

# **NASSAU COUNTY**

## **NEW YORK**

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### **Review of Nassau County's Obligations to Nassau Health Care Corporation (NHCC)**

**April 2025**



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## **Review of Nassau County's Obligations to NHCC**

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## Summary

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In September of 1999, Nassau County (County) transferred to the Nassau Health Care Corporation (NHCC) its hospital, nursing home, clinics and healthcare facilities.

This report examines the County's financial obligations to NHCC following this transfer.

These obligations include:

- Paying a share of employee termination payouts to employees transferred from the County to NHCC.
- Paying a share of health insurance premiums (including Medicare premiums) of vested terminated or retired employees transferred from the County to NHCC.
- Guaranteeing payment of certain long-term NHCC bond debt.

In addition, NHCC and the County have a preferred provider relationship, under which NHCC provides healthcare related services to the County.

With respect to termination pay and health insurance premiums, the Comptroller's Office Field Audit Division reviews bills from NHCC for the County's share. Any discrepancies found result in disallowances from the amounts invoiced and reductions in County payments.

This report shows that over the last ten years the Comptroller's Office review of NHCC billing has saved the County \$2.62 million.

**In addition, NHCC in coordination with the Comptroller's Office, has made improvements to their billing process which has significantly reduced the number of discrepancies and disallowances in recent years.**

This report also shows:

- It is anticipated that in 2026 the County will no longer be responsible for a share of any termination payments.
- It is anticipated that the County's health insurance premium share obligations to NHCC:
  - will average \$14.4 million over the next ten years (to 2034),
  - will be below \$10 million per year by year-end 2042,
  - will be below \$4 million per year by year-end 2052,
  - will be below \$1 million per year by year-end 2061,
  - will be below \$100,000 per year by year-end 2070,
  - will be below \$1000 per year by year-end 2080,
  - and will be \$0 by year-end 2089.
- In 2029 the County will no longer be responsible for any bond debt guarantee payments.

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**Table of Contents**

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**Background ..... 1**

**Transferred Employee Obligations ..... 2**

**Bond Debt Service Obligations ..... 6**

**Appendix A – Health Insurance & Medicare Reimbursement Share Eligibility Criteria..... 7**

**Appendix B – Detail of Disallowances and County Share Payments ..... 8**

## Background

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In September of 1999, the County transferred to Nassau Health Care Corporation (NHCC) its hospital, nursing home, clinics and healthcare facilities (the Transfer). This Transfer was accomplished through several agreements between the County and NHCC, which include:

- the initial **Acquisition Agreement** between the County of Nassau and Nassau Health Care Corporation, dated September 24, 1999, which set out the terms of the Transfer;
- a **Stabilization Agreement**, dated September 22, 2004, between the Nassau Health Care Corporation, a New York public benefits corporation (NHCC) and the County of Nassau, which concerned the County guaranteeing certain NHCC bond obligations (see below);
- a **Successor Agreement**, dated November 1, 2007, between Nassau County and NHCC, which clarified certain terms and conditions of the initial Acquisition Agreement; and
- **Ordinance 40-2009** enacted on March 30, 2009, which authorized the County to lend its credit to NHCC.

In accordance with these agreements the County has certain financial obligations to NHCC. These financial obligations include:

- **Transferred Employee Termination Pay Obligation** - the County must pay of a share of the termination benefits for County employees transferred to NHCC,
- **Transferred Employee Post-Employment Health Insurance Premium Obligation** - the County must pay a share of health care premiums for NHCC retired or separated County employees transferred to NHCC, and
- **Bond Debt Service Obligation** - the County guarantees the payment of certain NHCC bond debt service obligations.

## Transferred Employee Obligations

The County is obligated to pay a share of two types of post-employment benefits associated with the termination or retirement of individuals whose employment was transferred from the County to NHCC. Upon their separation (termination or retirement) from NHCC, the County must pay a share of a transferred employees’:

- **Termination Payout** for unused accrued leave balances and other vested termination benefits.
- **Health Insurance Premium** for vested post-employment health insurance benefits, which include reimbursements to former employees who pay monthly Medicare premiums.

The County’s share of these payments is based on a formula, illustrated to the right, which proportions the County share based on the number of days an individual worked for the County and for NHCC.

<u>Amount of Benefit</u>	<u>multiplied by</u>	<u>a fraction of</u>	<u>Equals</u>	<u>County Portion</u>
<b>Dollar Amount of Benefit</b>		<div style="border-bottom: 1px solid black; padding-bottom: 5px;"> the number of days the employee worked for the County before 9/29/1999 </div> <div> the sum of the number of days the employee worked for the County before 9/29/1999 plus the number of days the employee worked for NHCC </div>		<b>County Portion</b>

At any point in time, the number of individuals eligible for County share contribution varies as eligible employees separate from NHCC and as those receiving post-employment health benefits pass away.

