



June 13, 2013

Hon. Andrew M. Cuomo
Governor of New York State
New York State Capitol Building
Albany, New York 12224

Dear Governor Cuomo:

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- A recommendation that the Executive and Legislature consider the creation of a public benefit corporation to assist the borough of Brooklyn's healthcare providers in development of an integrated healthcare network that among other things would support the academic mission of Downstate.

The Plan also identified the funding needs to execute.

Since submission on May 31, 2013, staffs have been discussing the detailed elements of the Plan, which has resulted in supplemental changes and additions to the Plan as reflected in detail on the attachment to this letter and summarized below:

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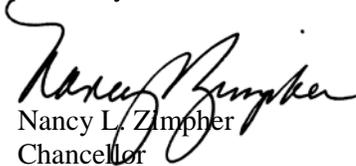
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In partnership with the Governor's Office, Division of the Budget, and Department of Health, SUNY stands ready to forge ahead to strengthen UHB and Downstate and equally, if not more important, improve access to quality health care for the residents of Brooklyn.

Therefore, in accordance with the authority provided to me by the SUNY Board of Trustees, I hereby supplement the May 31, 2013, Plan as described in this letter and attachment. I respectfully request approval of the supplemented Plan.

Sincerely,


Nancy L. Zimpher
Chancellor

NLZ:jfn/amf

Encl.

DOWNSTATE SUSTAINABILITY PLAN

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| Restructuring Expense & Other Adjustments | \$ (13,247) | \$ (13,253) | \$ (4,586) | \$ (5,236) |

NOTE 1: The Baseline Financial Condition assumes continued annual support of \$44 million in fiscal years 2013-14 through 2016-17. The \$44 million consists of \$30 million of State-initiated support and \$14 million allocated by the SUNY Board of Trustees from the State University's overall operating budget.

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June 13, 2013

Dr. Nirav Shah
Commissioner, NYS Department of Health
Corning Tower
Empire State Plaza
Albany, New York 12237

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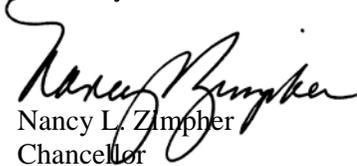
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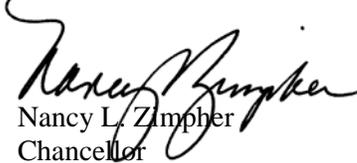
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June 13, 2013

Hon. John DeFrancisco
New York State Senate
Legislative Office Building
Albany, New York 12247

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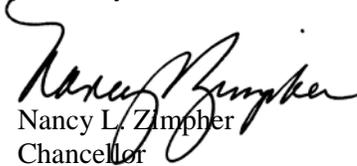
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June 13, 2013

Hon. Herman Farrell
New York State Assembly
Legislative Office Building
Albany, New York 12248

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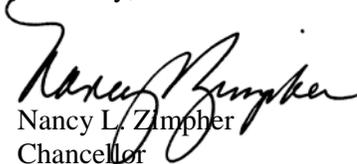
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Sincerely,



Nancy L. Zimpher
Chancellor

NLZ:jfn/amf

Encl.

DOWNSTATE SUSTAINABILITY PLAN

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June 13, 2013

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New York State Assembly
Legislative Office Building
Albany, New York 12248

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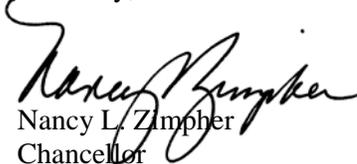
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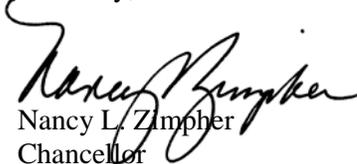
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New York State Senate
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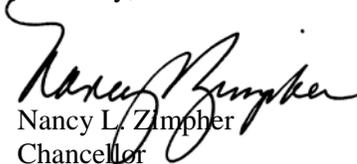
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| Supply Chain Improvements | \$ 1,996 | \$ 6,354 | \$ 6,854 | \$ 6,854 |
| Other Expense Reductions | \$ 3,275 | \$ 4,898 | \$ 4,898 | \$ 4,898 |
| Restructuring Expense & Other Adjustments | \$ (13,247) | \$ (13,253) | \$ (4,586) | \$ (5,236) |

NOTE 1: The Baseline Financial Condition assumes continued annual support of \$44 million in fiscal years 2013-14 through 2016-17. The \$44 million consists of \$30 million of State-initiated support and \$14 million allocated by the SUNY Board of Trustees from the State University's overall operating budget.

