last year, this required of us a more purposeful and accelerated development of our system capabilities around robust primary and preventive care, proactive care management for patients with chronic disease, care coordination across settings, reduction of preventable admissions and readmissions, and effective use of clinical information technology to enable better care management.

<u>Patient-Centered Medical Homes as the Hub of the Accountable Care Model</u>

A patient-centered medical home (PCMH) is an advanced primary care practice model that employs a physician-led, team-based approach to ensuring comprehensive primary and preventive care, continuity, ready access, coordination of care and a systems-based approach to quality, safety and chronic disease management. PCHM is a foundational component of any healthcare delivery model that seeks to be both fiscally and clinically accountable for a patient's long-term health.

We have worked diligently to ensure that our primary care sites developed the full capabilities of a medical home. All 39 of HHC's primary care sites – both hospital and community-based -- that applied to the National Committee for Quality Assurance (NCQA) and New York State for PCMH certification have now been certified at level three, the highest level. This covers nearly 600 HHC primary care providers. Requirements to remain certified at level three become more stringent next year so our work continues as our facilities prepare to reapply in January 2013.

So far, our existing designations have qualified HHC for more than $15 million in enhanced Medicaid reimbursement which we will re-invest in our primary care services.

HHC's Designation as a Health Home

The Affordable Care Act authorizes the federal government to fund 90% of the cost of care coordination for chronically ill patients through "Health Homes." Last year New York State established a "Health Home" program focused on Medicaid patients with two or more chronic illnesses or serious and persistent mental illness. The goal is to have designated "Health Home" networks use multidisciplinary teams of medical, mental health, and chemical dependency providers, together with social workers, nurses, and others, to ensure that enrollees receive needed medical, behavioral, and social services in accordance with a single care plan. There is an expectation that the Health Home program will reduce long-term healthcare costs by reducing the need for inpatient or other expensive institutional care. The program pays the Health Home for care management and coordination services on a per capita basis.

In December, HHC was designated a Health Home for eligible Medical patients in Bronx and Brooklyn. We have begun to establish linkages to community partners and to scale up our own care management infrastructure to accommodate the several thousand patients we expect to be assigned to us initially. And we have submitted our application for Health Home designation in Manhattan and Queens, and expect to receive such designation sometime in April.

Our evolving Health Home operation will be informed by our several years of experience with our state-funded Chronic Illness Demonstration Project (CIDP), which focused on developing care coordination approaches and resources that could successfully engage and help to better manage the care of patients with complex conditions and very high rates of healthcare utilization. Our CIDP patients, who typically struggle with chronic medical and behavioral health issues – and often with socio-economic stressors like homeless as well – mirror the most challenging of the Medicaid patients to be assigned to Health Homes. Late last year, we reported preliminary CIDP findings showing that our care coordination/management efforts reduced the average annual costs of the successfully engaged patients by roughly 20%, saving more than $3.5 million for a cohort of 263 patients.

Once the state marries a shared savings reimbursement approach for underlying healthcare services provided to Health Home enrollees, we will have the beginning of payment reform that takes us toward an accountable care model.

Integrating Medical and Behavioral Health Care for the Mentally Ill

In November, Woodhull Hospital opened its new Center for Integrated Health. A model for facilitating a more holistic approach to addressing the medical and behavioral health needs of patients with mental illness, the new center will coordinate mental and physical health services for psychiatry patients in one setting. This is one of several initiatives under way across our system to assure that we are effectively meeting the general medical needs of our psychiatric patients who often suffer from chronic medical conditions beyond mental illness.

Our work in this area includes a major collaborative initiative, funded with $9 million in funding from New York State, to improve the health status of New Yorkers diagnosed with schizophrenia. In a partnership known as InTouch, five HHC facilities (Elmhurst Hospital Center, Queens Hospital Center, Woodhull Medical and Mental Health Center, Cumberland Diagnostic and Treatment Center, Gouverneur Healthcare Services), the Urban Institute of Behavioral Health, the Creedmoor Psychiatric Center, and the New York City Department of Health and Mental Hygiene Bureau of Correctional Health Services have collectively formed an electronic information exchange coalition.

