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HANYS' SFY 2019-2020 state budget testimony and health policy recommendations

Joint legislative hearing of the Senate Finance
and Assembly Ways and Means committees

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Good morning Chairs Krueger, Weinstein, Rivera and Gottfried, and committee members. I am Bea Grause, president of the Healthcare Association of New York State, representing hospitals, health systems and continuing care providers across New York. Thank you for this opportunity to discuss the state fiscal year 2019-2020 executive budget proposal.

I would like to begin by recognizing and applauding Gov. Cuomo and the New York State Legislature for your continued support of New York's hospitals, health systems and continuing care providers, and thank you for your leadership on critical healthcare issues.

The legislature has been a vitally important partner in advancing health policies that enable the continuing transformation of our healthcare system. We appreciate the legislature's past commitments to investing in our healthcare providers and protecting against damaging funding reductions.

Your commitment to healthcare is producing real results. New York rose from 20th to 10th in America's Health Rankings® between 2011 and 2018, making New York the most improved state in the country.

Through the Delivery System Reform Incentive Payment program and other initiatives, New York is on track to meet performance goals related to fewer preventable readmissions and emergency room visits, while ensuring that more patients get primary care when and where they need it.

Patient safety continues to improve as hospitals and continuing care providers focus on a multitude of clinical collaboratives addressing areas like sepsis care, opioid abuse prevention and management, hospital-acquired infections and the patient experience. More than 175 hospitals across the state participate in a federal quality improvement collaborative, New York State Partnership for Patients (NYSPFP). Within the most recent PFP contract period, this effort averted more than 11,800 harms to patients and saved New York's health system nearly \$160 million.

These outstanding clinical and patient safety improvements are happening as New York's hospitals and health systems are expanding access to cutting-edge healthcare services, transforming operations to emphasize patient-centric healthcare and educating the next generation of medical and health professionals. Our hospitals and health systems stand ready, 24/7/365, to provide needed care to all New Yorkers and respond to any emergency.

Our hospitals serve as anchor institutions in communities across the state. They are among the largest employers in every community and generate more than \$162 billion in annual economic activity – over 10% of the state's gross domestic product. Our non-profit and public hospitals invest substantial resources into their communities, subsidizing care and services to those in need and investing in community health improvement initiatives.

Hospitals and health systems are doing all of this despite facing serious financial challenges. The statewide average hospital operating margin of 1.35% is the third worst in the country, with nearly half of New York's hospitals operating with negative margins.

We thank the legislature for acknowledging these challenges and continuing to support New York's healthcare institutions and the dedicated professionals who serve in them, ensuring that every New Yorker has access to high-quality healthcare services.

HANYS' recommendations for the SFY 2019-2020 budget

The executive budget proposes thoughtful, deliberative approaches to two challenging issues: achieving universal access to healthcare and reviewing staffing levels in hospitals and nursing homes. The governor's approach is a constructive step toward addressing these complex topics.

The proposed universal access commission will make recommendations on options for achieving universal access to healthcare in New York. HANYS supports taking steps to achieve healthcare coverage for the 5% of New Yorkers who are still uninsured. We agree with the process proposed by the governor to consider all of the related issues surrounding this important topic.

The governor's approach to studying the impact of overall staffing levels, including fiscal impacts, is a sound one. HANYS remains open to discussions around evidence-based measures and efforts to improve quality and patient safety. HANYS strongly opposes efforts to legislate mandatory nurse-to-patient staffing ratios. Mandated ratios remove clinical judgment from healthcare professionals, ignore the unique needs of patients, do not improve healthcare quality and patient safety and would cost billions of dollars.

The remainder of this testimony focuses on HANYS' recommendations and positions with regard to healthcare-related provisions of the 2019-2020 budget. In making our recommendations, we appreciate past investments to support hospitals and health systems and recognize that the executive budget retains prior capital funding commitments, funding for distressed providers and other supportive funding programs. However, the budget lacks significant new investments and diverts healthcare funding to other areas of the budget.

In your review of the budget, we urge you to protect healthcare funding and increase the overall investment in healthcare to continue facilitating the great progress our hospitals and health systems are making toward achieving the Triple Aim of better health, better care and lower costs.

