Testimony on Proposed SFY 2024 Executive Budget

February 28, 2023

Kenneth E. Raske
President

GREATER NEW YORK HOSPITAL ASSOCIATION

Over 100 years of helping hospitals deliver the finest patient care in the most cost-effective way.

Outline

Part I. Financial Instability

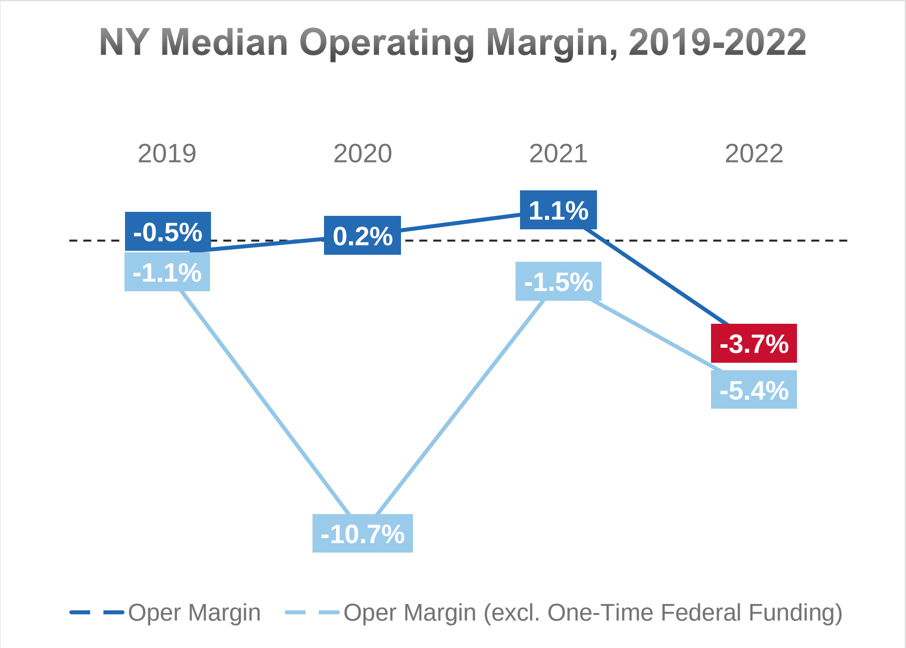
- Financial performance is weak with failures likely
- Labor shortages are leading to a significant increase in labor costs
- Medicaid & Medicare pay only a fraction of hospital costs
- Insurance company abuses add to the instability
- Without revenue enhancements, financial condition will worsen

Part II. Budget Priorities

- What’s needed to stabilize the sector to avert unplanned bankruptcies and closures

Part I. Financial Instability

4 Financial instability: the median margin for New York hospitals deteriorated to -3.7% in 2022



- 2 out of 3 of NY hospitals experienced a negative margin
- 4 out of 5 NY hospitals experienced unsustainable margins
- 77% of NY hospitals have curtailed capital projects and 49% have cut back on services
- NY hospital margins continue to be among the lowest in the US**

** Critical Condition, Joint Hospital Association Financial Survey (Appendix 1)*

** GNYHA analysis of national Medicare cost reports, 2021

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Labor shortages are leading to significant increases in labor costs

"Ripple-effect" of recent labor settlements

Chart 1. Direct Cost, Plus Ripple-Through on Nursing Personnel Costs

$ in Millions	2023	2024	2025	Total
100% Impact	$1,775	$3,033	$4,232	$9,040
75% Impact	$1,404	$2,399	$3,347	$7,150
50% Impact	$1,033	$1,765	$2,462	$5,259
25% Impact	$662	$1,130	$1,577	$3,369

Chart 2. Ripple-Through on Other Personnel Costs

$ in Millions	2023	2024	2025	Total
100% Impact	$1,883	$3,610	$5,135	$10,628
75% Impact	$1,412	$2,707	$3,852	$7,971
50% Impact	$941	$1,805	$2,568	$5,314
25% Impact	$471	$902	$1,284	$2,657

Source: GNYHA analysis of Institutional Cost Reports, 2021.

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Government payers reimburse hospitals less than cost: payment-to-cost ratios

Payment-to-Cost Ratios (2021)

NY ranks 51st in US in Medicaid payment adequacy*

Drill Down on Medicaid Gap

- SFY23 budget provided a miniscule trend factor of 1%
  - First rate increase in 15 years
  - Meanwhile, medical CPI-U grew 50% from 2008-2022
- As a result, the Medicaid gap has grown every year and more hospitals are financially unsustainable

* Dr. Jamila Michener, City & State Forum, February 24, 2023.

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Insurance companies exacerbate the challenges with inappropriate denials, with 1 in 4 claims denied

Medical Necessity Denials for Emergency Care

- Claims denials for emergency services resulting in an IP admission
  - More than 60% of appeals result in payment
- Example denial overturned on appeal*:
  - Male, 60s, presents with chest pain, nausea, diaphoresis, poorly controlled hypertension
  - History of coronary artery disease and pulmonary embolism, multiple stents
  - Appeal agent: “Given the high-risk nature of the patient and his presentation…**Rapidly discharging the patient would potentially result in a 20% chance of death or myocardial infarction…It was appropriate to manage this patient at an inpatient level of care.**”

*NYS External Appeal Case Number 201910-121757

“Site of Service” Denials

- Steering patients to non-hospital settings
- Example:
  - Female, 50s with history of melanoma, treated at MSK, multiple surgeries required
  - Second melanoma newly confirmed via biopsy
  - Returned to MSK for ambulatory surgery treatment of new melanoma
  - **Claim denied for site of service**

8 Insurer profits over last 5 years

UnitedHealth Grou...	$487.16	+$257.00	↑111.66%
Elevance Health Inc	$484.52	+$249.28	↑105.97%
Dow Jones Industri...	32,828.08	+7,518.09	↑29.70%

The stock prices of UnitedHealth Group and Elevance Health (Anthem) were up more than 100% in the past 5 years, significantly outperforming the Dow Jones.

