



Nassau University Medical Center
A. Holly Patterson Extended Care Facility
Family Health Centers*

**Nassau Health Care Corporation's
Response to New York State
Department of Health March 1, 2024
Letter**

March 25, 2024

2021 Hempstead Turnpike
East Meadow NY 11554



**Nassau University Medical Center
A. Holly Patterson Extended Care Facility
Family Health Centers***

March 25, 2024

James V. McDonald, M.D., M.P.H.
New York State Commissioner of Health
Empire State Plaza, Corning Tower
Albany, New York 12237

Re: Reply to NYSDOH letter dated March 1, 2024

Dear Commissioner McDonald,

Thank you for your letter of March 1, 2024 responding to Nassau Health Care Corporation's ("NHCC") letter of February 8, 2024 requesting aid to support the safety net and other vital operations of Nassau University Medical Center ("NUMC") and A. Holly Patterson Extended Care Facility. We appreciate the opportunity to respond to your letter and hope for additional dialogue between the New York State Department of Health ("DOH") and NHCC.¹

NHCC agrees that over the past two decades there have been many shortcomings particularly regarding the NHCC's financial management. However, as

¹ NHCC believes that third parties may have misconstrued or miscommunicated, provided misinformation or even unintentionally misrepresented information concerning NHCC to the DOH, so we appreciate the ability to address these items directly with DOH.

outlined below, the **NEW** NHCC leadership has been taking swift and immediate action to turn around the decades of financial mismanagement.

First, your letter states that “NHCC’s Finance Committee is not chaired by a financial expert and that NHCC C-suite executives have not taken appropriate actions to address the corporation’s dire financial situation...” however, this is not the case. Our Finance Committee is chaired by our Chairman, Matthew J. Bruderman, who is a successful healthcare investor, entrepreneur, financial advisor and restructuring expert with more than 30 years’ experience. *Please see Attachment 1.* Also, we have new C-suite management who took the helm in January, 2024. Our new management team is led by me, our Interim CEO & President, which includes many dedicated leaders- all of whom conduct themselves as stewards of public funds and who take their fiduciary duties very seriously.

As outlined below, NHCC has already implemented most of your requests. That being said, NHCC asks DOH to reconsider certain items. For example, additional funding from the State to help close NHCC’s funding gap does not need to be exclusively VAPAP funding. Instead, some funding could be provided by a payment to cover NHCC’s non-federal share for IGT programs, like the State provides the SUNY hospitals.² Also, your letter conditions any future VAPAP

² NHCC has applied for the 2025 VAPAP funding and continues to pursue that and to cooperate with the DOH VAPAP team.

funding on the Nassau County Interim Finance Authority (NIFA) having certain additional controls over NHCC, including but not limited to NIFA having to approve any new management hires and appointments, certain payments, etc.

We respectfully submit that such requirements conflict with a number of legal provisions. For example, NIFA is a statutory entity and as such only has the powers authorized by NY Public Authorities Law (PAL) §§ 3650-3672. Requirements set forth in your letter exceed NIFA's statutory authority and DOH cannot expand the authority granted to NIFA by the Legislature. Also, functions such as approval of management-level employees constitute the operation of a hospital pursuant to DOH regulations, specifically 10 NYCRR §405.1. Pursuant to DOH's rules, NIFA would need to obtain establishment approval from the Public Health and Health Planning Council in order to exercise such authority. Any effort for NIFA to exercise such control would not only breach DOH's regulatory requirements, but would encroach on authority expressly granted to NHCC's board of directors. *See, e.g., PAL §3404(12) (the corporation shall have the power to appoint such officers and employees as it may require).* Furthermore, not only does NIFA not have the legal authority to operate a hospital and it does not have the experience of doing so. We trust that DOH agrees with these points. If that is not the case, we ask for the opportunity to discuss them.

NHCC appreciates DOH's comments and takes them seriously. Provided below is information responding to concerns raised by DOH, as well as information that is responsive to DOH's requests.