This is especially important given the downturn in state revenue, causing a shortfall in excess of \$2 billion. In addressing the growing budget deficit, we implore you to avoid enacting new reductions to vital healthcare funding that could have a serious adverse impact on patient care.

Statewide workforce support: Healthcare is about people taking care of people. Supporting the healthcare workforce is a top priority of every hospital and health system. Recruitment and retention at all levels of the healthcare workforce is critical to delivering the highest quality care.

Hospitals are continually balancing growing workforce costs against government reimbursement that does not cover the cost of care. In New York's hospitals, the largest single expenditure is workforce – approximately 65% of total expenses (less capital and depreciation).

Because of the continued downward revenue pressure on our hospitals and health systems, we are extremely pleased with plans announced last year to increase Medicaid rates for hospitals and nursing homes for the first time in more than 10 years through funding made available in the Health Care Transformation Fund.

HANYS also supports the disbursement of funding to address increased labor costs associated with hospitals that recently ratified new collective bargaining agreements with their workforce. However, in recognition of increased labor costs for all hospitals and health systems, HANYS also urges the legislature to provide new funding to address increased labor expenses experienced by all hospitals across the state, regardless of whether the workforce costs are subject to collective bargaining. Utilizing uncommitted dollars from the Health Care Transformation Fund to support this initiative is consistent with the intent of the fund and recognizes the vital role of healthcare professionals and the significant resources needed to support increasing workforce costs. Such funding should be made available statewide with consideration given to those facilities with limited access to other sources of state support.

Capital investment: The proposed budget does not include new capital funding to support continued investment in the Statewide Health Care Facility Transformation Program. Notably, \$725 million in prior year funding for this program has not yet been awarded and/or released. The executive budget advances language that would require the Department of Health to award a large share of these capital funds by May of this year.

HANYS strongly supports this proposal and urges the legislature to propose an expedited process for the balance of capital funding available to hospitals and other healthcare providers. HANYS also urges the legislature to appropriate new funding for healthcare capital, similar to recent years.

Despite substantial state support of healthcare capital over the past several years, many communities have not yet benefited from these important investments, making the state's continued investment especially vital now. Many of the proposed capital projects align with goals of the DSRIP program. Funding these initiatives now will maximize the impact and continue the successful health system transformation that is occurring in communities across the state.

Indigent care pool: Disproportionate Share Hospital payments to hospitals remain an essential mechanism for ensuring patient access to services in many communities throughout the state.

In 2018, the Medicaid DSH program provided approximately \$3.6 billion in funding to New York's hospitals. That critical funding is slated for a drastic cut in federal support beginning in October as part of the Affordable Care Act. By 2020, HANYS projects a loss of 75% in federal Medicaid DSH support to New York.

A portion of New York's DSH funding — approximately \$1.1 billion — is distributed through the state's Indigent Care Pool through a distribution methodology that began in 2013. As part of the SFY 2018-2019 budget agreement, DOH convened a workgroup throughout the summer and fall to discuss potential changes to the methodology used to distribute the annual ICP funding. Those conversations did not produce a consensus for change.

Given the looming federal Medicaid DSH cuts, the significant disruption those cuts would impose on New York's hospitals and the substantial changes to the current distribution methodology that would be required, HANYS strongly supports the continuation of the current ICP methodology, which would help ensure stabilization for our hospitals.

Distressed and other supportive funding programs: HANYS strongly supports the budget proposals to maintain funding for distressed hospitals under the Value Based Payment Quality Improvement Program (VBP QIP) and Vital Access Provider Assurance Program (VAPAP). Vital Access Provider funding is also retained for rural and Critical Access Hospitals, as well as funds dedicated to Sole Community Hospitals. Funding is also continued for Enhanced Safety Net hospitals. The funding provided through these programs has been critical to support health system stabilization, transformation and access.

Recreational marijuana: The executive budget proposes to authorize and regulate adult use of recreational marijuana in New York. The governor projects that the measure, if enacted, will generate \$300 million in revenue over the next three years that would be used to support a variety of initiatives, including mental health treatment and public health education.