Available at: https://www.google.com/finance/quote/UNH:NYSE?sa=X&ved=2ahUKEwj6i9TCi6z9AhWxFFkFHVcwCcoQ3ecFegQIJxAY&window=5Y&comparison=NYSE%3AELV%2CINDEXDJX%3A.DJI

Part II: Budget Needs

Proposed Budget Provisions

+	−
☐ 5% Medicaid rate increase for inpatient hospital services	☐ Implementation of pharmacy carve-out (loss of 340B revenue)
☐ 5% Medicaid rate increase for nursing homes	☐ Eliminate nursing home staffing pool
☐ $400M increase in Essential Plan rates for hospitals	☐ Reduce safety net funding by $700M—from $2.7B to $2B gross
☐ $1B capital funding	☐ New $83M Indigent Care Pool cut
☐ Provisions to address insurance abuses	

5% Medicaid rate increases are woefully inadequate and are offset by other proposals

Hospitals

- 5% inpatient rate increase is offset 100% by impact of pharmacy carve-out
  - No net Medicaid rate increase for hospital sector
  - Net depends on impact from the pharmacy carve-out (340B)

Nursing Homes

- 5% rate increase is offset by elimination of dedicated funding for minimum staffing requirements
  - Net 2% rate increase
  - Staffing requirements remain in effect

Pharmacy carve-out will reduce hospital revenues by more than $400M and impact Medicaid beneficiaries

Budget proposal

- “Carve-out” the pharmacy benefit from managed care, paid on FFS basis (DOH)
- FFS reimburses drugs at “acquisition cost”
  - Disproportionate impact on 340B providers (Federal program that allows safety net providers to purchase outpatient drugs at discounted rate)
  - Provider loss is difference between managed care rate and acquisition cost

Providers reinvest 340B benefits in patient care programs

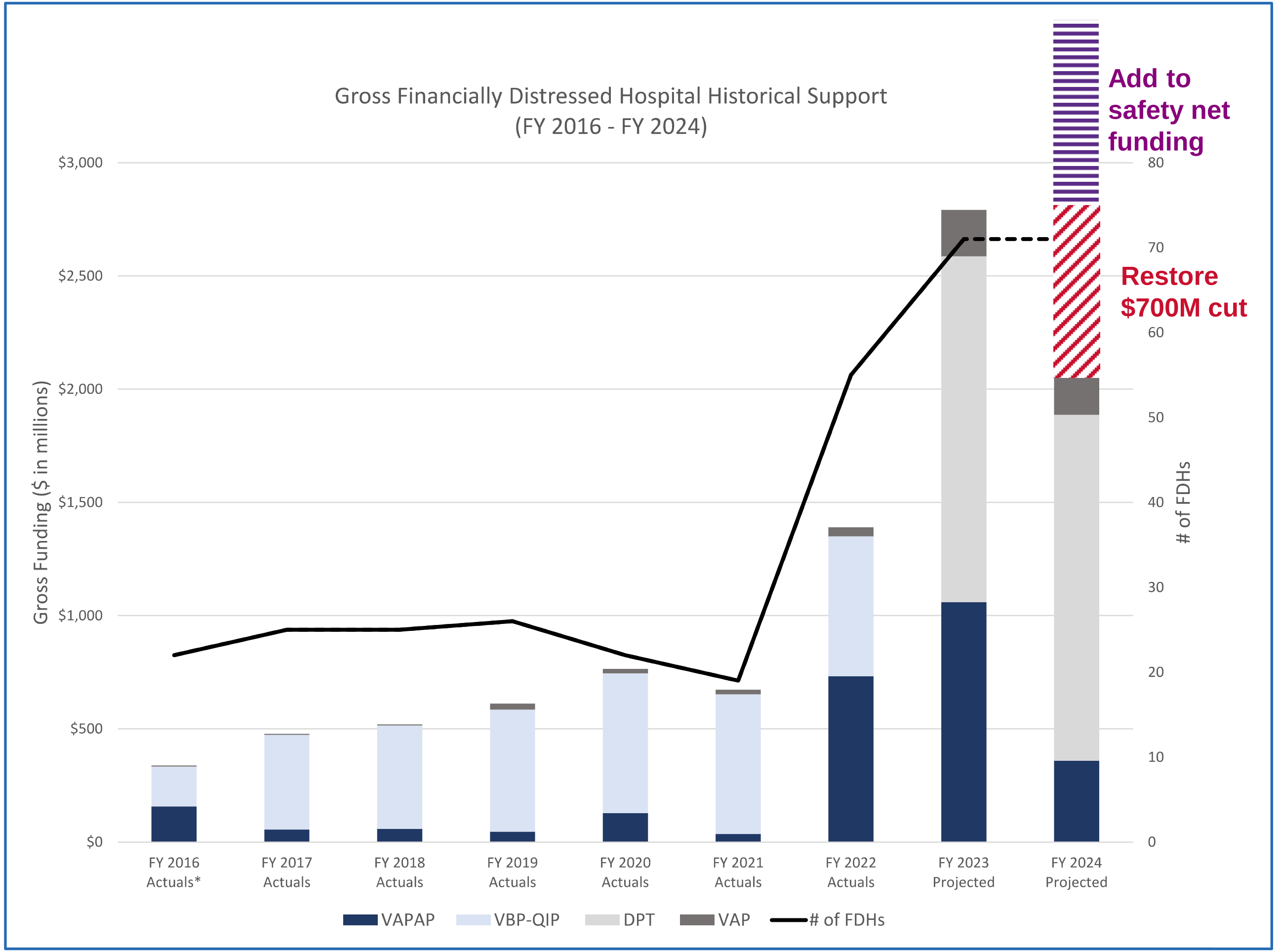
- Examples:
  - Medication management for individuals living with HIV; coordination of medical and pharmaceutical results in successful suppression of viral loads due to higher compliance rate than traditional pharmacies
  - Provision of no- or low-cost drugs to uninsured and low-income patients