Immediately after the 1999 Transfer, the number of employees eligible for County share contribution upon separation from employment was **4,297**. The chart below shows the number of employees eligible and paid during the ten-year period of 2014 and 2023.

Termination Payouts		
Year	Number of Eligible Employees (Not Yet Separated)	Number of Employees Receiving a Payout*
2014	1024	250
2015	936	180
2016	850	171
2017	743	189
2018	628	209
2019	527	222
2020	434	235
2021	352	229
2022	299	214
2023	270	178
*includes 2nd & 3rd payment to employees who chose to be paid out over 3 years.		

The chart shows that since the Transfer, the number of termination benefits share eligible employees and number of employees receiving terminations payouts has decreased significantly.

## Transferred Employee Obligations

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### Audit Testing of Termination Pay and Health Insurance Premium Share Payments

NHCC submits invoices to the County for payment of the County's share of termination pay and health benefits premiums.

These invoices are reviewed by the Comptroller's Field Audit Division to ensure that NHCC has billed the County correctly in accordance with the various Transfer agreements' applicable rates and other eligibility criteria (see Appendix A for a full description of share eligibility criteria).

Any discrepancies found resulted in disallowances from the amounts invoiced and reductions in County payments.

Common disallowances were because:

- ***NHCC miscalculated the Cost-of-Living Adjustment (COLA) for year 2 and 3 termination payout calculations.*** Many individuals choose to receive their termination payout over a three-year period (known as three-pay). Individuals are entitled to a cost-of-living adjustment (COLA) in payout years 2 and 3 of the three-pay. Miscalculated COLA increases resulted in higher invoices for the County's termination payout share.
- ***NHCC billed for health insurance premiums too soon.*** The County is not responsible for an employee's health insurance premium (or Medicare premium reimbursement) until the first month after an employee separates. NHCC billed for the month of separation.
- ***NHCC failed to reclassify premium payments when individuals become Medicare eligible*** (generally, Medicare is for people 65 or older or who are disabled). There are different health insurance premium rates for:
  - individuals who are 65 years old or older whose primary insurance is Medicare,
  - families with at least one individual who is 65 years old or older whose primary insurance is Medicare.

NHCC billed the County for Medicare reimbursements for individuals that were not Medicare eligible or billed incorrectly based upon misclassifying which premium rate applied.

- ***NHCC did not provide documentation of disability eligibility for Medicare reimbursement.*** NHCC must demonstrate that Medicare reimbursements based on a disability status (generally those individuals under 65 years receiving Medicare) have been properly determined by the federal government to be eligible for such benefits and thus eligible for County share of the reimbursements.
- ***NHCC did not provide proof that individuals were required to pay Medicare income-related monthly adjustment amounts (IRMAA).*** NHCC must demonstrate through proof of income that individuals are required to pay IRMAA premiums which result in higher County cost for its share of reimbursement amounts.



## Transferred Employee Obligations

### Disallowances and Payments

Over the ten years from 2014 to 2023, NHCC has billed the County on average \$13,837,960 per year. The County has disallowed on average \$262,138, resulting in an average net payment of \$13,575,822. During this period, the County saved \$2.62 million due to the Comptroller's Office disallowance review.

The chart below summarizes disallowances and payments for the ten-year period of 2014 to 2023 (see Appendix B for details of disallowances during this period).

Summary of Disallowances and County Share Payments				
Year	NHCC Invoice Amount	Disallowances		Net Amount After Disallowance
		Number	Amount	
2014	\$12,877,562	437	\$247,108	\$12,630,454
2015	\$12,395,862	889	\$460,379	\$11,935,483
2016	\$13,101,326	862	\$453,465	\$12,647,861
2017	\$13,284,383	959	\$428,639	\$12,855,744
2018	\$15,008,414	849	\$456,437	\$14,551,978
2019	\$14,611,772	183	\$76,983	\$14,534,789
2020	\$14,198,834	323	\$145,492	\$14,053,342
2021	\$13,818,293	259	\$127,049	\$13,691,244
2022	\$13,775,501	301	\$114,337	\$13,661,163
2023	\$15,307,654	120	\$111,491	\$15,196,163
Total	\$138,379,601	5,182	\$2,621,381	\$135,758,220

Since 2019, NHCC's accounting staff have been coordinating with the Comptroller's Office to improve its billing process and reduce disallowances. These improvements included, in 2023, a comprehensive reconciliation of employees eligible for both termination payments and health insurance premium County share.