NOTE 2: Baseline Efficiencies--Section 3 of Part Q of Chapter 56 of the Laws of 2013 requires that the Sustainability Plan shall include the elimination and/or reduction of acute, ambulatory and support services that are not necessary or financially sustainable and any additional measures necessary to achieve such restructuring and achieve financial stability. The Baseline Efficiencies proposed herein constitute additional measures necessary to achieve such restructuring and achieve financial stability, and will involve workforce reductions.

NOTE 3: Service Line Prioritization Initiative--Section 3 of Part Q of Chapter 56 of the Laws of 2013 requires that the Sustainability Plan shall include the elimination and/or reduction of acute, ambulatory and support services that are not necessary or financially sustainable and any additional measures necessary to achieve such restructuring and achieve financial stability. In furtherance of this requirement, the Sustainability Plan includes the Service Line Prioritization initiative, which will involve a detailed analysis of all service lines at UHB to determine profitability, mission coherence, market growth opportunities, competitor analysis, quality, and internal capability. Service lines to be evaluated will include, but not be limited to cardiac, nephrology/urology/kidney, orthopedics/rehabilitation, neurosciences, head & neck, OB/GYN, pediatrics, general surgery, oncology, and psychiatry. Achieving the financial improvement targets associated with the Service Line Prioritization initiative will involve a reduction in UHB's inpatient bed complement and workforce reductions across service lines.

NOTE 4: The timing of transactions involving SUNY's exit from LICH operations may create cash flow pressures on Downstate Medical Center during its 2013-14 fiscal year. In order to mitigate the impact of such pressures on the operations of the enterprise, the State will work with SUNY to provide cash flow relief within the 2013-14 fiscal year from sources which may include Disproportionate Share Hospital (DSH) funding and/or adjustments to the timing of payments due from and to the State University within the 2013-14 fiscal year.

NOTE 5: Workforce retraining program to be developed in consultation with the Department of Health, and representatives of labor and the health care industry. Funds will also be sought from other sources.



June 13, 2013

Hon. Kenneth LaValle
New York State Senate
Legislative Office Building
Albany, New York 12247

Dear Senator LaValle:

On May 31, I submitted a Sustainability Plan (the Plan) for State University of New York Health Science Center at Brooklyn (Downstate) including University Hospital at Brooklyn (UHB), as required by Part Q of Chapter 56 of the Laws of 2013. The statute requires the plan be approved by the Commissioner of Health and Director of the Budget, and I am directed to begin implementation of the approved plan by June 15, 2013. The Plan presented two actionable components:

- A significant restructuring of UHB based upon recommendations developed by UHB management and restructuring consultants; and
- A recommendation that the Executive and Legislature consider the creation of a public benefit corporation to assist the borough of Brooklyn's healthcare providers in development of an integrated healthcare network that among other things would support the academic mission of Downstate.

The Plan also identified the funding needs to execute.

Since submission on May 31, 2013, staffs have been discussing the detailed elements of the Plan, which has resulted in supplemental changes and additions to the Plan as reflected in detail on the attachment to this letter and summarized below:

- Any cash flow pressures on Downstate Medical Center in its 2013-14 fiscal year associated with the exit of UHB operation of Long Island College Hospital (LICH) will be accommodated by accelerated State funding or deferred payments in 2013-14 and, thereafter, will be accommodated by monetization of LICH assets or other revenue resulting from the LICH transaction;
- Additional expense savings from the UHB operational enterprise;
- A commitment to increase clinical and academic affiliations significantly with other Brooklyn providers to allow for a subsequent and significant reduction in bed capacity at UHB. This also assumes further expense reductions at UHB; and
- Establishment of a workforce retraining initiative to coincide with reduction in UHB bed capacity.