Support Essential Plan investments

	EP 1,2	EP 3,4
Population covered:	138-200% of FPL (≈600,000 individuals)	Immigrants in 5-year waiting period for citizenship (≈500,000 individuals)
Current premium:	125% of Medicaid for hospital services +$420M (SFY 2021 budget)	100% of Medicaid rate for hospital services
Budget proposal:	Equalize rates	Invest $400M in rates

14 Financially Distressed/ Safety Net Hospital Funding

- Gross funding would decline by 35% in SFY 2024
  - Funding needs and number of hospitals requiring funding to increase
- Dire consequences:
  - Unplanned closures/ bankruptcies
  - Mass layoffs
  - Service cuts
- Significant new funding is needed given decline in financial health



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Hospital Indigent Care Pool (ICP) reduction

Executive budget increases the $150M ICP cut (enacted under MRT II) to $235.4M

Significant additional cut for the ≈40 hospitals subject to the reduction (Enhanced Safety Net hospitals are exempt)

Critically important insurance reforms to blunt payer abuses

"Pay & Resolve" to address medical necessity denials for emergency services

- Timely payment for emergency services
- Medical necessity review permitted post-payment
- Plan may submit to a joint health plan-provider clinical committee to review medical necessity
- If committee is unable to reach agreement, may submit to third-party review agent (determination is binding)

"Site of Service" reforms

- Guardrails on health plan medical necessity reviews of in-network services at hospital-based clinics
- Health plan policies must consider patient health and safety, choice of provider, access to care

GNYHA Advocacy Priorities

- Increase 5% investments for hospitals and nursing homes
- Repeal (or delay) pharmacy carve-out
- Keep Essential Plan rate increases for hospitals
- Significantly enhance distressed hospital/safety net funding
- Restore ICP cut
- Keep insurance reforms (pay & resolve, site of service)

Let’s join together to support our hospitals.

Note: Full list of GNYHA positions included as Appendix B.

CRITICAL CONDITION:

New Yorkers are losing access to care as a fiscal crisis hammers hospitals statewide

December 2022 | Joint hospital association survey results

HANYS Always There for Healthcare
Healthcare Association of Western and Central New York
Suburban Hospital Alliance of New York State, LLC
IROQUOIS Healthcare Association
GNYHA Greater New York Hospital Association

Executive summary

The COVID-19 pandemic placed extraordinary stress on the nation's and New York's healthcare system. Today, New York's hospitals remain in crisis. They face a national healthcare worker shortage, uncontrollable expense increases, fewer places to safely discharge patients, concurrent public health crises, stagnant infrastructure and market changes that leave hospitals increasingly serving only the sickest and most vulnerable patients.

As a result of circumstances beyond their control, **hospitals statewide need urgent help to sustain their services**. According to a fall 2022 survey by New York's state and allied regional hospital associations, New Yorkers are losing access to healthcare services amid escalating care delivery costs and persistent workforce shortages — and providers expect access to medical services to further deteriorate.

The survey's findings are alarming:

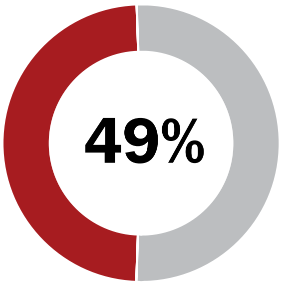
1. Severe fiscal and workforce challenges are forcing hospitals to cut patient services and halt modernization projects that advance patient care.
2. National healthcare workforce shortages continue to force hospitals to use costly contract labor, driving up expenses alongside substantial increases in drug, supply and energy costs.
3. **Four out of five hospitals in New York report negative or unsustainable operating margins.**
4. With pandemic-related government support ending and expenses continuing to escalate, hospitals' dire fiscal crisis is likely to only get worse.

Already-strained hospitals cannot absorb their escalating expenses. New York's hospitals cannot simply increase their prices. Most hospital care is paid for based on prices set by Medicare and Medicaid, and negotiations with commercial insurers leave little room for hospitals to address escalating expenses in a timely or meaningful way, particularly when healthcare prices are under heavy public scrutiny.

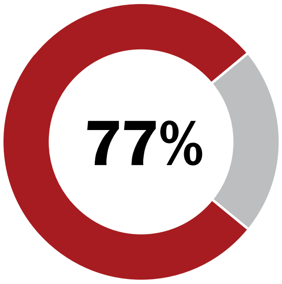
Action is needed now.

> **"Three out of five hospitals are underwater, and the fourth is on thin ice. We face a very real danger of hospitals closing, patients losing care, healthcare workers losing their jobs and communities losing their lifeblood.**
>
> **The state and federal governments must immediately provide new funding, enact common sense policy changes and make no cuts to existing vital healthcare funding."**
>
> *— Bea Grause, RN, JD, president, Healthcare Association of New York State*

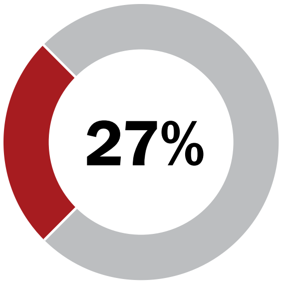
1 Severe fiscal and workforce challenges are forcing hospitals to cut patient services and halt modernization projects that advance patient care.



49% of New York's hospitals report reducing and/or eliminating services to mitigate staffing challenges while ensuring their most critical services remain available.



77% report delaying or canceling building and improvement projects as a result of fiscal challenges — actions that erode the accessibility of healthcare services.