Five Year Plan

NHCC submitted its financial sustainability plan to DOH, NIFA, the elected officials and CSEA in **October 2023**. Since then, under NHCC's new administration and in my role as Interim CEO & President, I have worked with our CFO and Chairman Bruderman to update and further refine NHCC's five year plan. *A copy is annexed as Attachment 2 for your review.* As stated, implementation of performance enhancing initiatives has already begun and our goal is to rely on less and less government subsidies year after year. We have been in contact with the DOH VAPAP team and continue to provide all requested documents and have been promoting continued transparency with DOH and NIFA.

NYSHIP

In 2019 NHCC entered into an agreement with NYSHIP regarding outstanding payment obligations. It provides for NHCC to make monthly payments of \$2 million to NYSHIP. *A copy of the agreement is annexed as Attachment 3.* In November 2021, NYSHIP leadership changed and its new

leadership notified NHCC that the outstanding balance owed was due within 30 days. NHCC discussed this with NYSHIP and, based on that discussion, continued operating under the 2019 agreement and NHCC continues to make the required monthly payments in a timely manner. In addition, the NHCC NYSHIP liability was reduced by \$60 million on behalf of NHCC on or about March, 2023. *Please see Attachment 4.*

On or about November 28, 2023, the NYS Department of Civil Service (Civil Service) sent NHCC's former CEO Anthony Boutin, M.D. the notice regarding the NYSHIP debt annexed as *Attachment 5*. This notice was similar to the notification NHCC received in November 2021 in that it demanded that NHCC enter into a payment plan in less than thirty days.

Upon NHCC's receipt of this letter, I sent Civil Service the email annexed as *Attachment 6*. NHCC executive staff and Chairman Bruderman have engaged in discussions with NYSHIP, including about the possibility of DOH making a 2024 payment to NYSHIP on behalf of NHCC as it did in 2023. NHCC has asked DOH to consider making such a payment.

NHCC Reforms

In the seven weeks that I have been Interim CEO & President, NHCC has implemented reforms that have already resulted in monetary returns.

Implementation of these reforms has been with the assistance of NHCC's new CFO and with the guidance of our Chairman. Our CFO began on January 1, 2024, after being hired by NHCC's Board of Directors (with notice to NIFA).

NHCC had been without a Chief Financial Officer for two years prior to the Chairman's appointment and nearly three and half years to my appointment as Interim CEO. When the Chairman was appointed, NHCC had no CFO, no budget, no current financial statements and no timely audit. Further, NUMC's charge master (pricelist) was more than a decade old-crippling our revenue cycle. One of Chairman Bruderman's first actions was to assess and rebuild our finance department and to begin the process of hiring a CFO. He then engaged a turnaround expert, Marwood Group Practice Transformation LLC (Marwood), to continue and execute on that effort which recently resulted in the hiring of our very competent CFO. Our charge master is now updated, our financial statements are now current, we now prepare daily cash reports that we distribute (to NIFA), and we passed a timely budget. For the first time, we completed a timely audit last June by performed by one of the world's leading independent audit experts Grant Thornton LLP. We will be early with our audit this year and will have complete in May.

Reforms that were undertaken in just the last several months have included restrictions of non-clinical overtime that is yielding an immediate savings. As an

example, a comparison of overtime for January 2023 versus January 2024 shows a 23% drop in overtime, saving NHCC millions of dollars annually. In addition, distribution to physicians under the Faculty Practice Plan have been modified and are under further review for additional revisions. While that additional review is ongoing, the initial changes in Faculty Practice Plan distributions have resulted in more than \$4 million in annual savings thus far.

As well as reviewing overtime and the Faculty Practice Plan, we are currently reviewing productivity and head count by service line and department. We are already making personnel changes and other cuts. In addition to these things, we have been going line by line. For example, NHCC's supply expense decreased \$800,000 in one month year over year. This savings is due to renegotiating contracts and reducing usage. We also have been proactively seeking funds by creating teams to apply for the State grants (e.g., statewide technology, etc.). We have significantly restricted travel and other reimbursements for employees further creating millions of dollars in savings. We have now renegotiated six of our managed care contracts, adding language that provides increased compensation for quality efforts. Finally, we have also increased efforts on collections and timely documentation to improve receipts and enhance our revenue cycle.