HANYS strongly supports directing revenue from the program into the healthcare delivery system. We ask that special consideration be given to payment rates and access to behavioral health services, as well as public safety and education. Additionally, as noted previously, hospitals and health systems are among the largest employers in all areas of the state. As such, if recreational marijuana is legalized, we encourage thoughtful consideration be given to developing and effectively implementing employment policies that are fair, and most importantly, keep our patients safe.

Nursing home funding cut: The executive budget proposes to make changes to how case-mix adjustments are made for nursing home Medicaid rates, resulting in an annual Medicaid cut of over \$123 million (state share) and \$250 million when factoring in the federal share of Medicaid. Nursing homes across the state need to be supported right now and cannot withstand new funding reductions. Cutting significant funding like this would have a drastically negative impact on communities across the state, especially those served by non-profit and public nursing homes. We urge the legislature to reject this proposal.

Hospital funding cuts for potentially preventable admissions: The executive budget proposes to reduce Medicaid inpatient payment rates to account for hospitals with high levels of PPAs, resulting in nearly \$55 million in Medicaid cuts over the next two years. This misguided proposal ignores the hard work by hospitals and community partners under programs like DSRIP and NYSPFP that have helped drive down readmissions, improving patient care while producing state Medicaid savings. In many cases, patient circumstances and lack of community infrastructure require the hospital to admit the patient in order to provide adequate patient care. While a portion of these savings would be reinvested in primary care — an investment that HANYS strongly supports — HANYS strongly opposes arbitrary policies that cut hospital payment rates to achieve this goal.

Major academic centers of excellence program elimination: New York's teaching hospitals play a critical role in developing physicians that are part of the foundation of our healthcare system. In fact, New York's teaching hospitals train nearly 10% of all medical students in the country. The executive budget proposes to eliminate the Major Academic Centers of Excellence Program, which provides \$24.5 million annually in critical funding support to several academic medical centers. The wholesale elimination of this state support would have a detrimental impact on these centers. HANYS urges the legislature to reject this cut.

Population Health Improvement Program elimination: The executive budget proposes to eliminate PHIP, whose regional contractors across New York help advance population and community health improvement initiatives through stakeholder collaboration, data-driven prioritization and regionalized strategies for addressing social determinants of health. PHIPs play a key role in advancing the state's most significant healthcare initiatives, including the *Prevention Agenda* and DSRIP. HANYS strongly opposes the elimination of this important program.

Behavioral health parity: HANYS supports the executive budget provisions related to behavioral health insurance parity reform. The proposals will further strengthen New York's commitment to addressing the significant barriers faced by individuals with mental health issues and substance use disorders and will greatly assist our members in being able to provide these

necessary services. Lack of access to insurance benefits is one of the largest barriers when seeking mental health and substance use disorder treatment.

Maternal mortality: HANYS strongly supports the governor's proposal to establish in statute a Maternal Mortality Review Board. We are encouraged that the governor included strong confidentiality protections and funding so that the board can function as intended. We are also pleased to see several other initiatives outlined in the governor's State of the State address that are designed to address racial disparities, improve maternal health and reduce maternal mortality. As an active member of the Maternal Mortality Task Force, HANYS stands ready to work with the governor and legislature to implement these important programs.

DSRIP waiver: Current authority to waive state regulatory provisions to allow for the efficient implementation of DSRIP-related projects will expire at the end of the upcoming fiscal year. Hundreds of projects undertaken to support the goals of DSRIP will not be able to continue without extension of this waiver authority. HANYS supports the provisions in the executive budget that would continue the authority of certain state agencies to waive regulatory provisions for providers involved in DSRIP projects or related activities.

Health Republic: HANYS urges the legislature to appropriate funding to the Health Republic Insurance of New York fund, established several years ago, to address the unpaid claims hospitals and physicians incurred from the shutdown of Health Republic.

HANYS: *Always There for Healthcare*

HANYS is committed to working with state government and all healthcare stakeholders as we pursue our common goal: ensuring that the highest quality care is accessible and affordable to all New Yorkers. With the continued uncertainty and persisting threats to our healthcare system from Washington, we appreciate the support of the legislature and governor and look forward to continuing the progress we have made together.