27% report being at risk of defaulting on existing loans, which can decrease financial resources available for patient care.

Cutting patient services is always the last resort; hospitals are taking significant measures to keep services online. For instance:

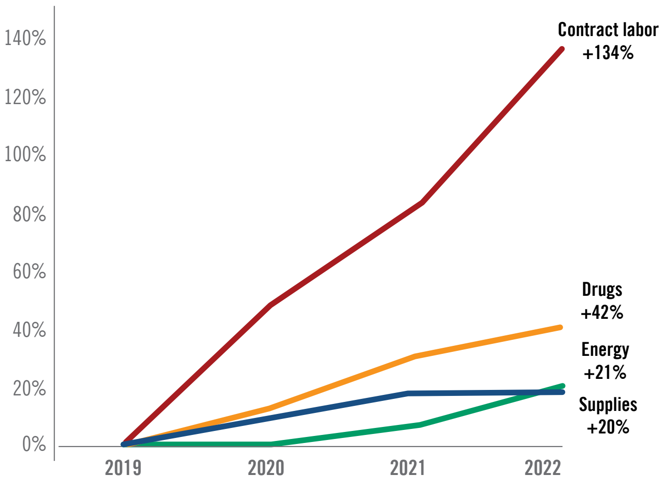
- **96%** have offered financial incentives to retain/attract employees.
- **64%** have up-trained and/or retrained staff to accommodate higher-level care needs.
- **47%** have requested staff postpone elective time off.

MISSION CRITICAL: New York's not-for-profit hospitals are driven by their mission of providing quality care to patients 24/7/365, regardless of ability to pay. Our hospitals and health systems' stability is often assumed. Whether for routine care, an urgent medical issue or a response to an emerging public health crisis, New Yorkers expect their local hospitals to always be there when they need them.

> **"Our hospitals continue to face relentless financial pressures, including a pandemic in its third year. Without a financial margin, hospitals cannot invest in the necessary services and facilities to modernize our healthcare delivery system. The hospital community looks forward to working with New York's policymakers to address this crisis."**
>
> *— Kenneth E. Raske, president, Greater New York Hospital Association*

2 National healthcare workforce shortages continue to force hospitals to use costly contract labor, driving up expenses alongside substantial increases in drug, supply and energy costs.

New York hospital expenses (2019 – 2022)



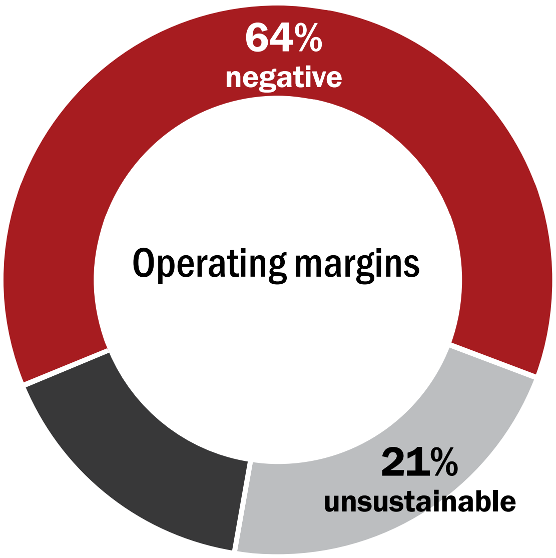
- **100%** of the state's hospitals report nursing shortages they cannot fill; **Over 75%** commented that other key positions cannot be filled, highlighting radiology/medical imaging roles, lab staff, respiratory therapists, physicians, environmental services staff, and patient registration and revenue cycle roles.
- From 2019 to 2022, overall labor costs increased by **17%**, driven by a **134%** increase in hospitals' contract staffing costs (an average annual increase of 33%).

  This increase was driven by the need to appropriately staff for patient care with the only nursing resources available. As a result of this paradigm shift, contract nurses, who made up 50% of New York hospitals' total contract labor expenses in 2019, now make up 65%.
- Labor costs aren't the only challenge. From 2019 to 2022, New York hospitals report drug costs are up **42%**, supply and equipment costs are up **20%** and energy costs are up **21%**. Hospitals expect these difficult trends to continue in 2023.

THE CONTRACTING WORKFORCE: Labor accounts for about 60% of a hospital's operating expenses, so when labor costs increase it is a meaningful and permanent change. As healthcare workers have retired, changed careers or, in many cases, become contract employees themselves, hospitals have been increasingly forced to hire temporary/contingent healthcare workers to maintain services. **Contract nurses can cost over two times more than a hospital-employed nurse**. While essential to keeping services available, their temporary status presents challenges such as constant onboarding, lack of cohesion with full-time staff and less familiarity with the local facility and community. Hospitals prefer to hire qualified, local full-time staff who can support day-to-day care needs and partner on long-term quality and patient experience initiatives.

> **"Workforce shortages are causing vacant positions to go unfilled and services to be cut. Policymakers must immediately invest in the healthcare workforce and our hospitals to ensure they can serve their communities for years to come. Hospitals' labor costs are forever changed. Without help they face hard choices with dire consequences."**
>
> *— Gary J. Fitzgerald, president and CEO, Iroquois Healthcare Association*

3 Four out of five hospitals in New York report negative or unsustainable operating margins.



- In 2022, **64%** of New York's hospitals and health systems report negative operating margins (those losing money when comparing care-related revenue and expenses).
- **85%** report negative or unsustainable operating margins (margins of less than 3%).
- The number of New York hospitals and health systems reporting negative or unsustainable operating margins increased by **23%** from 2019 to 2022.
- From 2019 to 2022, inpatient admissions dropped statewide by **8.3%**. As fewer patients receive care in the inpatient setting, hospitals are seeing less revenue.