InTouch partners have put in an additional $13 million in matching funds that, along with state support, will provide the technology, equipment, training, and technical assistance necessary to create interconnectivity through the Interboro Regional Health Information Organization (RHIO). The RHIO already supports electronic information exchange of clinical information among a number of New York City healthcare providers. The InTouch partnership will enroll 2,500 patients with a diagnosis of schizophrenia who have received primary care at one of the five HHC hospitals and are residents of a state-designated “care coordination zone” in Queens, North Brooklyn, and Lower Manhattan.

InTouch will allow participating healthcare providers to share medication lists, known allergies, laboratory and test results, as well as care and discharge plans for enrolled patients. The electronic link will also feature “care alerts” that can be sent to case managers and caregivers with real-time information to indicate whether the patients has visited an Emergency Department, been admitted to the hospital, and been discharged.

Electronic Medical Records and Meaningful Use

As you know, HHC was an early adopter of electronic medical record technology and we have won several national awards for our use of clinical information technology to drive improvements in care. Our EMR has allowed us to program alerts and “must enter” fields that help guide evidence-based care, and has facilitated coordination of care across the continuum

of care within our own system. We have embedded depression screening aids, asthma action plans, Coumadin dosing safeguards, and deep-vein thrombosis prophylaxis guides into our EMR, among other meaningful functionality. A data warehouse populated from the EMR has allowed us to run electronic chronic disease registries that have proven to be an effective tool in helping our clinicians better manage diabetes and hypertension. Indeed, partly as a result, all HHC facilities now qualify under NCQA's Diabetes Recognition Program as excellent providers of diabetes care.

Our current EMR has now been "certified" as compliant with the requirements for federal funding available under the America Recovery and Reinvestment Act (ARRA) for hospitals and physicians that demonstrate that they possess certified EMRs that also meet "meaningful use" requirements. We have begun the process of demonstrating "meaningful use" of our EMR in the various ways that will qualify us to begin receiving nearly $200 million ARRA funds over the next several years. We expect to complete the process of documenting our compliance with "meaningful use" requirements for all of our facilities by July 2012.

Because our current EMR was first developed more than 20 years ago and lacks some of the capabilities that will be essential to manage patients across all care settings, to co-manage patients with partners outside our own system, and to involve patients more deeply in managing their own care, this past year we conducted an extensive review of state-of-the-art EMRs as part of a competitive procurement process. We will shortly select our new EMR vendor, seek the Board's contracting approval, and begin the complex process of migrating our more than 15,000 EMR users to a new, and much more powerful, system.

On a parallel track, we continue to develop the Interboro RHIO which, as mentioned above, is based upon technology that allows clinical data exchange among users of disparate EMRs. The Interboro RHIO now includes HHC and non-HHC facilities in Queens and Brooklyn and will be extended by the end of this year to facilities in Manhattan and Queens. At the present time, more than 350,000 patient records have been uploaded into Interboro's database. Going forward, our RHIO will ultimately be essential to enabling the informed co-management of patients with providers and facilities outside our own system.

All of this work to secure a robust clinical information technology platform across the entire enterprise is an essential foundation for our evolution to an organization that can collaborate internally and externally to coordinate care and manage the financial risk associated with emerging reimbursement models.

MetroPlus Becomes an Even More Important Partner and Strategic Asset

MetroPlus added membership again last year and ended 2011 with more than 420,000 enrollees. It remains the second-largest Medicaid managed care plan in New York City. Importantly, MetroPlus's Medicare enrollment increased by 27% last year and this will be a critical strategic area for future growth, especially as there is growing pressure to move patients dually eligible for Medicare and Medicaid out of fee-for-service and into a managed care model. For 2011, we estimate that having MetroPlus as our principal Medicaid managed care partner has allowed us to keep roughly $80 million in premium revenue within our own health system, compared to what we would have experienced if we were forced to contract with other Medicaid managed care plans.

Even more impressive than MetroPlus's growth and contribution to HHC's bottom line is the plan's quality of care and patient satisfaction record. Last year the New York State Department of Health ranked MetroPlus first among all Medicaid managed care plans in New York State. This number one ranking, based on performance measures of quality and customer satisfaction, has secured MetroPlus a 2.5% premium increase, the maximum incentive award that can be achieved by any plan. This will add an estimated $34 million to HHC's revenue in 2012, as MetroPlus will use this revenue to fund Quality Incentives and Pay for Performance pools.