As our new measures are taking affect, we are beginning to see a significant improvement in our third party collections:

| | 2023 | 2024 | Improvement |
|----------|--------------|--------------|-------------------|
| January | \$23,795,067 | \$24,407,159 | \$612,091 (2%) |
| February | \$22,949,247 | \$27,154,284 | \$4,205,036 (18%) |

Quality of Care

On my second day as Interim CEO & President, I named a highly qualified employee as NHCC’s Vice President of Quality and Risk, as NHCC had been devoid of one since June 2023. *Please See Attachment 7.*

We also developed a new Quality 2024 Plan that focuses on improving our survey and patient experience grades.

I created Excellence@NUMC.edu to promote, encourage and celebrate good acts by our employees. *Please see Attachment 8.* We are in the process of hiring a patient experience officer and creating a “Care Experience Office” to focus on the

patient's quality of care. This office will also include an employee engagement officer because our employees shape the experience of our patients.

We rolled out a new initiative called "Safety Huddles" which began on February 23, 2024. *Please see Attachment 9.* These meetings are conducted three times a week and focus on improving our safety and patient measures. *Please see Attachment 10.* We contracted with NASH Consulting to help raise our survey grades and already conducted on site meetings with their team. Since January we held two mock TJC surveys. Our consultants stated that "NUMC is looking better than it ever has, there is more staff engagement, employee morale is up and this is the best reception she and her team have received" (Gayle Nash, RN MPH President & CEO Nash Consulting). We also hired a well-qualified Environmental Safety Officer, who has prior work experience in that capacity with Northwell. In addition, in February we developed a Community Needs Assessment program, which we will kick off with community based organizations and local universities. *Please see Attachment 11.*

State Aid

Discrepancies regarding State aid numbers in NHCC's and DOH's correspondence as to what aid NHCC has received has been due to different fiscal calendars, when NHCC received cash versus when the aid was committed to.

Some “aid” was just letters of capital funding for reimbursement with caps and restrictions with no guarantee of actual funding. *Please see Attachment 12.* In addition, your letter takes issue with NHCC including funds from expired programs (i.e., DSRIP) in our calculation of the drop in State funding. We understand your point. However, from NHCC’s perspective, all State funds that contribute to NHCC’s viability must be included as part of a comprehensive picture. Also, funding charts have been circulated that displayed incorrect amounts that NHCC received- DSRIP funding flowed to the Nassau Queens Performing Provider System (NQP) and then were distributed to Northwell, CHS and NUMC. Regardless, it is indisputable that the amount of funding NHCC has received from New York State has decreased over the years, which brings us to our formal request for additional funding in our letter of February 8, 2024. As stated in the legislation [PAL§3401(2); PAL§3401(3)] that created NHCC as a safety net public benefit hospital and as stated in the NHCC Bylaws, NHCC was created to care for patients regardless of their ability to pay. *Please see Attachment 13.* With approximately 70% Medicaid and Medicare and their resulting payment shortfalls and nearly 10% uninsured by design there is *no* way for NHCC to fulfill its mission to serve the 270,000,000 annual patient visits without adequate state funding.

NHCC's financial consultant Marwood Group Practice Transformation LLC (Marwood) and our new CFO have reviewed all State Aid received and NHCC's bank accounts. Attached is an updated State Aid Chart for your review.

Please see Attachment 14.

