



Category:
Financial

Responsible Office:
[University Budget](#)

Policy Title:
Revenue Fund Guidelines: Hospital Income Fund
Reimbursable (HIFR)

Document Number:
7607

Effective Date:
July 01, 2001

This policy item applies to:
Downstate Medical Center
University at Stony Brook Health Science Center
Upstate Medical University

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Summary

The State University of New York (University) hospital income fund reimbursable (HIFR) was established as a special revenue fund. The fund allows for organizational and accounting independence for University health care facilities. The HIFR operates and administers the fiscal aspects of health care related operational activities.

Policy

I. Purpose and Scope of Activities

A. All monies received by health care facilities from fees, charges and reimbursement and from all other sources shall be credited to the hospital income fund reimbursable (HIFR). All expenditures related to health care facility operations (personal service, fringe benefits, debt service, non-personal service and contractual obligations) will be expended through this fund. Expenditures may not be recorded as revenue offsets. The monies in this fund shall only be expended pursuant to the authorized appropriation.

B. The annual appropriation is determined through the state budget process. Each year the health care facilities develop an annual appropriation budget request. This appropriation

request is forwarded to the division of budget (DOB) for approval. If approved, DOB incorporates the request into the Executive Budget and then if approved by the Legislature becomes the final appropriation for the fiscal year. Each health care facility is allowed to transfer appropriation between personal service and other than personal service (OTPS), subject to limits as specified in New York State Finance Law. Health care facilities are allowed to increase appropriations for fringe benefits and debt service during the year, but they are not allowed to decrease the appropriation.

C. Due to the increased costs of being a public health care facility, the state authorized a subsidy payment to cover a portion of these differentials related to salary, fringe benefit, productivity and mission. The subsidy is payable to the health care facilities on an annual basis. The State University of New York (University) provides DOB with a subsidy request as part of the annual appropriation budget request. If DOB approves, the subsidy is incorporated into the executive budget and if the New York State Legislature approves, becomes the final state subsidy for the fiscal year. The state subsidy is an appropriation separate and distinct from the hospital income fund reimbursable appropriation request. This subsidy is backed by state tax dollars and is funded by the State of New York.

II. Categories

The following categories shall govern the operation of the HIFR accounts and activities:

A. Unrestricted – Accounts are established for the HIFR fund where no stipulation is made by an external party as to the purpose for which they may be expended. These accounts are designated for health care facility purposes.

B. Restricted – Each health care facility is responsible for the recording and accountability of accounts as stipulated by contractual or administrative agreements initiating the individual accounts. The University-wide accounting system will be available to the health care facilities for detailed accounting of the accounts.

III. Financial Management

A. Each health care facility will be responsible for using sound management practices, including the establishment and maintenance of prudent financial and internal controls in fulfilling this responsibility. Estimates and judgments by health care facility management are required to assess the expected benefits and related costs of financial and internal control structures. The objectives of the internal control structure are to provide reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use of disposition.

B. There are no restrictions governing the allocation or establishment of positions within HIFR accounts, other than the availability of funds and those governing the classification of positions and appointments under state personnel policies and procedures. Policies governing the appointment of personnel are the same for HIFR accounts as for any state-funded activity. Terms and conditions of employment are established in the [policies of the University Board of Trustees](#), the various negotiated contracts with employee organizations, and appropriate state

statutes.

C. Procurement and expenditure activity within the HIFR fund is subject to the University's purchasing and contracting guidelines. For further details related to health care facility contracted services, please refer to the University's Health-Related Services Contract Procedures.

IV. Guidelines for Specific Funds – Hospital Income Fund Reimbursable

This policy delegates extensive authority to the health care facilities for the conduct of activities through the HIFR mechanism. The policy and general guidelines identify those activities and functions for which the health care facilities and system administration are responsible. The policy also provides direction to the health care facilities in the development of their own policies, operating guidelines and procedures. Each health care facility is expected to develop and maintain its own guidelines and procedures that address both accountability and patient confidentiality.

A. System Administration Responsibilities

1. System Administration is responsible to ensure that the financial integrity of the University-wide HIFR fund is not compromised. System administration also establishes the financial and administrative structure within which HIFR activity operates, including the policies and procedures of the University, as well as, its system of management and internal controls. The financial structures are provided to accommodate system monitoring and reporting and to supply information to the health care facilities as needed to manage the HIFR activity. System administration also coordinates the compliance of the HIFR fund with state rules and regulations.
2. System administration, working with the health care facilities, will maintain a streamlined budget request and financial plan process.
3. The University's accounting system in conjunction with the health care facilities accounting system will be used for reporting to external parties and for internal management and monitoring on a periodic and ad hoc basis.
4. The HIFR fund is part of the University financial reporting entity and is included in the annual audit performed by the University's independent auditor. Audit tests and other procedures consistent with the nature of HIFR activity are part of that engagement. In addition, the HIFR funds may be included in the audit plans of the university's internal auditor and the office of the state comptroller (OSC).

B. University Health Care Facility Responsibilities

1. University health care facilities are responsible for developing and implementing local policies, guidelines and procedures. These form the focal point of contact and communication with individual HIFR account managers and should address such areas as budgeting; accounting; financial management and reporting; financial and internal

controls; and revenue and reimbursement.

