



Howard S. Weitzman
Comptroller

Elizabeth Botwin
Chief Deputy Comptroller

Randolph Ghisone
Deputy Comptroller
for Accounting

Susan D. Wagner
Chief of Staff/
Deputy Comptroller
for Operations

OFFICE OF THE COMPTROLLER

240 Old Country Road
Mineola, New York 11501
Tel: (516) 571-1147
Fax: (516) 571-1132
bkubart@nassaucountyny.gov

To: Howard S. Weitzman
Nassau County Comptroller

From: Bruce G. Kubart
Deputy Field Audit Director

Date: May 18, 2006

Re: Review of NHCC's Cash Balances as of May 15, 2006

As a result of renewed concern about the financial condition of the Nassau Health Care Corporation ("NHCC"), the Comptroller's Office is again conducting limited reviews of NHCC's cash balances each month. The Stabilization Agreement between the NHCC and Nassau County executed in September 2004 provides this office with the authority to review the financial condition of NHCC. Specifically, section XI of the Agreement provides that the "Comptroller may examine and investigate, at any time he or she deems appropriate, the financial affairs and condition, performance and operations of NHCC, including its accounts, books, records, and any other matters relating to its finances and operations."

What follows is the cash balance review through May 15, 2006. This limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Because we only performed limited testing, our review was not sufficient to enable us to express, and we do not express, an opinion on the cash balances reported herein. Additionally, our review did not focus on the validation of any receivables or liabilities that could impact current cash balances.

Our findings show that since our April 14, 2006 review:

- the balance of available cash and cash equivalents increased by \$7.0 million.
- the balance of cash and cash equivalents and assets whose use is limited increased by \$12.0 million.
- working capital increased by \$12.8 million, to \$14.8 million.

The NHCC's cash position remains a grave concern. While the cash position has improved slightly over last month, the change is due to the NHCC's revenue cycle and not to operational improvements. Available balances increased from April 14, 2006 because the State made the IGT payment due NHCC of approximately \$2.3 million; a Supplemental Low Income Patient

Adjustment payment of \$6.5 million was received; and Nassau County made its second quarter advance to NHCC totaling \$11.7 million. NHCC reported that it made some previously deferred payments to certain vendors this month. We note that during the month NHCC increased its borrowings to \$10 million from \$8.6 million from an account reserved for malpractice claims.

NHCC has recently presented this office with its cash flow projections, which it has stated it is updating monthly. NHCC projects that its cash position will be manageable through September. However, because of the impact of the Governor's reduction in Medicaid reimbursement and elimination of increased Medicaid assistance approved by the Legislature, the NHCC projects that it will have a negative cash position by October. NHCC also acknowledges that it may receive a benefit from increased hospital IGT payments, but is not including such payments in its cash flow projections at this point since the amount and timing of the receipt of those payments is not definitive. These developments have increased the importance of NHCC management's work on a strategic plan to ensure its long term fiscal viability.

The following table shows the balances of reported cash and cash equivalents, the total of cash and cash equivalents and assets whose use is limited, and the working capital totals as of May 15, 2006. It also shows the net dollar change and percentage change in the balances since December 31, 2004 and 2005 and from the previous review of April 14, 2006.

Summary of Cash Balances								
Amounts in Thousands								
	Dec. 31, 2004 (See Note)	Dec. 31, 2005 (See Note)	April 14, 2006 (See Note)	May 15, 2006 (See Note)	Net \$ Change Apr. 15, 2006 to May 15, 2006	Net \$ Change Dec. 31, 2004 to May 15, 2006	Net \$ Change Dec. 31, 2005 to May 15, 2006	Percentage Change Dec. 31, 2004 to May 15, 2006
Cash and Cash Equivalents	\$30,050	\$15,868	\$3,582	\$10,594	\$7,012	(\$19,456)	(\$5,274)	(64.7%)
Cash and Cash Equivalents and Assets Whose Use is Limited	\$95,173	\$76,215	\$53,246	\$65,278	\$12,032	(\$29,895)	(\$10,937)	(31.4%)
Working Capital	\$29,456	\$15,184	\$2,028	\$14,806	\$12,778	(\$14,650)	(\$378)	(49.7%)

Note

The balances of the cash and cash equivalents and the total cash and cash equivalents and assets whose use is limited for December 31, 2004 were obtained from the audited Consolidated Financial Statements and Other Financial Information for the Nassau Health Care Corporation and Subsidiaries for the Year Ended December 31, 2004. The Working Capital balance for December 31, 2004 was obtained from a trial balance and verified to the audited Consolidated Financial Statements for the year ended December 31, 2004.

The balances of the cash and cash equivalents and the total of cash and cash equivalents and assets whose use is limited for April 14, 2006 and May 15, 2006 is based upon updated bank balances obtained via inquiries performed on the bank's online system and/or by contacting the bank to obtain the balances as of the 14th of the month and balances that were carried forward from the end of the previous month. The review did not take into account any possible cash deposits or fund transfers in transit.

Certain balances used in this calculation consist of amounts reported as of the previous month's end, a methodology that has been consistently applied since we began reporting these balances.