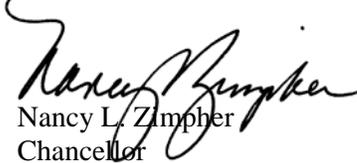
As a result of these supplements to the Plan, the Division of the Budget and Department of Health have committed to provide State restructuring support of approximately \$71 million and \$18 million during SUNY fiscal years 2013-14 and 2014-15, respectively. In addition, the Commissioner of Health has committed to convene Brooklyn healthcare providers that are potential clinical and academic affiliates with UHB and Downstate and assist in negotiations with network development. We also understand the Executive is considering legislation that will create a public benefit corporation to provide a structure for this effort, and a potential opportunity for Federal Medicaid Waiver funding that could extend to the Brooklyn network.

As with the Plan submitted on May 31, the attached supplementary material and this letter have been sent to the Governor; the chairs of the Assembly Ways and Means Committee, Health Committee, and Higher Education Committee; and the chairs of the Senate Finance Committee, Health Committee, and Higher Education Committee. I have also provided copies to secretaries of the Senate Finance Committee, the Assembly Ways & Means Committee, and the Speaker for Program & Policy; to Counsel to the Speaker; and to each member of the Senate and Assembly Brooklyn delegation. I have also sent a copy to the chair of SUNY's Board of Trustees, H. Carl McCall.

In partnership with the Governor's Office, Division of the Budget, and Department of Health, SUNY stands ready to forge ahead to strengthen UHB and Downstate and equally, if not more important, improve access to quality health care for the residents of Brooklyn.

Therefore, in accordance with the authority provided to me by the SUNY Board of Trustees, I hereby supplement the May 31, 2013, Plan as described in this letter and attachment. I respectfully request approval of the supplemented Plan.

Sincerely,


Nancy L. Zimpher
Chancellor

NLZ:jfn/amf

Encl.

DOWNSTATE SUSTAINABILITY PLAN

| | <u>13-14</u> | <u>14-15</u> | <u>15-16</u> | <u>16-17</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| UHB Baseline Financial Condition (See Note 1) | (\$120,582) | (\$100,444) | (\$93,649) | (\$106,773) |
| Cost for Downstate to Exit LICH Operations | (\$34,581) | (\$54,329) | (\$20,449) | (\$20,449) |
| Total Gap/Sustainability Plan Target Savings | (\$155,163) | (\$154,773) | (\$114,098) | (\$127,222) |
| UHB Restructuring Action Plan (RAP)--Baseline Efficiencies (see Note 2) | \$49,782 | \$67,144 | \$78,649 | \$81,773 |
| UHB Restructuring Action Plan (RAP)--Service Line Prioritization Initiative (see Note 3) | \$0 | \$15,000 | \$20,000 | \$30,000 |
| State Restructuring Assistance | \$70,800 | \$18,300 | \$0 | \$0 |
| Leverage LICH Asset Value to Break-Even on LICH Operations Exit Plan (see Note 4) | \$34,581 | \$54,329 | \$20,449 | \$20,449 |
| Workforce Retraining Investment (see Note 5) | \$0 | \$0 | (\$5,000) | (\$5,000) |
| Total (Gap)/Surplus After Sustainability Plan | \$0 | \$0 | \$0 | \$0 |

| UHB RAP--Baseline Efficiencies | \$ 49,782 | \$ 67,144 | \$ 78,649 | \$ 81,773 |
|---|------------------|------------------|------------------|------------------|
| Revenue Cycle Improvement | \$ 28,980 | \$ 18,229 | \$ 20,567 | \$ 24,341 |
| Volume Expansion | \$ 1,296 | \$ 2,221 | \$ 2,221 | \$ 2,221 |
| Labor Cost Reductions/Productivity Improvements | \$ 27,483 | \$ 48,694 | \$ 48,694 | \$ 48,694 |
| Supply Chain Improvements | \$ 1,996 | \$ 6,354 | \$ 6,854 | \$ 6,854 |
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