

**ALAN D. AVILES
HHC PRESIDENT AND CHIEF EXECUTIVE
REPORT TO THE BOARD OF DIRECTORS
FEBRUARY 24, 2011**

2010 YEAR IN REVIEW

Introduction

Good afternoon. As you know, at the February Board meeting, I expand my remarks to reflect on the general state of HHC, review some of the accomplishments and challenges during the past year, and relate our most recent work to our strategic agenda moving forward.

First, my thanks to the HHC Board of Directors – for your commitment and guidance during continued difficult and uncertain times. I appreciate your collective support and I am grateful for the opportunity to lead this enormously important public healthcare system. Even as trying economic times have weakened the will, and the mission, of other public hospitals across the country, HHC remains resolute in serving as a true safety net for all New Yorkers

We continue to offer healthcare to those, including the most vulnerable among us, who may not be able to get needed care elsewhere, without regard for their immigration status or their ability to pay.

We continue to ensure that we can offer comprehensive care across the continuum of primary and specialty outpatient services, acute inpatient services, home care services, and long term care services.

We continue to work tirelessly to deliver high-quality care that is effective, efficient, and safe.

In 2010, this means we served 225,000 patients who were admitted to our hospitals and more than one million patients who collectively comprised 5 million outpatient visits and more than one million emergency department visits. We delivered 23,000 babies, provided one million patient days of care in our skilled nursing facilities, and treated more than 450,000 uninsured patients.

The backdrop to these prodigious numbers includes increasing uncertainty about the fate of national healthcare reform, the now-familiar fact that Medicaid reimbursements lag behind the actual cost of care, and the simple truth that the cost-containment pressures we face will not abate anytime soon.

Despite all this, HHC must – and will – continue to be forward-thinking and innovative in delivering care to our patients, in meeting the needs of our diverse communities, and in building a more secure financial future for our essential system.

In 2010, we developed a three-year strategic plan to deepen HHC's transformation as a high-performing system and to deliver services of even greater value to our patients, communities, and the public.

The plan has five strategic goals:

- Further improve clinical effectiveness, efficiency, and access
- Strengthen our foundation as an accountable care organization
- Engage and develop our workforce to achieve our goals
- Secure our long term financial stability
- Solidify HHC's recognition as an essential healthcare asset

These strategic goals comprise the focal points by which we must navigate through the uncertain times ahead. Our capacity for adaptive change – as well as that of others in the healthcare sector – will be tested as never before as national healthcare reform and state Medicaid redesign dramatically alter our landscape over the next few years. Our strategic goals, together with our collective work strengthening our system over the last few years, have anticipated this trajectory of change and are calculated to ensure that we have all of the necessary capabilities in place to successfully meet the challenges ahead and sustain our mission.

In 2010, as in years past, we had staunch allies, beginning with our Mayor, Michael Bloomberg, Deputy Mayor Linda Gibbs, and the City Council. The many members of our community advisory boards also advocated strongly on our behalf and, as always, helped us remain responsive to the needs of our patients and communities.

And, across the breadth of HHC, at every level, our greatest asset continues to be our staff – compassionate, creative, and committed.

HHC Finances, Cost Containment, and Restructuring

It is hard to start anywhere but the budget, and the deepening impact of repeated Medicaid cuts and certain escalating costs beyond our control. The magnitude of the combined blow to our system is unprecedented and daunting. It includes rapid increases in the cost of medical supplies and equipment, skyrocketing employee pension costs, increased numbers of uninsured patients, and decreased government funding at all levels. Most notably, since 2008 we have absorbed some \$330 million in Medicaid cuts, with more on the near horizon.

The sum of these developments – a \$1.2 billion budget gap at the start of this fiscal year – has been a central focus of HHC’s time and energy. You are familiar with our cost containment and restructuring work, our efforts to reap savings and revenues through our Breakthrough activities, and the financial assistance from the City that have cumulatively enabled us to weather the first strong surges of the ongoing budget storm.