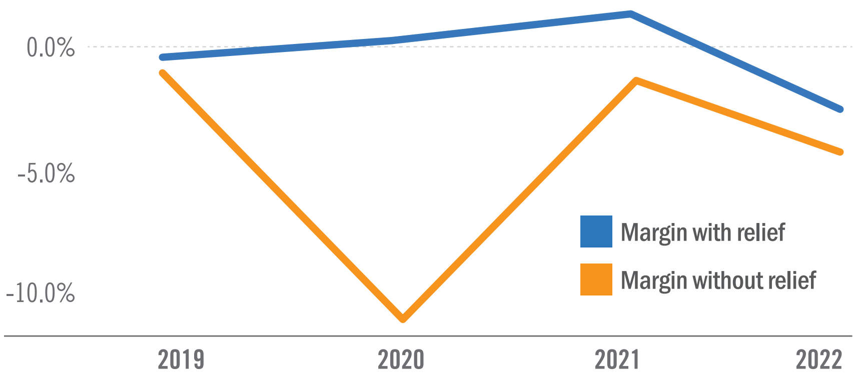
  While this decline in admissions follows a pre-pandemic trend, the total number of inpatient days did not change for this same time period. This indicates patients are staying at the hospital longer because their needs are more complex and/or a diminishing number of post-acute and other appropriate settings are preventing hospitals from discharging patients. Hospitals are serving as nursing homes with payment that fails to keep pace with the cost of caring for these patients for weeks and sometimes months.

MARGIN MATTERS: Low and negative margins preclude hospitals from the financial security needed to preserve access to vital healthcare services, re-invest in needed medical technology and research, recruit and retain a robust workforce, access capital markets and modernize healthcare facilities for all patients. A hospital's fiscal health has a significant ripple effect at the local level. Beyond care delivery, hospitals and health systems are often the largest employers in their communities and generate many more community jobs and hundreds of billions of dollars in economic activity each year.

> **"Hospital margins are absolutely going in the wrong direction, and everyone should be alarmed. The pandemic and recent natural disasters have proven we need strong, well-resourced hospitals that are ready for anything. New Yorkers are better off when their hospitals are thriving."**
>
> *— Wendy Darwell, president and CEO, Suburban Hospital Alliance of New York State*

4 With pandemic-related government support ending and expenses continuing to escalate, hospitals' dire fiscal crisis is likely to only get worse.

New York hospital median operating margin with and without one-time pandemic relief (2019 - 2022)



Including one-time pandemic relief, the median operating margin reported by New York hospitals hovered around break even in 2020 and 2021 but has deteriorated to **negative 3.7%** in 2022. While relief funding helped stabilize the healthcare system in the first two years of the pandemic, there is no new support on the horizon.

CRISIS ON TOP OF CRISIS: New York's hospitals have no breathing room to absorb escalating expenses as their reimbursement from Medicare and Medicaid — hospitals' highest-volume payers and the insurers for more than half of all New Yorkers — continues to be far below the cost of care and completely inadequate.

For each dollar of care provided by New York's hospitals, **Medicaid pays just 61 cents; Medicare pays 84 cents.** On average, 70% of inpatient hospital discharges and almost 60% of outpatient visits are paid for by Medicare or Medicaid. However, due to significant underpayment, these government-paid services represent only 51% of hospital revenue. This disconnect contributes significantly to the critical financial condition of New York's hospitals.

New York's hospitals cannot simply increase prices like other businesses to manage extreme cost growth. Persistent underpayment from Medicare and Medicaid forces struggling hospitals to try to balance their finances by negotiating more favorable payment rates from powerful commercial insurers, many of which are experiencing record profits. However, even if a hospital has meaningful commercial volume to offset losses from government payers, commercial insurer contracts lock providers into multi-year agreements that do not address unpredictable and untimely expense growth.

> **"The help hospitals need is nowhere on the horizon. Inadequate reimbursement and soaring expenses are pushing hospitals to the brink, begging for emergency relief just to keep the doors open, make payroll and repeat the situation all over again in a few months. It's an incredibly stressful cycle for everyone involved and it's absolutely unsustainable."**
>
> *— Ken Schoetz, vice president, Healthcare Association of Western and Central New York*

Action is needed now to protect patient access to care.

Preserving access to safe, high-quality patient care is the mission of New York's nonprofit and public hospitals and health systems. Today, that mission is threatened by fiscal forces outside of their control.

Hospitals and health systems have emerged from the worst of the pandemic into a changed world marked by severe and persistent workforce shortages and an untenable, structural revenue/cost imbalance, with no end in sight.

Government help is needed right now to sustain the current workforce, bolster the pipeline of new healthcare workers and fix longstanding reimbursement shortcomings that threaten patient access to care in communities across the state.

New Yorkers rely on their hospitals. Hospitals across the state are the heart of their communities, committed to giving every patient who comes through their doors the very best care. But right now, the majority of those facilities are struggling to survive.

The state and federal governments must immediately provide new funding, enact common sense policy changes and make no cuts to existing vital healthcare funding.

About the survey

Conducted in fall 2022, the survey asked New York hospitals fiscal, nursing workforce and patient volume questions for the period 2019 through projected 2022. Responses are from hospitals and health systems in all regions of the state with a participation rate that reflects over 90% of the annual revenue that New York hospitals and health systems generate. Data points on Medicaid and Medicare volume and payment are from hospital cost reports. "Unsustainable" margin levels reflect a standard from Kaufman Hall. This survey was a joint effort of the Healthcare Association of New York State, Greater New York Hospital Association, Healthcare Association of Western and Central New York, Iroquois Healthcare Association and Suburban Hospital Alliance of New York State.