2. The health care facilities are required to have an annual audit performed by an independent auditor.
3. The health care facilities will comply with all applicable federal and State laws, rules and regulations, including, but not limited to the New York State public health law and the public officers law and the provisions of the agreements between the state and employee organizations pursuant to Article 14 of the Civil Service Law.
4. Health care facility guidelines relative to budgeting should include procedures for initially allocating funds and revising allocations so that control at the account or facility organizational level is maintained.
5. Health care facilities will be responsible for the recording and reporting of activity at the account level consistent with the unrestricted facility designated nature of the fund involved. Consistent with the concept of self-sufficiency, the HIFR fund will support all costs related to its operation. Health care facilities are responsible for paying their own fringe benefit and debt service costs.
6. University health care facilities are responsible for providing information to system administration, on an accrual basis of accounting, at fiscal year end and on an ad hoc basis so that external financial reporting requirements may be met in a timely manner.
7. Health care facilities are also responsible for providing data to facility account managers necessary to carry out their day-to-day management responsibilities. Both the University and health care facility accounting systems should be used to provide information that supports financial and internal controls.
8. Each health care facility is responsible for maintaining financial and internal control over its HIFR fund and ensuring its balanced status. The fiscal condition of a health care facility's HIFR fund will be considered balanced when such fund balance, on an accrual basis, at fiscal year end is zero or positive. Included in the health care facility's policies and guidelines should be procedures and standards which address monitoring and control of activity at the account and organizational level. These might include the valuation of allocation levels for accounts or organizational units in comparison with income and expenditure levels.
9. The nature of the HIFR activity makes it an area with inherent risk and vulnerability. Since HIFR account activities are generally funded from current revenues, there is always the potential for revenue not to meet expectations. Each health care facility's policies and guidelines should include procedures for frequent periodic reviews of account status and cash controls so that deviations from planned results or irregularities are detected and prompt corrective action is taken.

10. In relation to cash controls, the collection of cash also increases the risk of theft, fraud or misuse of funds, especially at decentralized locations. Effective internal controls provide reasonable assurance that all cash that should be received is actually received and properly recorded and deposited. University health care facility management should ensure that all cash collection locations follow the basic controls for safeguarding cash.

11. Consistent with the vulnerability associated with HIFR accounts, periodic audit coverage is anticipated. University-wide and health care facility policies are the standards against which HIFR activities and performances are to be compared.

12. University health care facilities are responsible for adhering to federal and state rules and regulations regarding reimbursement. Each facility should have internal policies related to charges and the collection of revenue.

Definitions

University Health Care Facility – hospital operated by the University and includes the University Health Sciences Center at Brooklyn, , Stony Brook or Syracuse (hereinafter referred to as "health care facility" or "facility").

Other Related Information

[Annual Executive Budget Overview by Agency](#)

Procedures

There are no procedures relevant to this policy.

Forms

There are no forms relevant to this policy.

Authority

The following links to FindLaw's [New York State Laws](#) are provided for users' convenience; it is not the official site for the State of New York laws.

[Public Health Law](#)

[Civil Service Law Article 14](#) (Public Employers' Fair Employment Act)

In case of questions, readers are advised to refer to the New York State Legislature site for the menu of [New York State Consolidated](#).

[New York State Constitution Article 7\(8\)](#) (State Finances)

Chapter 363 of the NYS Laws of 1998

State University Board of Trustees Resolution 93-47 adopted April 22, 1993.

History

In 1983-84, the Executive budget proposed a new appropriation schedule for the General Fund in order to separate the University health care facilities from the University proper. The goal was to have organizational and accounting independence in order to clearly distinguish between the health service function and the educational mission, which required state funding. In 1985, a study was commissioned to analyze health care facility organization and financing. This study was initiated in order to separate the teaching and service function from the University's instructional and support programs.

In 1986-87, the final budget changed the funding structure of the health care facilities. University health care facility operations would be managed from income reimbursable accounts that were funded from facility reimbursement revenue and augmented by a General Fund subsidy. This structure prevented the interchange of appropriation and revenue authorization between the facilities and the academic programs of the University. The State of New York continued payment of fringe benefits for facility employees. The State of New York continued payment of a General Fund state subsidy to the three University health care facilities. This subsidy considered overall facility operating costs, including fringe benefits and capital expenditures.

In 1988-89, the final budget authorized the use of facility revenue for capital improvements at the health care facilities. The provision was added in order to give the facilities the flexibility to address capital needs within available resources and to establish local priorities.

In 1990-91, the final budget consolidated the three individual health care facility IFR funds into one IFR fund, from which the University could allocate support to the three health care facilities at its discretion. This consolidation was done in order to assure that each facility achieved operating self-sufficiency over a five-year period.

In 1998, Chapter 363 of the Laws of 1998 was enacted. This legislation permitted the health care facilities to enter into networking and managed care contracts. This helped the facilities to improve their competitiveness in the health care market and improve their revenue.

In 2000-2001, a national health care consulting firm (PWC) was engaged to assess the health care facilities' finances and recommend short-term and long-term actions needed to maintain their financial health in a dynamic health care market. The facilities created five-year financial plans in order to address their operating deficits.

In 2001-02, the final budget restructured the appropriation structure for the health care facilities. This new structure allowed the facilities to display more accurately their operating costs and revenues. The facilities' spending was in one account. The facilities assumed direct payment of their fringe benefits and debt service. The State subsidy was increased in order to recognize the costs attributable to their State agency status. The State also agreed to provide support for the STIP loan, which the facilities entered into in order to cover their accumulated deficit. This structure allowed the facilities to operate within their available revenues, inclusive of the State subsidy amount.

In 2003-04, the final budget recommended that the health care facilities receive \$350 million in capital financing. The facilities requested this five-year capital financing in order to address their critical maintenance needs and expansion projects to allow them to enhance their services and

remain competitive in an ever-changing health care market.

Appendices

There are no appendices relevant to this policy.