



Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112 USA

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Tel: +1 212 492 4000
www.deloitte.com

Directors

Nassau County Interim Finance Authority
1305 Franklin Avenue Suite 302
Garden City, NY 11530

Dear Directors:

Deloitte & Touche LLP (“Deloitte”¹) has concluded the assessment of the Nassau University Medical Center (“NUMC”) as requested by the Nassau County Interim Finance Authority (“NIFA”). In accordance with the Agreement for the Services dated October 21, 2022, the objectives of the project were to assess general compliance related to federal grants received primarily through the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and the Delivery System Reform Incentive Payment Program (“DSRIP”) and understand if NUMC made the prescribed appropriate contributions to New York State Health Insurance Program (“NYSHIP”) in accordance with NYSHIP requirements. The services were performed in accordance with the American Institute of Certified Public Accountants Statement on Standards for Consulting Services.

The procedures performed did not constitute an audit, a review, or a compilation of NUMC’s financial statements or any part thereof, nor an examination of management’s assertions concerning the effectiveness of NUMC’s internal control systems or an examination of compliance with laws, regulations, or other matters. Accordingly, the performance of the procedures did not result in the expression of an opinion or any other form of assurance on NUMC’s financial statements or any part thereof, nor an opinion or any other form of assurance on NUMC’s internal control systems or its compliance with laws, regulations, or other matters.

This report is intended solely for the information and use of NIFA and is not intended to be, and should not be used, by any other party. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. NIFA may communicate specific observations included in said report to their stakeholders, and may create its own materials based on the information contained in this report or work product and using such NIFA-created materials without restriction, provided that the NIFA does not, expressly or by implication, in any manner whatsoever, attribute such materials to Deloitte or otherwise refer to or identify Deloitte in connection with such materials. Deloitte acknowledges that NIFA may provide or deliver copies of this report and post it on its website as required, authorized, or permitted by law. If provided, delivered, or posted, the report must be in its entirety. If altered, supplemented, or modified, written consent must be obtained from Deloitte.

We sincerely appreciate the courtesy, cooperation, and assistance extended to us by NIFA personnel during the performance of our services. If you have any questions or need additional information concerning this analysis, please call me at 402-203-5341.

Very Truly Yours,

Dan Kinsella,
Partner

¹ As used in this document, “Deloitte” means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

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Executive Summary

Overview

The Nassau University Medical Center (“NUMC”), located in East Meadow, New York, is a 530-bed tertiary-care teaching hospital that has been the primary source of medical care in the county since 1935. NUMC is overseen by the Nassau Health Care Corporation (“NHCC”). NHCC is the region’s primary safety net provider and provider of care to patients who are covered by Medicaid or uninsured. In addition to its medical center, NUMC also owns and operates A. Holly Patterson Extended Care Facility (“AHP”), a nursing facility located in Uniondale, New York, and certain other facilities

Both NUMC and AHP were impacted by the COVID-19 pandemic as demand for service and care increased significantly. As the two entities struggled to manage supply shortages, overcrowding, and extended hours for employees, they turned to federal funding for assistance. Passed in March of 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act served to alleviate some of this burden. The CARES Act provided NUMC and AHP coverage and payment benefits specific to COVID-19, enhanced reimbursement, liability protection, etc. Additionally, it also expanded the Medicare Accelerated and Advance Payment Program for patient services. NUMC and AHP also received other federal grant funding through different programs and acts including the Delivery System Reform Incentive Payment Program (“DSRIP”). After gaining an understanding of the list and purpose of all federal funding, we performed procedures to assess the compliance based on 2CFR requirements including the eligibility of expenditures, data retention practices, the potential of duplication of benefits, and reporting to necessary authorities.

Objectives, Scope and Approach

Objectives and Scope

The objective of the analysis was to assess whether the NUMC satisfied the requirements for utilizing the federal grant money and made required contributions to the New York State Health Insurance Program ("NYSHIP"). During the assessment, we focused primarily on the following categories:

- CARES Funding
- DSRIP Funding
- NYSHIP Contributions

Note: Per discussion with NUMC, they did not receive funding from the American Rescue Plan Act ("ARPA")

Approach

The following activities were scheduled to be performed during the assessment; however, our actions were not completed due to a limitation in documentation provided for our assessment.