HANYS
Always There for Healthcare

Healthcare Association of Western and Central New York

Suburban Hospital Alliance of New York State, LLC

IROQUOIS Healthcare Association

GNYHA
Greater New York Hospital Association

SFY 2023–24 NEW YORK STATE EXECUTIVE BUDGET HEALTH CARE PROPOSALS, GNYHA POSITIONS

PRESIDENT, KENNETH E. RASKE • 555 WEST 57TH STREET, NEW YORK, NY 10019 • T (212) 246-7100 • F (212) 262-6350 • WWW.GNYHA.ORG

New York's hospitals and not-for-profit and public nursing homes are proud to serve New Yorkers 24/7/365. *But after three years of pandemic activity, they need help.*

Multiple sources—including GNYHA and the Healthcare Association of New York State, Kaufman Hall, and Fitch Ratings—report that hospital revenues aren't keeping pace as costs rise. The biggest challenge is Medicaid reimbursement rates that don't come close to covering the cost of treating New Yorkers, which falls hardest on safety net hospitals that treat relatively few patients with private insurance. But hospitals are also struggling with reduced patient volume because of post-Covid utilization patterns, increased labor costs due to shortages and new contracts, escalating pharmaceutical and medical supply costs, inflation, and insurance companies that do everything they can to deny medically necessary care. And not-for-profit nursing homes continue to face woefully low Medicaid rates, higher staffing costs due to shortages, and an aging population's expanding need for alternatives to traditional long-term care facilities.

GNYHA President Kenneth E. Raske issued this statement in response to the Executive budget:

> *Governor Hochul's proposed budget creates a strong foundation to build upon to address the hospital community's ever-ratcheting revenue needs. The proposed budget also includes important provisions to curb certain practices of large, for-profit insurance companies that limit New Yorkers' access to care and harm hospitals' finances.*
>
> *But two significant problems are shaping the year ahead:*
>
> - *Skyrocketing labor costs driven by severe health care worker shortages, especially in nursing, and by post-pandemic burnout—resulting in a huge gap between the hospital cost structure and any reasonable expectation for revenue growth. The proposed budget's changes to the 340B program (the pharmacy carve-out) would worsen that gap by significantly reducing hospital revenue.*
> - *The special needs of private and public safety net hospitals.*
>
> *We look forward to continued discussions with the Executive Branch and the State Legislature to find solutions to these challenges.*

GNYHA's top priorities for the Executive and the Legislature are **increasing Medicaid reimbursement rates for hospitals and nursing homes** over and above what the Executive has proposed; **eliminating the Medicaid managed care pharmacy carve-out**, which wipes out pharmacy savings for hospitals through the 340B program; **increasing funding for financially distressed safety net hospitals**; and **enacting the Executive's proposed insurance reforms**, which ensure that for-profit health insurers pay hospitals on time for emergency care provided to their enrollees, New Yorkers can receive outpatient care at the hospital-based setting of their choice, and protect New Yorkers and providers in case of an insurance company's insolvency.