In addition to an investment of \$350 million at the end of last fiscal year and an average of roughly \$300 million annually toward our four-year financial plan, the City is working with us to secure State legislation enabling us to match those funds with \$300 million in Federal supplemental Medicaid payments starting in 2011. If this effort is successful, it will restore supplemental Medicaid funding lost in recent years, and it will give us some breathing room to target and phase in further planned reductions and restructuring over a four-year period with minimal impact on our overall service capacity and without adversely affecting our ability to render safe, high-quality care.

Significant cost containment efforts, including an enterprise-wide hiring freeze, began in early 2009 and carried over into 2010. We saved \$300 million through sharp reductions in discretionary spending, improvements in capturing every dollar in revenue owed to us from government payors and private insurance companies for care rendered, and reduction of staffing levels through attrition.

While this was all crucial, it still fell short of closing our gap, so we took further action.

Cost Containment and Restructuring Plan

In May 2010, HHC laid out a Cost Containment and Restructuring Plan to reduce our deficit by an additional \$300 million without compromising our ability to meet

the essential needs of our patients and communities. We engaged Deloitte LLP to help us formulate our plan.

Our plan comprises 39 ambitious initiatives to be completed over the next four years. These targeted initiatives are designed to achieve significant cost savings and implement major new efficiencies. Many focus on consolidation of programs; streamlining of operations; contracting externally for targeted management, support, or technical services; closing some low-volume clinics; and operating our long-term care programs more efficiently while reducing our long-term acute care and skilled nursing facility beds over the next three years. Others are designed to simplify our affiliation agreements, create organization-wide referral systems for certain surgical procedures, and better match clinical physician resources to demand.

A number of the 39 projects are under way, though many are still in the early stages. As hard as it has been, we have completed layoffs that include a number of Central Office staff, more than 75 physicians, and, in light of deep reductions to our capital programs, roughly 150 construction and plant maintenance staff. A November court decision blocked the planned layoff of approximately 140 other trades personnel. We firmly believe this decision is erroneous, and our appeal will be heard this April.

We also closed six small low-volume clinics in Brooklyn, Queens, and the Bronx. Before closing those clinics, however, we reached out to the patients they served to link them to alternative care, either at another HHC facility or with available community providers.

We regret that these layoffs and closures have become necessary to help redress our budget deficit. They are among the difficult and painful choices that we have made to remain faithful to our mission, protect our core patient care programs, and prevent the need for more drastic reductions or elimination of

services. We continue to make every effort to achieve the necessary workforce reductions through attrition to the maximum extent feasible.

Impact of State and Local Government Actions on HHC Finances

As recent developments at the State level have made clear, HHC remains further threatened by the continuing fallout from the national economic downturn.

On February 1, as part of his budget address, Governor Andrew Cuomo proposed a \$2.85 billion cut in State Medicaid funding. Current estimates are that this cut, along with the associated loss of a nearly equal amount of federal matching funds, may cost HHC \$200 million or more in revenues per year. For now, the Governor has referred the specifics of these reductions to a Medicaid Reform Taskforce, which is already at work. Their recommendations are due March 1, though the Governor's budget proposal gives the executive branch the power to make cuts if the task force cannot agree on them.

Although the outcome remains uncertain, it appears increasingly likely that services currently exempt from the mandatory managed care program, like long term care, homecare, and psychiatric services to the seriously mentally ill, will be transitioned into a mandatory managed care model. As the Board knows, HHC has been working hard over the last few years to develop the care management and coordination infrastructure and other care delivery competencies that will be essential in a reformed environment where reimbursement is capitated (i.e., based upon per member per month payments) rather than fee-for-service.

Continuing to Innovate Despite Daunting Fiscal Challenges

Despite the fiscal headwinds that I have outlined, there is ample reason to be optimistic about HHC's ability to adapt successfully to a rapidly changing environment. Our strategic work in recent years to better manage chronic disease, enhance our clinical teamwork, and streamline operations for efficiency put us ahead of the curve. Our ongoing Breakthrough initiatives figure prominently in these strategic efforts.