Planning

- Develop an understanding of the amount of federal grants received through the CARES Act, DSRIP and the programs that were established using federal grant money
- Met with NIFA management to discuss overall project and areas in-scope for the analysis
- Discussed the background of the relationship between NHCC and NUMC
- Assessed documentation provided by NUMC, including applicable contracts and statutory language
- Identified key personnel, established the reporting strategy, and scheduled interviews
- Assessed NUMC's financial reports to better understand the overall activity associated and how they were impacted by federal funding and COVID-19
- Customized the work plan and confirmed the schedule and budget with NIFA management
- Prepared a detailed data request and submitted to NUMC
- Assessed available data produced by NUMC

Fieldwork

- Gained an understanding of the federal grants and acts applicable to NUMC
- Gained an understanding of the federal requirements for entities receiving federal funding (2CFR and Final Rule)
- Gained an understanding of NUMC's relationship with NYSHIP and the accompanied requirements for yearly contributions
- Read associated documents and submitted multiple detailed data requests to NUMC
- Met with NUMC representatives in order to answer questions regarding the data request and supporting documentation provided
- Received electronic data from NUMC and performed completeness and compliance testing where possible. This largely revolved around the reception and spend of federal grants as well as compliance testing for the reporting and use of it.

Reporting

- Developed a draft report of findings noting any potential areas of potential non-compliance (if any)

- Shared the draft report of findings with NIFA and NUMC and obtained additional supporting documentation and commentary based on review
- Once NUMC reviewed the draft report for completeness and factual accuracy, Deloitte provided NIFA with this written report detailing the procedures performed and the results of the procedures, including quantification of monetary findings (if any), and recommendations on remediation.
- Final report includes a schedule of observations where transactional testing or sample testing of financial reconciliations, etc. are required to support observations in the final report (if necessary)

Summary of Results

Our assessment was limited due to constraints on the ability to perform certain activities in a timely manner while meeting the statutory reporting deadline of December 31, 2022. The analysis assessed relevant documentation and conducted walk-through calls to assess adherence to applicable controls, policies, and procedures.

Federal Grant Programs

We obtained multiple files and records pertaining to the receipt of CARES funding by NHCC. Per the CARES Act reporting summary as of June 30, 2021, NHCC received ~\$122M in CARES funding against \$123M in eligible expenditures and was broken down into various subcategories: labor and fringe, capital, GASB losses (2020 only), anesthesia costs (2020 only), malpractice (2020 only), and overhead which was calculated as 3% of total expenditures.

NUMC was able to provide additional support for each of these categories, including payroll registers, receipts, purchase orders, invoices, fringe benefit calculations, etc. Due to the timing of receipt, a full reconciliation could not be performed; however, supporting documentation for each of these subcategories appears to be complete.

There was additional reporting in early 2022 regarding the categorization and use of CARES funding for lost revenue dating back to 2019. We were unable to fully distinguish NUMC in many cases, as much of the reporting was at the NHCC level which was inclusive of multiple entities.

In response to the complexities associated with the COVID-19 pandemic and evolving federal requirements regarding CARES Act compliance, NHCC created the Nassau Health Care Corporation CARES Act and COVID Crisis Funding Programs Policy, which was designed to help properly categorize expenditures and provide guidance as to lost revenue calculations, including guidance from legal counsel.

DSRIP

We obtained the DSRIP summary report from NUMC from 2015-2021 (see table below):

Total DSRIP Funds Received	\$ 179,629,451
Use of Funds 2015-2017 Schedule	(19,095,691)
Downstream Provider Payments 2016-2017	(2,760,350)
Downstream Provider Payments 2018-2021	(21,137,144)
Cost of Indigent Care 2018 - 2020	(58,514,525)
High Performance Bonus Payments	(60,000,000)
DSRIP Hub Expenses	(12,275,203)
Total Expenditures	(173,782,912)
DSRIP Funding Balance	\$ 5,846,539

NUMC provided additional details that further support the use of the funds, which included primary care centers, costs of indigent care, workforce training, etc. In addition, these funds were previously audited by Grant Thornton and made reference to in their Financial Statement Audit for the year ending December 31, 2021. Per discussions with NUMC, these funds were also reviewed by the State.

NYSHIP Contributions

We obtained NYSHIP contributions by month from 2020-2021. Based on review of the 2019 NYSHIP agreement which is still in place, NHCC appears to have made the appropriate contributions. Additionally, NHCC agreed in 2019 to repay via installments the \$100,175,701.69 in past due premiums beginning in August 2019, following an initial \$15,000,000 payment. Based on records provided, as of December 2022, \$99,903,745.79 has been paid to NYSHIP.

Recommendations

Based on the procedures performed and the agreed upon scope, we did not identify additional recommendations for NUMC.