As the chart above shows, due to improvements made by NHCC in their billing process, between 2019 and 2023 the number and dollar amount of disallowances have been significantly reduced, with an average of 800 disallowances per year from 2014 to 2018 in the average amount of \$409,206 as compared to an average of 237 disallowances per year from 2019 to 2023 in the average amount of \$137,270.

## Transferred Employee Obligations

### Termination Payouts Future Obligations

The County's obligation for termination payouts was capped at an amount equal to the County's projected liability at the time of the transfer.

The capped amount was reverified in the terms of the November 2007 Successor Agreement, which also detailed the amount paid from September of 1999 to December 31, 2006, and the remaining balance as of December 31, 2006. The chart below summarizes these amounts.

Summary of Termination Payouts	
TERMINATION PAYOUT CAP	\$50,344,877
Payments made from 9/1999 to 12/31/2006	\$22,046,792
Payments made 1/1/2007 to 12/31/2023	\$25,232,693
REMAINING BALANCE (as of 1/1/2024)	\$3,065,392

With the County's share of termination payouts averaging \$1.17 million per year between 2014 and 2023, it is anticipated that the remaining balance will be paid by year end 2026.

### Health Insurance Premiums / Medicare Premium Reimbursements Future Obligations

The below chart shows the County's projected health insurance obligations for the 30 year period of 2024 to 2053.

ACTUARIAL PROJECTION OF FUTURE HEALTH INSURANCE OBLIGATIONS			
2024-2038		2039-2053	
Year Ending	Amount	Year Ending	Amount
December 31, 2024	\$14,504,182	December 31, 2039	\$11,338,650
December 31, 2025	\$14,733,912	December 31, 2040	\$10,838,875
December 31, 2026	\$14,931,414	December 31, 2041	\$10,272,385
December 31, 2027	\$15,045,960	December 31, 2042	\$9,690,104
December 31, 2028	\$14,947,049	December 31, 2043	\$9,092,066
December 31, 2029	\$14,821,711	December 31, 2044	\$8,486,193
December 31, 2030	\$14,637,471	December 31, 2045	\$7,878,853
December 31, 2031	\$14,416,439	December 31, 2046	\$7,268,732
December 31, 2032	\$14,147,749	December 31, 2047	\$6,670,388
December 31, 2033	\$13,848,469	December 31, 2048	\$6,081,111
December 31, 2034	\$13,504,107	December 31, 2049	\$5,514,767
December 31, 2035	\$13,122,736	December 31, 2050	\$4,965,618
December 31, 2036	\$12,713,839	December 31, 2051	\$4,441,099
December 31, 2037	\$12,279,710	December 31, 2052	\$3,948,227
December 31, 2038	\$11,833,903	December 31, 2053	\$3,485,701

In addition, it is projected that the County's health insurance obligations to NHCC will be below \$1,000,000 per-year by year-end 2061, below \$100,000 per-year by year end 2070, below \$1,000 per-year by 2080 and \$0 by year-end 2089.

## **Bond Debt Service Obligations**

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### **Bond Guaranty**

In April 2009 NHCC issued Refunding Bonds (2009 Series Bonds). While NHCC is the primary obligor for these 2009 Series Bonds, under an ordinance adopted on March 30, 2009, the County guarantees the full and prompt payment of the scheduled principal and interest of these bonds.

In order to assure that NHCC makes their bond payments, Nassau County's payments due for services rendered by NHCC (equal to the debt service) are paid directly to the bond trustee, with any amounts due in excess of the debt services being paid directly to NHCC. This ensures that the hospital does not default on this debt.

### **Future Bond Obligations**

The guaranteed payments applicable to this long-term debt are as follows:

<b>NHCC 2009 Series Bond Payment Schedule</b>			
<b>Year</b>	<b>Principal Due</b>	<b>Principal Outstanding</b>	<b>Total Principal Plus Interest</b>
<b>2024</b>	<b>\$15,545,000</b>	<b>\$100,000,000</b>	<b>\$18,045,000</b>
<b>2025</b>	<b>\$15,980,000</b>	<b>\$84,455,000</b>	<b>\$20,202,750</b>
<b>2026</b>	<b>\$16,420,000</b>	<b>\$68,475,000</b>	<b>\$19,843,750</b>
<b>2027</b>	<b>\$16,890,000</b>	<b>\$52,055,000</b>	<b>\$19,492,750</b>
<b>2028</b>	<b>\$17,340,000</b>	<b>\$35,165,000</b>	<b>\$19,098,250</b>
<b>2029</b>	<b>\$17,825,000</b>	<b>\$17,825,000</b>	<b>\$18,716,250</b>
<b>Total</b>	<b>\$100,000,000</b>	<b>\$0</b>	<b>\$115,398,750</b>

### **Termination Pay**

- The individual was employed by the County before 09/28/99 and transferred to NHCC.
- The individual was employed for at least 5 years (in total with County and/or NHCC).
- The maximum sick time allowed to be paid out is 1,400 hours.
- The maximum vacation time allowed to be paid out is 630 hours.
- Individuals terminating or retiring at a contractual compensation Grade 15 or higher are not eligible for accrued compensation time.