As you know, in 2007 HHC began rolling out its own version of what is commonly known as the LEAN process improvement method, which we call Breakthrough. Since that time, more than 3,500 employees have participated in more than 600 Rapid Improvement Events (RIEs) at HHC facilities where front-line teams tackle the redesign of their operations to increase efficiency. I have participated in two of these week-long events myself and that experience has reinforced for me how Breakthrough activities tap into the best of HHC.

The goal of Breakthrough is continuous performance improvement that enhances both staff and patient satisfaction while eliminating waste and streamlining operations in every part of the organization – no small task. Breakthrough can be applied to virtually every function in our facilities from the OR to housekeeping, and everything in between.

Just as we seek to empower our patients to be partners in their healthcare decisions, Breakthrough empowers all staff – without regard to title or position – to brainstorm toward making improvements in their work, be it reducing patient wait time in a particular department or service, increasing a revenue stream, or eliminating waste in ordering supplies. Going forward, in order to meet our critical goals of cost containment and more efficient delivery of services we will replicate successful solutions developed in one facility in other facilities. This

way proven solutions will proliferate throughout the system more quickly and become the baseline for further innovation.

One impressive example of the success of Breakthrough in 2010 is Gouverneur's Patient Assistance Area, which is enhancing their primary care services. This new approach fast-tracks patients who come to Gouverneur for medication refills, to have a form completed, or for other issues not requiring physician contact. The Assistance Area significantly reduces interruptions to the appointment schedule, streamlines workflow, and eliminates overlap in staff roles. In addition to expediting patient service, the system is also increasing the productivity of Physician Assistants.

Addressing another common and persistent issue, Elmhurst staff tackled the challenge of moving emergency room patients upstairs and into beds more quickly. Thanks to the implementation of improved doctor- to-doctor and nurse- to-nurse communication between the ED and inpatient units, the average wait-time it now takes for an admitted ED patient to be moved to an inpatient bed has decreased by 31% (from almost 8 hours to 5.5 hours).

Overall, our Breakthrough efforts have led to more than \$13.4 million in measurable cost savings, and \$100.6 million in new revenue, including \$60 million from improved inpatient documentation and coding.

Breakthrough is now our enterprise-wide improvement process for streamlining our operations, creating standard work, and increasing the overall efficiency of our system. Those employees who have experienced a rapid improvement event have been enthusiastic about their personal involvement in making improvements, and increasing numbers of staff are clamoring to become Breakthrough participants.

Building Blocks for Providing Safe, High Quality Care in a Post Healthcare Reform World

In 2010, as part of our restructuring and strategic planning efforts, and in line with our commitment to Breakthrough, we continue to focus on the care management infrastructure and the innovative care delivery capabilities that HHC must put in place to successfully serve its patients and sustain its mission in a post-healthcare reform world.

The future direction of healthcare requires us to increasingly move beyond merely rendering the best care to an individual patient at a single moment in time, but also to systematically improve the health of our communities across the care continuum through comprehensive primary and preventive care, better coordination and integration of specialty and acute care, and more effective chronic disease management. Specifically, this means achieving medical home designation, meeting meaningful use standards in the application of clinical information technology, and ultimately becoming a true accountable care organization. We advanced all of these goals in 2010.

Medical Homes

The Patient-Centered Medical Home (PCMH) is the care-delivery model for achieving optimally effective and efficient care in an ambulatory setting. Its success hinges on robust primary and preventive care coupled with effective care management – providing patients with designated care coordinators who will help them navigate the healthcare system. This may mean coordinating care at multiple facilities and doctors' offices depending on each patient's specific healthcare needs, which are likely to change over time. Care coordination includes personal follow-up to ensure that patients keep their appointments, take their medications, and understand what their doctors and nurses tell them.

Care management for all patients is one of several critical standards that must be met for a facility to receive medical home certification by the National Committee for Quality Assurance (NCQA) and New York State. Such formal certification entitles a medical home site to enhanced reimbursement which helps cover the extra costs associated with effective care management and coordination. In 2010, all of HHC's acute care facilities and diagnostic and treatment centers, and 27 of our community-based health centers, submitted applications for medical home certification. Six more community sites will apply early this year.

