



December 17, 2014

**Assembly Public Hearing
New York Health Act Single Payer Bill**

Testimony of

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Thank you for the opportunity to comment on the New York Health Act Single-Payer Bill on behalf of the Suburban Hospital Alliance of New York State. The Suburban Alliance is a coalition of 51 hospitals, advocating for better healthcare policy for all those living and working in the nine counties north and east of New York City – Long Island and the Hudson Valley region.

The quest to achieve universal health coverage is an admirable one toward which New York State and our nation have made great progress during these past few years. Coverage has been expanded through subsidized commercial insurance and increased eligibility for Medicaid. While these mechanisms have been successful, they have come at a substantial cost to the hospitals and health systems that provide the backbone of our healthcare delivery system.

I urge the Health Committee to consider these impacts as it proceeds in 2015. Historically, and under the coverage expansion offered by the Affordable Care Act, publicly-sponsored insurance programs have not reimbursed adequately for quality healthcare services. The pace of technological innovation, cutting-edge procedures, pharmaceutical discoveries, and as we are

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beginning to see now, the promise and price of personalized medicine, are huge cost drivers of the healthcare delivery system. These costs will not go away and will surely rise as medical breakthroughs and the science evolves. At the same time, patient consumers are increasingly better educated about what treatments and services are available to them, and they are increasingly demanding the more expensive MRI over the less expensive but equally appropriate radiograph, in many situations where this proves to be the case.

Providers lack the resources to invest in technology and delivery system reforms when an ever-larger percentage of their business comes from public programs that have been unable to offer sufficient reimbursement rates. The American Hospital Association issued a fact sheet this year that looked at this issue. For the year 2012, combined underpayments – Medicare and Medicaid – were \$56 billion nationally. For Medicare, hospitals received payment of only 86 cents for every dollar spent by hospitals caring for Medicare patients in 2012. We believe that New York’s Medicaid plans reimburse hospitals at a rate of approximately 76 cents for every dollar of care provided. Providers are understandably concerned that this pattern would continue if the number of patients covered under new or expanded public insurance programs continues to increase.

However, we believe that there are fundamental reforms that could make New York’s healthcare system fairer and more efficient; I’ll discuss two of them today. First, we should standardize the administrative processes and instruments that sap resources from providers and payers alike, while confounding consumers. Standardized plan offerings, plan documents, identification cards, and claims processing systems could reduce the percentage of insurance premiums and public expenditures that do not contribute to patient care.

Second, I encourage the Committee to consider requiring a reinvestment of health insurance profits in New York's healthcare infrastructure. While the focus of this hearing is to consider a stronger public role in delivering health coverage, the momentum in New York for the past decade has been in privatizing our public insurance programs by moving Medicaid patients into private managed care plans. By subsidizing commercial insurance products through the health benefit exchanges, the ACA has contributed to this shift. In this way we are achieving a publicly-financed, privately-delivered system, but a significant percentage of our public investment is going to insurance company profits.

Insurance companies have benefited mightily from this trend. According to a recent article in the *New York Times*, the share prices of Aetna, Cigna, Humana and United have more than doubled since the law was enacted. About half of UnitedHealthcare's revenue now comes from Medicaid and Medicare Advantage plans. Its revenues through the third quarter are up 7 percent and dividends to its shareholders are up 29 percent. It is reasonable to expect commercial insurers that are flourishing in our current hybrid reimbursement system to reinvest some of these profits into more efficient systems and provider networks in New York.

Ironically, due to the pressure to produce dividends for shareholders and pressure from the state to keep premiums low, provider reimbursement rates got squeezed. These profit levels are being maintained by starving the healthcare provider community of fair reimbursement levels. Standardization of claims practices and processing would alleviate some of the squeeze for hospitals, as these institutions would not have to invest so much in terms of human capital, time, and other administrative resources.

If health care reform is going to be successful in the long term, we need a resilient, modernized healthcare sector. This can only be achieved when providers have positive operating

margins with which to invest in facilities and personnel, and all of the stakeholders involved in delivering care to New Yorkers are investing in its success.