Requested Information

Per your request, attached please find the following:

- NHCC's Organization Chart annexed as ***Attachment 15.***

NHCC is Co-Operator of Harmony Health Care FQHC ("Harmony"). In my new role, I, together with NHCC's CFO, met with their CEO on February 7, 2024 and we have a meeting scheduled for on April 12. We are currently in the process of renegotiating our contracts with Harmony as well as improving communication and identifying and resolving systematic issues that are creating interfacing barriers. We have strategic relationships in place and are seeking to explore additional ones. Currently, we are in contract with Total Orthopedics which runs our orthopedic department, Northwell which runs our Cardiology Department and newly approved Cath Lab and New York Plastic Surgery Group which run our plastic surgery department. NHCC also handles correctional healthcare for 700 individuals

incarcerated at the Nassau County Correctional Center (two infirmaries and 100 employees) and receiving services at NUMC. We are re-negotiating our contract with Nassau County to include a prison ward at NUMC which will also be an additional revenue stream.

- The 2023 gross compensation for the twenty (20) highest paid medical and non-medical employees is annexed as *Attachment 16*.
- NHCC's lobbyist costs for 2023 are annexed as *Attachment 17*. NHCC spent \$160,000.00 to Park Strategies LLC through August, 2023. NHCC did not renew with Park Strategies and has not engaged a new lobbying firm in order to save funds.
- NHCC paid \$1,167,278 to Marwood in 2023 and has reduced the contract for 2024 by 66% as we now have a CFO and financial controls in place. *Please see Attachment 18.*
- Please see above regarding NHCC's 2024 Quality Improvement Initiatives and our Plan attached as *Attachment 19* as requested.

CEO Search

On January 12, 2024, the NHCC Board of Directors unanimously named me as Interim CEO & President and authorized the search for a permanent Chief Executive Officer. *Please see Board minutes annexed as Attachment 20.* Also,

please see email from Korn Ferry, the executive search firm retained in 2023 through a RFP, and a NHCC unanimous Board of Directors vote. See board minutes annexed as *Attachment 21*. A search will be conducted and the NHCC Board of Directors will select the Chief Executive Officer subject to the approval of the Nassau County Executive as per NYS Public Authorities Law Section 3402(4).

NIFA

NHCC has been fully compliant and cooperative in connection with NIFA's oversight and our reporting to NIFA since being added to NIFA's control period in February 2020. NHCC has invited NIFA to all board meetings which they have been attending. NHCC sends NIFA the same materials that it sends to NHCC board members. We send NIFA these materials at the same time they are sent to NHCC board members, providing NIFA ample time to review the documents and to prepare to ask NHCC any questions both prior to and at NHCC board meetings. Since March 17, 2020 NHCC has sent all contracting packages, including copies of prior contracts, proposed contracts, and vendor disclosures that NIFA mandates, to Martha Worsham at NIFA for approval as per NIFA's resolution 20-788. Also, NHCC has been sending daily cash positions to NIFA Chairman Kessel and the respective Chairmen have been in discussions.

NIFA also requires Certificates of No Change every six months from NUMC's vendors. This is burdensome and not the usual course of business in hospital or healthcare contracting, but NHCC complies. *Please see Attachment 22 for NIFA guidelines and forms.* In addition, I present to NIFA's Board when requested. Currently, and since March 2020, NHCC seeks NIFA's approval for contracts in amounts equal to or greater than \$50,000.00 for personal services. However, it should be noted that NHCC's legal office does more than that. We send NIFA every contract and purchase order at the time they are sent to NHCC's Board of Directors, so NIFA has been aware of all of NHCC's transactions since 2020.

With regard to numbered items 3 and 5 in the last paragraph of your letter, all changes in NIFA contracting guidelines must be in accordance with NIFA's enabling legislation. This requires that proposed changes first be sent to the Nassau County Executive. To our knowledge, these proposed guideline modifications have not been submitted to the County Executive for review as required by PAL § 3669(2)(d)(1). We have had a good working relationship with NIFA over the past four years and look forward to any guidance they can provide regarding our finances.

Alvarez and Marsal

As stated, NHCC has been fully compliant with NIFA. We have also been responsive and transparent with NIFA's two engagements with their vendor Alvarez and Marsal ("A&M"), despite A&M's lack of transparency, failure to review data and lack of accurate financial forecasting in 2020.