To date, all 18 site applications reviewed by NCQA have been certified at level 3, the highest level. This means that 391 primary care providers, constituting 63% of our primary care providers, are now working within certified patient-centered medical homes for 80% of patients who are MetroPlus or HealthFirst Medicaid managed care members. We expect completion of the balance of the reviews by the end of March. If all of our primary care sites receive level 3 designations, HHC will qualify for more than \$15 million in enhanced Medicaid reimbursement.

Electronic Health Records and Meaningful Use

In 2010 HHC's Information Technology (IT) department, including facility IT staff, helped us move toward a system-wide fully integrated Electronic Health Record to support the care delivery innovations that enable our medical home and accountable care efforts. An important step in that process was the consolidation of seven data centers into one. As our enterprise-wide data integration becomes more comprehensive, the information available to physicians, nurses and other staff will minimize the repetition of diagnostic tests, imaging and procedures, while maximizing the instant availability of all pertinent patient-specific clinical information. This data integration is critical to the care coordination of patients receiving care across facilities.

Increased data integration will also help HHC satisfy “meaningful use” requirements under the 2009 American Recovery and Reinvestment Act (ARRA). Hospitals operating electronic medical record systems that meet such requirements can begin to receive significant federal funding under ARRA to defray related costs beginning later this year.

In addition to integration, meaningful use requirements include implementation of clinical decision support functionality that guides physicians in following evidence-based best clinical practices and automation of certain quality of care data reporting.

Thanks to the work of our IT department and facility staff, new database architecture necessary to ultimately meet “meaningful use” requirements is now in place at Harlem, Lincoln, Metropolitan, Coney Island, Elmhurst, Queens, and Woodhull Hospitals. Our remaining four acute care facilities are expected to come online in the spring of this year. This lays the groundwork for installing a fully certified version of our EMR software, QuadraMed CPR, which meets the technical meaningful use requirements, and to qualify us for an estimated \$121 million in ARRA funding over the next four years.

Becoming an Accountable Care Organization

Formal medical home certification and an EMR that is certified for “meaningful use” are the foundation upon which HHC is building the full capabilities of an accountable care organization. An accountable care organization is a collaboration among a group of providers spanning a continuum of medical specialties and care settings who agree collectively to improve the health of a patient population through active care coordination coupled with comprehensive primary care. Such an accountable care organization or consortium makes arrangements with the federal government and the state to be reimbursed in 12

ways that support this proactive approach to promoting health and preventing unnecessary hospital admissions.

Reimbursement levels are tied to meeting specific markers in patient care and reducing costs of care, making the organization accountable to both patients and the third party payor for quality, appropriateness, and efficiency of care.

HHC is well positioned for this payment reform model because our existing integrated delivery system already has many of the attributes of an accountable care organization. We have invested heavily in primary and preventive care services, including smoking cessation services, routine HIV testing, and the use of advanced information technology to help patients better manage their asthma, diabetes, hypertension, and depression; we offer comprehensive inpatient care, specialty care, home care, and long-term skilled nursing care. We also have our own health plan, MetroPlus, which provides us with essential infrastructure for both care management and linkages to other providers outside our system.

Recommitment to Patient Safety and Quality Care

As we look to the future, we are committed to ensuring that we continue to build on our patient safety and quality achievements.

Transparency Website and Believing Series

Our commitment to transparency remains firm, with updated data for calendar year 2010 becoming available next month on *HHC in Focus*, the section of our public website where we report specific quality and patient satisfaction information for a variety of conditions and chronic diseases. Among other achievements, the data shows that HHC has accomplished dramatic reductions in hospital-acquired infections. We have cut our rate of central-line bloodstream

infections in half, and have seen an 80% decrease in ventilator-associated pneumonias, with some facilities going more than a year without a single such infection.

