



EMPIRE STATE MEDICAL, SCIENTIFIC & EDUCATIONAL FOUNDATION, INC.

865 Merrick Avenue, Suite 160N, Westbury, New York 11590

Tel: (516) 437-8134 • Fax: (516) 282-7113



ACCREDITED
INDEPENDENT REVIEW
ORGANIZATION:
COMPREHENSIVE

To: *Board of Directors Empire State Foundation*

Copy to: *MSSNY Board of Trustees*

Date: *January 11, 2017*

Subject: ***Update – Financial Status***

As we complete the year, I wanted to update you on the financial status of the Foundation. As previously reported to you, by mid -year the Foundation had experienced a huge increase in business. At that point, the Board agreed with staff as to the necessity to ramp up operations in order to be able to deliver contracted services and set the stage for continued growth and profitability.

I can report to you at this point in time that the structure of the Foundation has been significantly expanded. During these last six months, since the decision was made to do so, the Foundation has ramped up to meet these new challenges. An additional 5,600 square feet of office space was sub-leased through MSSNY's expanding its current lease in its Westbury location. Additional nurse reviewers and clerical staff have been added to the staff in the Westbury office.

The Westbury office currently has 43 employees, of which slightly less than half are part-time. There are 13 full time review nurses. So in effect we currently have 18 nurse review staff, along with 3 other senior nurses, for a total of 21 nursing staff.

We are fully staffed in order to both keep pace with the current levels of reviews, while at the same time aggressively reviewing the backlog of cases that had grown to over 3,000 cases.

You should be aware that we have just concluded our URAC recertification process for the Westbury office, and the initial certification for the Syracuse office. We received a "conditional certification" due to the backlog of cases. The status of the situation will be re-reviewed in June 2017. At that time, we presume that the backlog will have been resolved and unconditional certification obtained. Therefore, both from a business perspective and from the certification perspective, this backlog needed to be dealt with.

I am enclosing for your information, two (2) financial statements. The first are the results through November 30, 2016 which reflect a positive surplus for those eleven months totaling almost \$180,000. I anticipate that when the December results are put together, the situation will continue to reflect positive operating results for the year.

The other statement is a preliminary operating budget for 2017. It reflects a pretty dramatic proposal year end result of a \$1.2 million dollar operating surplus. These numbers are still being refined and will change by coming down to some degree. However, this reflects the situation regarding our current level of review. We are basing our assumption on the fact that we expect that new level to continue. In fact, we have every reason to believe that once we catch up on the backlog we can probably grow the review volume.

The major problem that we are facing as we move through the first quarter of 2017 is our cash flow. Because of the time it takes to move a case from initiation to closure, then to invoice that case and to actually be paid for that work is anywhere from 4 to 5 months. Therefore, our accounts receivable continue to grow, with our available cash flow reducing every month. We are coming up with strategies in order to provide the Foundation with a satisfactory cash flow.

I will be scheduling a telephone conference call of the Board at the beginning of February in order to discuss all these issues with you.

Thank you.

PAS/sr

Financial Update to Fdn. Directors & MSSNY BOT



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Balance Sheet
At
November 30, 2016

ASSETS		
CURRENT ASSETS		
Cash	\$	1,740,603
Accounts Receivable		1,395,720
Loan Exchanges		
Prepaid Expenses		109,379
Prepaid Insurance		20,569
TOTAL CURRENT ASSETS	\$	3,266,271
FIXED ASSETS		
Furniture, Fixtures, Equipment	\$	155,809
Accumulated Depreciation		(87,676)
Leasehold Equipment		20,990
Accumulated Amortization		(1,866)
TOTAL FIXED ASSETS	\$	87,257
OTHER ASSETS		
Security Deposits	\$	7,372
TOTAL ASSETS	\$	3,360,900
LIABILITIES & FUND BALANCE		
CURRENT LIABILITIES		
Accounts Payable/Accrued Expenses	\$	101,932
Accrued Payroll		57,175
Accrued Vacation Pay		114,500
Loan Payable		-
Deferred Income		29,550
TOTAL CURRENT LIABILITIES	\$	303,157
FUND BALANCE		
Balance @ January 1, 2016	\$	2,877,755
Excess of Income over Expenses for the ten months ended October 31, 2016		179,988
FUND BALANCE @ October 31, 2016	\$	3,057,743
TOTAL LIABILITIES & FUND BALANCE	\$	3,360,900



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*Income Statement For
The Eleven Months Ended
November 30, 2016*

INCOME		
FEE INCOME		
IPRO/Foundation Medicaid Subcontract	\$ 875,680	
Physician Advocacy	54,698	
DRA	3,780,100	
Private Review	4,650	
Sub Total Fee Income		\$ 4,715,128
OTHER INCOME		
Investment Income Interest	\$ 1,086	
Miscellaneous Income		\$ 1,086
TOTAL INCOME		\$ 4,716,214
EXPENSES		
Payroll	\$ 2,049,717	
Fringe Benefits (Schedule One)	519,222	
Travel	16,613	
Physician Advisor Reviewers	627,375	
Other Professional Expenses	196,436	
Administrative Expense (Schedule Two)	924,922	
URAC Certification	10,711	
Accountable Internet	(3,467)	
Data Equipment Expense	62,054	
Criteria Expense	113,551	
Depreciation	17,809	
Amortization	1,283	
TOTAL EXPENSES		4,536,226
EXCESS OF INCOME OVER EXPENSES		\$ 179,988