GNYHA is a dynamic, constantly evolving center for health care advocacy and expertise, but our core mission—helping hospitals deliver the finest patient care in the most cost-effective way—never changes.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
MEDICAID: ALL PROVIDERS		
Medicaid Rates	The Executive includes a 5% Medicaid rate increase for hospital inpatient, nursing home, and assisted living services. The hospital increase is designed to mitigate the impact of the pharmacy carve-out on 340B hospitals. The nursing home increase is offset by the proposed elimination of the investments to help nursing homes comply with the minimum staffing requirements in the SFY 2022-23 budget. The Executive also increases fee-for-service rates for school-based health centers by 10%.	GNYHA **supports** higher Medicaid rates, which are woefully inadequate and have barely changed over the last 15 years. We urge Albany to increase hospital and nursing home rates by at least 10%. Due to the Medicaid managed care carve-out and loss of 340B savings, the Executive budget's 5% rate increase does not equate to a revenue increase at all. The nursing home increase is also offset by the loss of the funding to help comply with the 3.5 hours per resident per day requirement. GNYHA supports the increase in SBHC Medicaid rates.
MEDICAID: HOSPITALS		
Medicaid Pharmacy Carve-Out	The Executive budget would permit the Medicaid pharmacy carve-out to be implemented April 1, 2023, significantly reducing 340B revenues for safety net providers.	GNYHA **opposes** this carve-out, which would limit hospital reimbursement for 340B drugs, damage hospital finances and access to care, and create confusion for consumers. While the Executive's above-mentioned 5% Medicaid rate increase is designed to partially compensate safety net providers for the loss of 340B revenue, GNYHA remains opposed to the carve-out and supports a delay or repeal.
Financially Distressed Hospitals	The Executive budget would fund financially distressed hospitals at pre-SFY 2022-23 levels. The Governor does not include $700 million in funding for financially distressed hospitals contained in the current budget.	GNYHA **strongly supports** investments in safety net institutions and will advocate to increase them. Additional funding is needed to address safety net hospital structural financial gaps and ensure they have the funding necessary to not only sustain services, but to make critical transformational investments to better serve their communities. Both public and voluntary safety net providers have proposals to increase support to fund their unique missions, and we strongly support those proposals.
Indigent Care Pool (ICP)	Increases the existing $150 million ICP cut to $235 million annually. Hospitals defined as Essential Safety Net hospitals are excluded from this cut.	GNYHA **opposes** this cut. Academic medical centers and other hospitals are among the highest-volume providers of care for Medicaid-eligible patients and the uninsured and suffer losses for providing this care.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
ESSENTIAL PLAN		
Essential Plan (EP) Investments	Provides $400 million in increased reimbursement rates for EP services provided by hospitals. The Governor would also enhance EP eligibility, reduce copays, and enhance coverage for pregnant women.	GNYHA **supports** these hospital investments and enhanced coverage for New Yorkers.
CAPITAL		
Capital Funding	Provides an additional $1 billion in capital funding for hospitals and nursing homes, over and above the $1.6 billion in the current budget. As part of this program, $500 million will be awarded for technological and telehealth transformation projects. Projects awarded, in whole or in part, under the existing health care facility transformation programs do not qualify.	GNYHA **strongly supports** the Executive budget's proposed capital funding provisions.
MEDICAID: CONTINUING CARE		
Competitive Bidding for MLTC	Gives the New York State Department of Health (DOH) Commissioner the authority to competitively procure managed long-term care (MLTC) plans and reform the MLTC partial capitation program. DOH was required to issue a report by October 31, 2022 (not yet released) on the pros and cons of implementing a managed care procurement process.	GNYHA's continuing care members have concerns about the MLTC proposal and the potential disruption to enrollees of these plans. Our members could only support a proposal that protects provider-based, not-for-profit plans.
INSURANCE/MANAGED CARE		
Payment for Emergency Services	Includes a proposal to require insurance plans to pay in-network hospitals for emergency care provided to their enrollees. Insurers could still do medical necessity reviews post-payment.	GNYHA **strongly supports** this proposal. Insurers routinely deny and delay payment for emergency care provided to their enrollees, including emergency admissions, even when the hospital is in the insurer's network.
Site-of-Service Reforms	The Governor proposes to put important guardrails around insurers' site-of-service policies, whereby insurers force enrollees to seek outpatient care at freestanding sites rather than at their hospital-based centers with their preferred in-network physicians.	GNYHA **strongly supports** this proposal. New Yorkers should not be forced to change their trusted doctor and hospital because an insurance company, which has represented that the hospital and physician are in their network, wants to increase profits at the expense of patient choice, quality, or safety.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
Health Insurance Guaranty Fund	The Executive includes a proposal to create a health insurance guaranty fund to pay claims in the event of a health plan's insolvency.	GNYHA **strongly supports** this program. After the failure of Health Republic, providers and enrollees were left scrambling to find coverage and payment for services already provided. This program would protect New Yorkers if another health plan becomes insolvent.
Managed Care Quality Pools	Eliminates Medicaid managed care quality pools.	GNYHA **opposes** this provision, which would impact high-quality provider-sponsored plans.
School-Based Health Center (SBHC) Carve-Out	SBHCs are currently carved out of Medicaid managed care until April 1, 2023. The Governor recently vetoed a bill making the carve-out permanent.	GNYHA **supports** a permanent SBHC carve-out. Mandatory SBHC participation would impose a costly administrative burden on critical safety net clinics, with little benefit for the children they serve.
BEHAVIORAL HEALTH		
Behavioral Health Initiatives	The Governor proposes a multi-year, $1 billion investment in mental health, including expanding outpatient services, including 12 new Comprehensive Psychiatric Emergency Programs (CPEPs); adding 42 new Assertive Community Treatment Teams (22 in New York City, 20 in the rest of the State); tripling the number of Certified Community Behavioral Health Clinics and streamlining regulatory requirements; strengthening school-based mental health services by increasing Medicaid reimbursement rates; and providing funding for 3,500 supportive housing units. The budget also provides a 2.5% cost-of-living adjustment for many services, including outpatient mental health and addiction services, and establishes credentials for qualified mental health associates and a joint Office of Mental Health (OMH) and Office of Addiction Services and Supports certification process for certified community behavioral health clinics.	GNYHA **strongly supports** these investments in mental health. We especially urge Albany to increase woefully inadequate Medicaid reimbursement rates for hospital inpatient and outpatient mental health services. We are committed to making the Executive's mental health initiative a reality. However, we are concerned about the proposal to punish hospitals for not operating the number of psychiatric beds in their operating certificate. We urge Albany to make sure the data the administration relied upon is correct before encouraging punitive action. GNYHA also believes that it will be extremely difficult for hospitals to invest in creating new psychiatric capacity without additional financial support. Despite the $27.5 million investment for inpatient fee-for-service rates announced last year by the Governor, rates remain extremely low relative to the costs of care, as last year's investments did not extend to Medicaid managed care (which covers 80% of psychiatric

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
Behavioral Health Initiatives (cont.)	The Executive includes insurance reforms expanding access to behavioral care, including mandating coverage for additional school-based services , requiring parity in telehealth reimbursement, establishing network adequacy standards, and regulating utilization review processes and criteria. The Executive would also increase the maximum fine from $1,000 per day to $2,000 per day for noncompliance with the terms of an operating certificate or violations of laws, rules, or regulations, including inpatient psychiatric beds closed without OMH authorization. The language specifies that "penalties may be considered at the individual bed level for beds closed without authorization at inpatient settings."	volume), and there is a severe shortage of qualified mental health personnel in this area. GNYHA President Kenneth E. Raske wrote a letter to the DOH and OMH commissioners outlining these concerns, which we believe Albany should consider before legislating in this area.
WORKFORCE		
Professional Oversight	The Governor's budget would transfer oversight of licensed health care professions from the State Education Department (SED) to DOH.	We **support** enhanced coordination of the oversight of the health professions with the oversight and regulation of the facilities and settings in which those professions work. GNYHA believes regulatory oversight of the health workforce should provide flexibility and agility, ensure that laws and requirements reflect innovative approaches to the workforce, and eliminate unnecessary barriers to the ability of hospitals and nursing homes to attract and retain the qualified professionals they need.
Interstate Licensure Compacts	The Governor proposes authorizing New York to join the Interstate Medical Licensure Compact and the Nurse Licensure Compact to allow physicians and nurses to relocate to and practice in New York.	GNYHA **strongly supports** this proposal. It would remove administrative redundancies, facilitate the exchange of information around adverse actions, enable physicians and nurses licensed in other states to practice in New York more easily, and allow New York State clinicians to practice in other Compact states (such as New Jersey and Pennsylvania).