We are preparing for a significant remodeling of our *HHC in Focus* data later this year and in the process we will share a broader range of quality and patient safety data. We already have begun sharing much of this data in open public session at the meetings of the Medical and Professional Affairs Committee of our Board of Directors. This data was formerly reserved for our Quality Assurance Committee which meets in closed, executive session, and by making it public we again reaffirm our commitment to sharing the extent our progress in making important improvements in the rendering of care across all of our facilities.

As the Board knows, patient safety has been, and continues to be a high priority. In addition to the information available on our website, staff and the public can learn more about our patient safety journey by watching *Believing*, a four-part multimedia series highlighting our patient safety accomplishments. It features the true experiences of doctors, nurses, administrative staff, and patients, and combines data, film, photography, and narrative to tell the story. Among the featured stories told in *Believing* is our use of specialized training to help staff improve communication and teamwork, two of the most important factors in keeping patients safe. HHC is using proven training techniques like TeamSTEPPS, which was created by the United States Department of Defense Patient Safety Program and the Agency for Healthcare Research and Quality. TeamSTEPPS offers practical tips and a structured framework for better teamwork that resonate with our staff and it has been very effective. We've trained 5,100 employees, and 558 HHC leaders have become master trainers who now offer training in their facilities.

In order to develop and implement best practices in patient-centered care throughout our system, this past year we created the Office of Patient-Centered

Care in our Medical and Professional Affairs Division, led by our Corporate Chief Nursing Officer. To help us continue our focus on continuous improvements to drive clinical excellence, we also established 12 clinical leadership groups around specific specialty areas such as psychiatry, obstetrics and gynecology, and emergency medicine. Each group will be developing recommendations to improve care across our organization.

IMSAL

Although our system has made extraordinary strides in the last few years in more reliable adherence to clinical best practices and has enhanced many dimensions of patient safety, there remains a great deal to be done. Like all hospital systems, HHC still experiences its share of medical errors and adverse events. Indeed, with nearly 225,000 hospital admissions each year, even getting things exactly right 99.99% of the time would still leave room for more than 200 instances of medical error of some magnitude each year. For this reason, we have been very focused on ensuring that we perform a comprehensive root cause analysis on every instance of serious medical error so that we can take the necessary steps to prevent the same error from reoccurring under similar circumstances in any of our facilities.

Because medical errors are so often related to communication failures among members of a clinical team during periods of high stress, we also have made a commitment to using computerized medical simulation to enhance the teamwork among our clinicians in our most high risk environments, including our emergency departments, operating rooms, obstetrical units, and intensive care units.

Late last year we completed construction of our new Institute for Medical Simulation and Advanced Learning (IMSAL) housed on the Jacobi Hospital campus. HHC is the first public hospital system in the nation with such a facility.

IMSAL uses state-of-the-art computerized simulation equipment and other techniques to train teams from across the HHC system to improve their clinical, collaborative, and communication skills. Simulations are performed under the same high-stress, complex scenarios that clinicians encounter in real life, often under circumstances where seconds may make a life or death difference. Videotaping and debriefing with skilled instructors help teams better understand the crucial competencies related to optimal team performance. Focused training activities, such as intubating a patient, inserting a central line, or managing shoulder dystocia during delivery, help improve individual performance or teach new techniques.

Late in 2009, even before the new facility was completed, IMSAL faculty began conducting central line placement and maintenance training for medical staff across HHC. More than 1,000 staff members have been trained so far. With the IMSAL facility now fully constructed and ready to begin full-scale training, we anticipate training an additional 14,000 team members in IMSAL's first three years of operation.

Quest for Quality Award

In recent years, HHC has garnered an increasing number of awards for its commitment to quality and patient safety, including the prestigious Eisenberg award from the National Quality Forum, the Codman award from the Joint Commission, and the Pinnacle award from the Healthcare Association of New York State. This past year Queens Hospital Center became the first municipal public health facility to receive a Citation of Merit, one of three national awards granted by the American Hospital Association-McKesson Quest for Quality Competition. The prize recognizes Queens' exceptionally effective approach to reducing disparities in care through its strong ties to the community, and its high level of community accountability.