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*Schedule To The
Income Statement For The
Eleven Months Ended
November 30, 2016*

SCHEDULE ONE

FRINGE BENEFITS

Medical Insurance	\$	307,703
F.I.C.A.		149,562
NYS Unemployment Insurance		6,534
NYS Disability Benefit		513
Metro Commuter Transportation Tax		3,488
North Carolina SUI/DBL		46
Life Insurance		1,996
Long Term Disability Insurance		11,140
401(k) Employee Contribution		34,561
Other		3,679
Total Fringe Benefits	\$	519,222

SCHEDULE TWO

ADMINISTRATIVE EXPENSES

Rent	\$	307,335
Telephone		17,634
Express Mail & Postage		122,394
Payroll Expense		4,392
Office Supplies		76,558
Books, Dues & Subscriptions		4,245
Insurance		32,513
Copier Rental & Maintenance		8,861
MSSNY Allocation		183,333
Storage & Shredding		7,266
Training		1,032
General Miscellaneous		17,910
Bank Service Fee		150
Contract Personnel Recruitment		90,419
NYS Income Tax Expense		14,832
Federal Income Tax Expense		36,048
Total Administrative Expenses	\$	924,922

Empire State Medical, Scientific & Educational Foundation, Inc.

BUDGET OVERVIEW: BUDGET FY 2017 DRAFT - FY17 P&L

January - December 2017

	TOTAL
INCOME	
3525 IPRO Medicaid Contract	1,200,000.00
3540 Phys Advocacy Program	50,000.00
3560 DRA fees	6,195,000.00
Total Income	\$7,445,000.00
GROSS PROFIT	\$7,445,000.00
EXPENSES	
4000 Payroll	2,700,000.00
4001 Reconciliation Discrepancies	19,992.00
4500 Fringe Benefits - 401k	208,000.00
4510 Fringe Benefits - Medical Health Ins	550,000.00
4515 Fringe Benefits - FICA	182,000.00
4520 Fringe Benefits - NYSUI	10,000.00
4525 Fringe Benefits - NYS DBL	1,500.00
4526 Fringe Benefits - Metro Commuter	3,000.00
Transp Tax - NYS	
4530 Fringe Benefits - Life Ins.	5,000.00
4535 Fringe Benefits - LT Disability	14,400.00
4540 Fringe Benefits - Other	5,000.00
5000 Consultants-Medical-Medicaid	70,000.00
5004 Consultants-Medical-DRA	750,000.00
5025 Consultants - Board of Directors	12,000.00
5100 Consultants - Nurse - Medicaid	10,000.00
5101 Consultants - Nurse - DRA	25,000.00
5110 Consultants - Accountant	10,000.00
5115 Consultants - Audit	40,000.00
5125 Consultants - FSA	2,000.00
5130 Consultants - Misc - Other	1,500.00
6000 Admin Expense - MSSNY Unalloc	200,000.00
6005 Admin Expense - Payroll Expense	6,000.00
6010 Admin Expense - Insurance	30,000.00
6015 Adm Expense -	5,000.00
Mags/Books/Dues/Sub	
6020 Admin Expense - Contract	20,000.00
Personnel - Recruitment	
6025 Admin Expense - Storage & Shredding	10,000.00
6030 Admin Expense - Misc. Expense	18,000.00
6035 Admin Expense - Training	2,500.00
6045 Admin Expense - Bank Service Fees	500.00
6100 Admin Expense - Rent	420,000.00
6105 Admin Expense - Telephone	30,000.00
6110 Admin Expense - Express Mail	180,000.00

	TOTAL
6115 Admin Expense - Postage	21,000.00
6120 Admin Expense - Copier	14,400.00
6125 Admin Expense - Office Supplies	200,000.00
6170 Admin Exp - Federal Income Tax Expense	100,000.00
6175 Admin Exp - NYS Income Tax Expense	75,000.00
6200 Consultant - URAC Certification	38,000.00
6210 Consultant - Accountable Internet	7,500.00
7000 Data Equip Exp - Maintenance	12,000.00
7005 Data Equip Exp - Consultant	30,000.00
7010 Criteria Expense - Interqual Criter	30,000.00
7015 Criteria Expense - 3M	60,000.00
7020 Criteria Expense - Time Warner Int.	2,500.00
7025 Criteria Expense - Intronis	2,500.00
7030 Data Equip Exp - Other	25,000.00
7035 Criteria Expense - MCG Health (Milliman Care)	36,000.00
7500 Travel Expense - Medicaid	2,500.00
7505 Travel Expense -Bd of Directors	0.00
7510 Travel Expense - Local travel	5,000.00
7515 Travel Expense - Out of Area	10,000.00
8000 Depreciation	20,000.00
8100 Amortization	1,500.00
Total Expenses	\$6,234,292.00
NET OPERATING INCOME	\$1,210,708.00
NET INCOME	\$1,210,708.00