### **Retiree Health Insurance**

- The individual was employed by the County before 09/28/99 and transferred to NHCC.
- The individual was employed for at least 5 years (in total with County and/or NHCC).
- The County is not responsible for health insurance until the month after the individual's retirement.
- The health insurance premium for a retiree is based on four categories:
  - Individuals under 65
  - Individuals 65 or older
  - Families, with an individual who is under 65 and has at least one dependent
  - Families, with an individual who is 65 or older and has at least one dependent.

### **Medicare Reimbursement**

- The individual was employed by the County before 09/28/99 and transferred to NHCC.
- The individual was employed for at least 5 years (in total with County and/or NHCC).
- Employee is 65 or older or disabled.
- The County is not responsible for Medicare reimbursement until the month after the covered employee's termination or retirement.
- The County is not responsible for Medicare reimbursement the month after the covered employee's death.
- The County is responsible for health insurance for the month the covered employee turns 65.
- The spouse of the covered employee is eligible for benefits until the covered employee passes away.

## Appendix B – Detail of Disallowances and County Share Payments

Year	Termination Payouts			
	NHCC Invoice Amount	Disallowances		Net Amount After Disallowance
		Number	Amount	
2014	\$1,605,432	15	\$19,813	\$1,585,619
2015	\$1,072,748	156	\$57,042	\$1,015,706
2016	\$1,041,331	93	\$34,425	\$1,006,906
2017	\$1,081,760	21	\$9,009	\$1,072,750
2018	\$1,448,677	169	\$46,774	\$1,401,903
2019	\$1,389,454	102	\$12,928	\$1,376,526
2020	\$1,228,121	53	\$7,178	\$1,220,943
2021	\$1,190,279	72	\$44,434	\$1,145,844
2022	\$1,009,897	193	\$47,629	\$962,268
2023	\$1,004,802	8	\$60,884	\$943,918
<b>Total</b>	<b>\$12,072,500</b>	<b>882</b>	<b>\$340,116</b>	<b>\$11,732,385</b>

Year	Retiree Health Insurance Premium			
	NHCC Invoice Amount	Disallowances		Net Amount After Disallowance
		Number	Amount	
2014	\$10,026,535	316	\$176,366	\$9,850,168
2015	\$9,996,571	548	\$305,822	\$9,690,748
2016	\$10,650,907	500	\$274,696	\$10,376,211
2017	\$10,670,315	579	\$237,768	\$10,432,547
2018	\$11,596,498	396	\$209,778	\$11,386,720
2019	\$11,140,396	45	\$17,461	\$11,122,936
2020	\$10,712,019	51	\$14,303	\$10,697,716
2021	\$10,339,322	87	\$23,827	\$10,315,494
2022	\$10,185,515	60	\$30,688	\$10,154,827
2023	\$11,707,577	103	\$40,899	\$11,666,678
<b>Total</b>	<b>\$107,025,655</b>	<b>2,685</b>	<b>\$1,331,609</b>	<b>\$105,694,046</b>

Year	Retiree Medicare Reimbursements			
	NHCC Invoice Amount	Disallowances		Net Amount After Disallowance
		Number	Amount	
2014	\$1,245,595	106	\$50,928	\$1,194,666
2015	\$1,326,544	185	\$97,515	\$1,229,029
2016	\$1,409,088	269	\$144,345	\$1,264,744
2017	\$1,532,308	359	\$181,862	\$1,350,446
2018	\$1,963,240	284	\$199,885	\$1,763,355
2019	\$2,081,921	36	\$46,595	\$2,035,327
2020	\$2,258,694	219	\$124,011	\$2,134,682
2021	\$2,288,693	100	\$58,787	\$2,229,906
2022	\$2,580,088	48	\$36,020	\$2,544,068
2023	\$2,595,275	9	\$9,708	\$2,585,567
<b>Total</b>	<b>\$19,281,445</b>	<b>1,615</b>	<b>\$949,656</b>	<b>\$18,331,789</b>