Palliative Care Wins Circle of Life Award

This past year HHC's system-wide palliative care program also received recognition from the American Hospital Association. The program was awarded a Circle of Life Citation of Honor, the first time that such an honor was bestowed on a public hospital or hospital system. HHC's program was judged to be among the top eight of more than 100 national competitors, a remarkable achievement for an enterprise-wide program launched barely five years ago.

This recognition affirms our leadership role in providing compassionate and highly patient-centered palliative care. The rapid growth of our program confirms that patients and families want support in making informed decisions in their own best interests as they approach the end of life. And those who are suffering from the debilitating symptoms of a serious or terminal chronic illness want treatment focused on enabling them to make the most of every day.

In 2010, Bellevue's palliative care program expanded with the addition of an outpatient clinic in the spring, and in November, Coney Island opened a 19-bed dedicated palliative care unit designed to make patients and families as comfortable as possible. Coney was an early leader in recognizing the value of palliative care, and they have served 5,000 families since 2005.

Our commitment to palliative care is anchored around our belief that all patients who suffer from serious chronic conditions or a terminal illness should know about their options for less invasive treatment, for pain medications they may not have otherwise considered, and for living with dignity during their last months or days. HHC offers palliative care services at all of our 11 acute-care facilities.

More HIV Testing and Better Care for Patients

At HHC, we also continue to improve our ability to diagnose and treat chronic diseases, including HIV. In 2010 our HIV testing expansion initiative enabled us to dramatically increase the number of patients tested for HIV as part of routine care. Since 2006 we have doubled the number of patients tested from 92,000 to 190,000. As more patients learn their HIV status, those who test positive are linked to care earlier, which leads to better patient outcomes.

And MetroPlus, which in November was named the highest rated Medicaid Managed Care Plan in New York City for the third year in a row, has developed Partnership in Care, a special-needs plan for people with HIV and their families. With 4,000 members, it's the largest of its kind in the country.

Telehealth

MetroPlus was also involved in the expansion of our "House Calls" telehealth program. Originally developed for patients with out-of-control diabetes we have expanded its reach to MetroPlus members with heart failure. Participating patients receive a glucometer, blood pressure monitor, and a scale, all electronically linked to a modem that transmits daily readings to "House Calls" Telehealth nurses. If readings are within normal range, nurses call patients once a week, but if readings are outside of optimal parameters, patients are called immediately, possible causes are explored, counseling is provided, and patients receive prompt treatment if necessary. This program has demonstrably decreased hospital admissions for the participating patients and has improved the quality of life for many.

Diabetes Wellness Center Website

Introduced in late 2009, the Diabetes Wellness Center Website is becoming another significant tool for helping HHC diabetes patients with self-management. Since its launch, the site – which is promoted to our diabetes patients only, not the general public – has had nearly 10,000 unique visitors and more than 25,000 visits. On the site, basketball stars Walt Frazier and Dominique Wilkins share tips and support to our patients. The site has been vital to helping secure patient-centered medical home status by meeting the requirement for electronic communications with patients.

Asthma Program Recognized

As further evidence of the effectiveness of our chronic disease programs, Woodhull was recognized by the Environmental Protection Agency with a 2010 National Environmental Leadership Award in asthma management for delivering high quality asthma care that incorporates environmental controls.

Help for Cancer Patients

And for those patients with cancer, Lincoln Hospital modernized its breast imaging center, which is now in a large, centralized location offering a full spectrum of preventive care and diagnostic testing while maximizing patient privacy and comfort. Now a recognized Center of Excellence, staff at the center has performed 10,000 mammograms in their first year of operation. Overall, HHC administered 95,000 mammograms in 2010.