In 2020, A&M recommended that NUMC reduce hospital services, including emergency department services, during a national pandemic in which NHCC served as Nassau County's only overflow hospital. A&M notes on **page 8 of its 2020** report that the NUMC was "poised to deplete its operating cash by 2022 or sooner." A&M's predictions of NHCC running out of cash by 2022, then November 2023, December 2023 and February 2024. However, NHCC has operating cash on hand today and current management has continuously extended the life of the hospital because of the cost saving and revenue enhancement initiatives that NHCC implemented are taking hold. **Please also refer to the options laid out on page 9 of the 2020 A&M report which recommends NHCC downsizing from 3,400 employees to 290-310 employees and becoming a sole Behavioral Health Institution. Please see Attachment 23, pages 8-10.** No explanation or analysis was provided by A&M and, most noteworthy, their prediction has been wrong for more than two years. Nevertheless, NHCC has cooperated with all of their requests.

In September of 2023, NHCC continued to follow all NIFA protocols. NIFA was aware and NIFA approved NHCC's engagement with Marwood. ***Please see Attachment 24.*** NHCC learned of NIFA's re-engagement of A&M from Newsday. Chairman Bruderman encouraged cooperation with A&M and was optimistic about having a third party consultant evaluate and validate the progress of the new management. However, it soon became apparent that A&M supported a different narrative that included material omissions like the significant drop in revenue from the state. Their reports talked about the erosion of profitability and increase in losses without making mention of the reduction of the hundreds of millions of dollars in state funding to NHCC, which represented the majority of those increases in losses.

The time and money set aside for NHCC to engage with Marwood was being utilized for Marwood to meet, create data and report to A&M during a critical time for NHCC. However, both Marwood and NHCC complied with all of A&M's requests and provided ALL data requested. NHCC passed a timely 2024 budget (NIFA attended the board meeting and was sent the budget materials beforehand). NHCC's Chairman and leadership met numerous times with the newly appointed NIFA Chairman and A&M, in addition to our weekly NIFA/A&M meetings.

At the last meeting that NHCC's Chairman attended with A&M (*February 13, 2024 via zoom*), discussion of additional funding was met with requests for board seats and NHCC management positions, which the NHCC Chairman appropriately rejected.³ Chairman Bruderman, as he has stated from the time of his board appointment, did acknowledge that the NHCC Board needed qualified individuals and perhaps a standing committee to propose such candidates.

A&M also advised NHCC at this meeting that our annual patient visits could be absorbed by the other surrounding hospital systems and that most of those patients had or could obtain some sort of insurance. This is in contradiction to the discussions that Chairman Bruderman had with the CEOs at the other local hospital systems weeks prior in which they all stated that they could in fact **not absorb** our patients. Chairman Bruderman pointed this out and said closing NUMC was not an option, that this is not just a financial situation but the community's healthcare and lives were being put at risk. He followed up by asking where our 3,600 employees would go. A&M stated all of our employees would be able to find work elsewhere due to the healthcare worker shortage. Despite Chairman Bruderman and NHCC leadership disagreement with these statements, A&M advised that NHCC could receive

³ Per PAL §3402, NHCC's board members are appointed by the governor, county executive and county legislature.

state funding by June if we committed to their plans and that NHCC should be submitting a “Plan B- wind down” to which the Chairman told A&M that he would be open to discussion regarding partnerships, but he would not be drafting a wind down- especially when we were improving in billing and collections. The meeting ended and another meeting was to be scheduled to discuss service lines and to continue to discuss the health centers and A. Holly Patterson.

A subsequent meeting did not occur, and the A&M report was sent to the NIFA board and Newsday on February 21st and to NHCC upon request on February 22nd. NHCC ceased its meetings with A&M/NIFA on or about February 25th, 2024 as NHCC’s Chairman’s directive after A&M released their report (note NHCC and NIFA never stopped communicating and have reengaged meetings & data requests).