MetroPlus also served as a co-applicant with HHC in our application to be designated as a Health Home, and the plan's experience with outreach to engage enrollees in care, as well as its care coordination experience, is helping to inform the care management infrastructure that we are building for Home Health enrollees.

And, in light of the State's announcement that it will soon begin channeling Medicaid patients who are eligible for long-term care into managed care plans, MetroPlus has applied to become, and expects to be approved as, a long-term care managed care plan. Mandatory managed care enrollment for long-term care eligible Medicaid recipients is expected to begin this summer.

Consolidation of our Affiliate Relationships to Better Align our Physician Workforce

The twin imperatives going forward of reducing the cost of care while improving health outcomes for patients and communities cannot be accomplished without a close collaboration with our physicians and other providers. With nine different affiliate entities employing our physician workforce, tight physician alignment with HHC's strategic goals and expeditious implementation of evidence- or consensus-driven best clinical practices has been exceedingly difficult. To address this dilemma, last year we completed the consolidation of four of our affiliates into one new affiliate, the Physician Affiliate Group of New York (PAGNY).

By later this year, we anticipate that our nine previous affiliate relationships will be reduced to three: Mt. Sinai, NYU, and PAGNY. We will seek to work very collaboratively with all three affiliates and their physician members to make the delivery of care within our system more efficient and effective, focusing on, for example, the reduction of preventable admissions and re-admissions, the reduction of lengths of stay for targeted DRGs, the reduction of noscomial infections, better patient access, and increased patient satisfaction. To the extent that such close collaboration around patient-centered strategic goals results in additional revenue, or cost avoidance, we will look to structure our affiliation contracts so that such savings or gains can be shared with our physicians.

All of this work around PCMH and Health Home designation, the integration of medical and behavioral health care services, the enhancement of our clinical information technology capabilities, the strengthening partnership with MetroPlus, and the closer alignment and collaboration with our physicians are the underpinnings of our evolution toward an accountable care organization and position us to thrive under a reformed reimbursement system…a reimbursement system that will pay for improving the health status of patients, rather than the mere volume of services rendered.

Our Success, Past and Future, Derives from our Dedicated Workforce

The ability of HHC to meet the needs of our communities on a daily basis, to fulfill our mission as a safety net for the most vulnerable, and to transform into the future healthcare system that our patients need us to become is possible because of the extraordinary employees at every level of the organization who are deeply committed to our mission and our patients.

While it is not possible for me to begin to catalogue the individual contributions that make HHC the extraordinary organization that it is, let me conclude my yearly review with a handful of representative profiles of excellence.

- Not even Mother Nature can stop the indefatigable Joe Marcellino, who, along with his colleagues at Coney Island Hospital, orchestrated an unprecedented evacuation as Hurricane Irene approached New York City. Every patient was kept safe.

- Mitch Abidor, who began his career with HHC as a hospital care investigator 37 years ago, can't walk three steps through the halls of Queens Hospital without being recognized as an energetic Breakthrough leader. His passion for challenging the status quo and supporting reinvention that better serves patients empowers Breakthrough

participants as agents of change within their departments and inspires them to sustain improvements that transform the delivery of care.

- Eric Cliette, Director of the Injury Prevention Program at Harlem Hospital, and Dr. Robert Gore, founder of KAVI (the Kings Against Violence Initiative), show remarkable dedication to reducing violence among the youth of New York City and have launched their groundbreaking efforts as part of New York City's Young Men's Initiative. The Fund for HHC is supporting both of these programs.

- For Elva Rodriguez her work is not a job, but a calling. For 20 years, she has provided ob-gyn services to people in the community surrounding Segundo Ruiz Belvis D&TC, and served as a mentor and friend to countless patients and staff members. Her dedication and compassion was celebrated when she received the Fund for the City of New York's Sloan Award for Public Service in March of 2011.

And there are countless others….

As We Move Forward…

As our executive leadership team reviewed our strategic plan for the coming year, we realized that that even at a time of fiscal challenge there is one investment that still must be made… an investment in the personal and professional growth of our employees. This year, under the leadership of Senior Vice President Caroline Jacobs, we will begin to implement a comprehensive workforce development plan to better support our employees who want to acquire more skills relevant to a fast-changing healthcare environment and to help build leadership skills at every level of our organization.

I continue to be grateful for the opportunity to lead, together with our exceptional executive team in central office and at our networks, this extraordinary and vitally important organization at this critical time.