Behavioral Health Wins Safety Net Award

HHC continues to improve its behavioral health programs as well. In 2010, we received a Safety Net Award from the National Association of Public Health for

reducing the use of seclusion and restraint in adult inpatient services. Seclusion and restraint is associated with high rates of patient and staff injuries, and can be traumatizing for patients and their families. By training staff to use effective crisis intervention and de-escalation techniques, by changing the culture to focus on rehabilitation and recovery, and by making all project data transparent, HHC psychiatry departments significantly reduced both the frequency and duration of the use of seclusion and restraint.

On another important front related to psychiatry, our Behavioral Health and IT departments collaborated to secure a \$10 million HEAL grant from New York State to expand care coordination for patients with schizophrenia through the use of interoperable electronic health records. Central to this project is our partnership with the Interboro Regional Health Information Organization (RHIO), a membership organization focused on clinical data exchange among authorized healthcare providers at the point of care. The Interboro RHIO was founded by HHC's facilities in Queens, but now includes a large number of community physicians and other participants beyond Queens and beyond HHC. Over the course of this year, we will begin to upload patient data from all HHC facilities into the RHIO's clinical exchange database.

In the context of the HEAL grant to improve outcomes for patients with schizophrenia, the RHIO will play a vital role by ensuring that providers across the spectrum of care – which for these complex patients often includes various primary and specialty care outpatient settings, as well as psychiatric emergency, outpatient, and acute care settings – will be able to view and enter information into a common electronic patient record.

Nursing School Opens at Kings County

In addition to caring for patients, last year HHC returned to our roots by beginning to train our own nurses. HHC's nursing school history traces back to

1897, when a nursing school opened at Kings County. While that school closed in 1977, in April of 2010 Kings County rekindled the tradition with the opening of a facility in collaboration with the LIU School of Nursing. The first class will graduate in May 2011.

Caring for Patients on Staten Island

And even though HHC does not have a hospital on Staten Island, we provide primary care services through our Mariner's Harbor Family Health Center, Stapleton Family Health Center and or Mobile Medical Office, which serves New Brighton, Tottenville, Midland Beach, Concord, and Park Hill. We also continue to support the operations of the Community Health Center of Richmond, an independent federally qualified health center that we helped to create. And in October we launched a 24-hour call center to link Staten Islanders to our primary care operations on Staten Island. Bilingual services – English and Spanish – are available.

Recently, to begin to address some of the need for certain specialty outpatient services, we received approval from the NYS Department of Health to offer ophthalmology and podiatry services on a second Mobile Medical Office starting in the spring. In addition, we have installed digital mammography equipment at Sea View for breast cancer screening and diagnosis.

This June construction will begin on a new ambulatory care center on Staten Island's north shore that will provide comprehensive adult primary care, women's health services, dental, radiology, sub-specialties, and an outpatient pharmacy.

Facility Modernization

In addition to the construction on Staten Island, there are other facility improvements and modernizations under way, some of them related to our need to absorb patients displaced by the closure of voluntary hospitals during the past year.

Closing of St. Vincent's Impacts HHC

Bellevue, the HHC hospital closest to St. Vincent's, saw an immediate increase in patients visits following that hospital's closure last year. This included a 13 percent increase in Emergency Department volume and an increase in psychiatric inpatient activity. We remain in active discussions with the State Department of Health for support to finance our handling responsibly the increase in patient volume from St. Vincent's.

The closing of St. Vincent's, as the last vestige of a once-sprawling Catholic hospital system, reminds us just how vital HHC continues to be as New York City's last remaining city-wide healthcare safety net system, and how urgent it is that we work strategically to remain financially viable.

Modernizations Continue at Harlem and Gouverneur

The closing of North General Hospital in Harlem his past year has increased patient volume and emergency department encounters at Harlem Hospital. Fortunately, work is progressing on Harlem Hospital's new patient pavilion on Lenox Avenue. This building, the centerpiece of the modernization of the hospital, will house diagnostic suites, operating rooms, inpatient rooms, and critical care units. It will also connect the Martin Luther King and Ron Brown pavilions. The project will be completed in 2012. The block-long curtain wall, an

all-glass façade of the new pavilion, is now fully constructed, and it vividly depicts beautiful immense images from the hospital's famous WPA murals.