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
Health Care Worker Scope of Practice	The Governor proposes numerous changes to the scope of practice for pharmacists, nurses, physician assistants, and emergency medical personnel, including: • Allowing physicians and nurse practitioners to issue non-patient-specific standing orders for HIV preventive medication (PrEP) • Allowing pharmacists to execute non-patient-specific standing orders for PrEP and prescribe and order other medications • Permitting experienced physician assistants to practice independently and prescribe controlled substances • Extending the authorization of and amending the supervision requirements for advanced home health aides • Establishing a two-year pilot program allowing certified medication aides to administer prescriptions in residential health care facilities • Expanding Medicaid coverage to include certain services prescribed by pharmacists	GNYHA **supports** these proposals. We believe health care professionals should be empowered to work at the top of their licenses.
Emergency Medical Services Scope of Practice	The Governor proposes to expand the definition of emergency medical services to include mobile integrated care, establish alternative delivery models for routine non-urgent care, and fund a public service campaign to recruit emergency medical service personnel. The Executive proposal also allows emergency medical personnel to administer vaccinations and buprenorphine.	GNYHA **supports** these efforts to enhance workforce flexibility and provide care in the community.
Registration of Health Care Staffing Agencies	The Executive proposal would require temporary health care services agencies to register with DOH, submit their contracts with health care entities, and report their charges and compensation on a quarterly basis. The proposal would also prohibit agencies from restricting their employees' employment opportunities and requiring contracted health care entities to pay fees for hiring agency employees on a permanent basis.	GNYHA **supports** requiring staffing agencies to make available data that will allow the State to evaluate pricing and sourcing of temporary health care staff, especially given the ongoing health care staff shortage. GNYHA is studying the proposal's other provisions.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
Health Workforce Programs	The Executive budget includes a number of investments in the health care workforce, including: • $39 million to create a universal model for training long-term care workers • $3.68 million (an increase of $1.28 million) for the Diversity in Medicine Program, which provides scholarships for individuals from historically underrepresented groups entering medical school • $15.87 million for Doctors Across New York, a loan repayment program in exchange for a service commitment in underserved areas • $3.45 million for the Empire Clinical Research Investigator Program to foster junior researchers' careers in biomedical research • $3 million for Nurses Across New York (an increase of $500,000), which provides loan repayment for RNs and LPNs for a three-year service commitment in underserved areas • $47 million for grants to health care facilities or institutions of higher learning to defer tuition and instructional costs and fund stipends • $22.5 million for grants to Article 28 facilities to train full-time support staff and develop new training techniques • $10 million for the Workforce Innovation Center • $14 million (a $5 million increase) to fund recruitment and retention of psychiatrists, psychiatrist nurse practitioners, and other behavioral health clinicians	GNYHA **supports** these investments in the health care workforce and incentives for health workers to practice in underserved areas.
Community Health Worker (CHW) Services	The Governor proposes to add CHW services for high-risk individuals with social service needs to the list of Medicaid-covered services (when recommended by a health care practitioner).	GNYHA **supports** this proposal and is pleased with the proposed investment in addressing unmet social needs. GNYHA notes that coverage cannot begin until the Centers for Medicare & Medicaid Services approves DOH's proposal.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
Licensed Mental Health Counselors and Marriage and Family Therapists	The Executive proposes that Medicaid cover services provided by licensed mental health counselors and licensed marriage and family therapists, and remove the age restriction on services provided by licensed social workers.	GNYHA **supports** this proposal, which will expand mental health coverage and capacity in New York.
Collaborative Drug Therapy Management (CDTM)	The Executive would expand CDTM, which allows pharmacists to enter into collaborative agreements with physicians and review, evaluate, and manage drug therapies. The proposal would allow nurse practitioners and facilities to enter into collaborative agreements. It would also allow CDTM to take place in all hospitals, Article 28 facilities, and up to 15 community practices authorized jointly by DOH and SED.	GNYHA **supports** this proposal.
FUNDING: NON-MEDICAID		
SBHCs	Provides $17.1 million in grant funding for SBHCs. For the past five years, the Legislature has provided $3.8 million in additional funding to address an SFY 2017-18 budget cut and subsequent DOH administrative redistribution that disproportionately harmed many urban, hospital-sponsored SBHCs.	GNYHA **supports** increasing funding for SBHCs to (at a minimum) the same level as previous years ($20.9 million). SBHCs provide critical primary care services to underserved public school children across the State.
MEDICAL LIABILITY		
Rate of Interest on Judgments	Ties the rate of interest on certain judgments and accrued claims to the one-year US Treasury bill rate rather than the current statutory provision of 9%.	GNYHA **supports** this provision. The current 9% rate amounts to a windfall for litigants. It may impede defendants' exercise of due-process rights, as it adds to the cost of seeking a post-judgment appeal and litigating wrongful death claims.

ISSUE	EXECUTIVE PROPOSAL FY 2023-24	GNYHA POSITION
REGULATORY		
Approval Process for Health Care Projects and Transactions	The Executive proposes to exercise oversight of certain transactions undertaken by investor-owned entities, including requiring physician practices and management services organizations, among other entities, to obtain DOH review and approval of material transactions and examining their impact on cost, quality, access, health equity, and competition. The Executive also proposes to modify requirements for changes in ownership and operation of certain regulated entities, including for-profit nursing homes.	GNYHA **supports** oversight of investor-owned entities. However, we are studying the various elements and scope of those proposals. It is our understanding that the Executive supports updating and streamlining the Certificate of Need (CON) program but has not proposed specific changes in the budget. GNYHA has put forward extensive recommendations to do this and is working with DOH on updating and streamlining the CON program.
Medical Debt	The Executive would amend the Consumer Credit Fairness Act to cover medical debt, require hospitals to use a uniform financial assistance form (beginning April 1, 2024), and require a special affidavit in support of default judgments based on medical debt, where the debt was sold or assigned to a party that is not a hospital or licensed health care provider.	GNYHA is studying these proposals.