A&M’s 2024 report does emphasize the critical cash levels of the hospital, but fails to note that NHCC has seen reduced State funds year over year, which is the primary driver of the critical cash condition. The report discusses NHCC’s anticipated performance improvement measures, but does not mention that the measures will lead to long term sustainability. In their letter to the NIFA Chairman on the second slide of their report, A&M opines that they do not believe NHCC can achieve needed improvements. However, the chart on slide 6 of their report

shows evidence that there have been stabilization efforts that have **improved the cash position over the last few months -specifically when Marwood began its onsite engagement.**

In summary, the latest A&M report, consistent with their past reports, does not discuss the current stabilization and improvement efforts noted on slide six of their report, nor the long-term sustainability that NHCC is on track to achieve with State support. *Please see Attachment 25.*

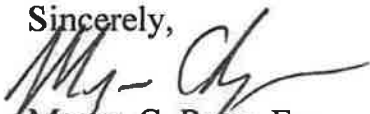
NHCC continues to develop reforms to improve its finances and quality. We will continue to be transparent in our efforts and focus on strengthening our relationship with NYS DOH. We have participated in many VAPAP calls with DOH and are grateful for the time DOH has spent on NUMC and A Holly Patterson's applications.

NHCC is vigilantly safeguarding its funds and seeking additional subsidies from all sources. As stated, it is our goal to rely on less government subsidies each year. We have continued to share our daily cash positions with NIFA daily and will continue to do so. Please note that we have never ceased complying with NIFA procurement guidelines since 2020. We also have reengaged in NIFA meetings and are providing all requested information.

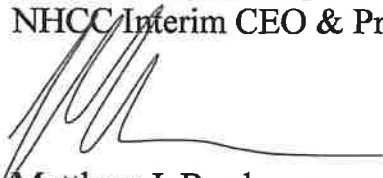
We look forward to working with you, NYS DOH, and the Governor's office to discuss a path forward for NHCC. We appreciate all of your efforts in ensuring NUMC continues to provide quality healthcare to all.

Thank you.

Sincerely,



Megan C. Ryan, Esq.
NHCC Interim CEO & President



Matthew J. Bruderman
NHCC Chairman of the Board of Directors

cc:

Hon. Kathy Hochul
Karen Persichilli Keogh, Secretary to the Governor
Richard M. Kessel, Chairman, Nassau County Interim Finance Authority

List of Attachments:

- Attachment 1: NHCC Finance Committee
- Attachment 2: Five Year Plan
- Attachment 3: 2019 NYSHIP Agreement
- Attachment 4: NYSHIP \$2,000,000 Monthly Payment
- Attachment 5: New York State Civil Service Notification Regarding NYSHIP Debt
- Attachment 6: Response Email to New York State Civil Service Regarding NYSHIP Debt
- Attachment 7: Email Regarding Employee Promotions
- Attachment 8: Global Email Regarding EXCELLENCE@NUMC.EDU
- Attachment 9: Safety Huddle Invite
- Attachment 10: Safety Huddle Agenda
- Attachment 11: Community-Based Organizations
- Attachment 12: Letter Regarding Capital Fund Reimbursement
- Attachment 13: NHCC Enabling Statute (PAL§3401) & NHCC Bylaws
- Attachment 14: Updated State Aid Chart
- Attachment 15: NHCC's Organization Chart
- Attachment 16: Top 20 Highest Paid Employees of NHCC
- Attachment 17: 2023 Lobbyist Spend
- Attachment 18: 2023 Marwood Group Spend
- Attachment 19: 2024 Quality Improvement Plan
- Attachment 20: January 12, 2024 Board of Directors Special Meeting Minutes
- Attachment 21: Korn Ferry Email Regarding CEO Search
- Attachment 22: NIFA Guidelines and Forms
- Attachment 23: December 11, 2020 Alvarez and Marsal Report
- Attachment 24: NIFA Approval of Marwood Engagement
- Attachment 25: February 3, 2024 Alvarez and Marsal Report