The closing of North General led to an opportunity for HHC to adjust our plan for the modernization of Coler-Goldwater, our combined long-term care facilities on Roosevelt Island. The estimated cost of our original modernization plan was \$487 million and it languished because it was simply unaffordable. Late last year, after discussions with North General, DASNY, NYS DOH, and the City of New York, HHC developed an alternate plan. Approximately 280 long-term acute hospital beds will be relocated from the Goldwater campus to the main hospital building of the former North General Hospital by early 2012. A skilled nursing facility will be built on the parking lot parcel of North General, and 270 to 300 skilled nursing facility beds will relocate there from Goldwater by late summer 2014. This alternate solution is estimated to decrease our total modernization costs by \$221 million, from \$487 million to \$266 million.

The modernization project at Gouverneur is also continuing. This project entails a significant renovation of the existing building and construction of a 108,000 square-foot addition for ambulatory services. When it is completed in 2013, Gouverneur will not only offer expanded comprehensive primary and specialty care services, but also improved services to residents of the skilled nursing facility. These state-of-the-art services will be offered in an environment designed to be as home-like as possible.

Of course, all of this work continues at the same time as we have had to comply with further targeted reductions to our capital program for fiscal years 2011 through 2021. These most recent targeted reductions of about 10% are in addition to the 30% reductions we made last year. We have worked closely with OMB to preserve the most essential components of our capital program, and to secure the funding necessary to protect and maintain our existing infrastructure.

STAT! For NYC's Public Hospitals

With all of the challenges and changes happening within HHC, in December we took the time to celebrate the hard work our 37,000 staff members do every day, and to build awareness and funding for HHC facilities. The HHC Foundation sponsored a weeklong series of music and arts events in all five boroughs called ***STAT! For NYC's Public Hospitals***. Staff attendance and appreciation were high, and we received significant community support, as well as support from New York City. At the press conference launching the events, Mayor Bloomberg presented us with a proclamation declaring the week of December 5 -12, 2010 *STAT! Week*.

The *STAT! events* brought staff, community members, politicians and celebrities together. You can soon see photographs on the *STAT! Website* (www.stathhc.org), where you will be able to buy your 2011 *STAT!* tickets early.

Passage of the Zadroga Bill

Another bright light at the end of December came when Congress passed and the President signed the James Zadroga 9/11 Health and Compensation Act. The bill ensures \$1.5 billion in federal healthcare funding for those sickened by the aftermath of 9/11. Despite major efforts to exclude non-responders from coverage, the intensive lobbying efforts we undertook with our City, State, and community partners succeeded in keeping the community health portion of the bill intact ensuing ongoing funding for our World Trade Center Environmental Health Center (WTC-EHC). Funds will support patient care as well as outreach, social services, data collection, and development of treatment protocols – all vital to the success of our program.

To date the WTC-EHC has treated 5,000 patients at its three sites: Bellevue, Gouverneur, and Elmhurst Hospitals. Most patients require ongoing care due to chronic conditions that need long-term management. In addition, our outreach efforts continue to identify new patients who become aware that their illnesses may be related to exposure on 9/11 and in the weeks and months following.

Looking Ahead

As you can see, despite formidable headwinds, HHC is not standing still. Buoyed by our indelible mission and the past five years of nationally recognized accomplishments in quality, patient safety, and innovation, we are resolute in our drive to remain competitive and better serve our communities in a post-healthcare reform environment.

As I visit our facilities and talk to their leadership and staff, I am constantly reminded of their creativity, energy, and fierce commitment to our mission. As we await the further unfolding of national healthcare reform, as well as imminent Medicaid redesign at the state level, we know that the next few years will bring dramatic changes and continuing challenges. The trajectory of health care reform is bending toward the active promotion of health, early testing to detect serious treatable disease, reliance on clinical IT to drive evidenced-based care, assertive management of chronic disease, and focus on care coordination that increasingly have been our hallmarks in recent years.

Change is upon us. And we will embrace it for the benefit of all we serve.