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The Honorable Liz Krueger, Chair
Senate Finance Committee
financechair@nysenate.gov

The Honorable J. Gary Pretlow, Chair
Assembly Ways and Means Committee
wamchair@nyassembly.gov

Dear Senator Krueger, Assemblymember Pretlow, and members of the Senate Finance and Assembly Ways and Means Committees:

On behalf of hospitals and health systems on Long Island and in the Hudson Valley, I welcome the opportunity to provide input on healthcare provisions in the 2026 fiscal year budget. Hospitals appreciate the continued support of the Legislature for a strong healthcare system that ensures quality and accessible care for every New Yorker.

In December, the Suburban Hospital Alliance and colleague hospital associations released our annual hospital fiscal conditions report, demonstrating that **75 percent of the state's hospitals projected negative or unsustainable operating margins for 2024**. As the survey makes clear, the precarious fiscal condition of hospitals and health systems is not a short-term consequence of the COVID-19 pandemic, though the pandemic exacerbated the fiscal challenges and a workforce shortage that was already looming.

While we share the State's pride in the expansion of low- and no-cost coverage that has sharply reduced New York's uninsured population, it has come at a price -- the long-term sustainability of our health system:

- The increased share of patients covered by public insurance that reimburses health systems at less than the cost of providing care is fundamentally altering the economics of healthcare.
- This is exacerbated by the state's aging population, reliant on Medicare coverage that also pays less than cost or Medicare Advantage plans that routinely delay and deny payment.
- The high deductibles built into New York State of Health plans are a challenge for enrollees and are often uncollectible by providers. Changes to the Hospital Financial Assistance Law last year made these unaffordable or uncollectible deductibles the responsibility of hospitals.
- Non-profit hospitals' limited access to capital and stiff competition from investor-backed, largely unregulated entities compound the stress, as do soaring labor and pharmaceutical costs.

Over the past five years, the percentage of hospital inpatient stays paid by commercial insurance has declined by 18 percent on Long Island and 13.4 percent in the Hudson Valley, while the share of patients with public insurance coverage increased by approximately the

same amount. Hospitals are increasingly losing the ability to shift the cost of Medicaid underpayment to commercial payers. This is a recipe for creating more financially distressed institutions and less access to care. Our recommendations below reflect the need for increased investment, support for long-term workforce growth, restraint of managed care plans' damaging practices, and support for innovations in care.

Sustain and Strengthen Healthcare Institutions

Governor Hochul acknowledged that many hospitals are struggling to remain solvent, noting that 29 percent of hospitals are in financial distress. Many others are on the brink of meeting the state's very rigid definition for distressed providers. We appreciate the proposed investments included in the Executive Budget and urge the Legislature's attention to the following:

Keep the promises of the 2024-25 fiscal year budget. No funds have been distributed from the $525 million allocated by the Legislature, nor have any of the nearly $1 billion in healthcare capital funds been awarded. These funds must be released and their distribution must be both broad-based and regionally equitable.

Support $425 million Medicaid investment for hospitals. The Executive Budget proposes an across-the-board increase in Medicaid outpatient rates. It also calls for new Directed Payment Template (DPT) programs focused on quality and labor and delivery services. Again, we urge that the distribution of these funds be regionally equitable, as very few suburban hospitals are eligible for the current DPT program. Taken together, these investments will provide essential support for community-based services and help to narrow the gap between cost and reimbursement. **Suburban hospitals collectively are reimbursed 68 cents for every $1 dollar of care provided to Medicaid patients**.

Support continuation of the Safety Net Transformation Fund. There were far more applicants for the first year of funding for this program for distressed hospitals than the budgeted allocation allowed. We support the governor's proposal to provide an additional $300 million for operating expenses and $1 billion for capital to continue the program.

Restore VAPAP funding and increase flexibility. The Executive Budget does not continue the additional $500 million allocation added by the Legislature last year for the Vital Access Provider Assurance Program (VAPAP), which provides temporary operating assistance to financially distressed providers. We urge restoration of this funding, and that the eligibility criteria be made more flexible to meet emerging needs. The Department of Health (DOH) has terminated VAPAP support for several suburban institutions over the past two years, despite acute financial distress.

Provide capital funding for facility modernization. The governor did not include any new funds for healthcare capital projects. Capital funding is the only assistance available to the majority of hospitals and health systems; it is essential support for these non-profit institutions, many of which would otherwise struggle to raise funds for expansion and modernization in the private markets.

Consider alternate funding mechanism to MCO tax: The Executive Budget proposes to fund the Medicaid rate increase, Safety Net Transformation Fund, $500 million of global cap relief and other initiatives with the anticipated proceeds of the managed care organization (MCO) tax that was authorized in the closing weeks of the Biden Administration. Given the uncertainty of the

healthcare policy priorities of the Trump Administration and Congress, we are very concerned about relying exclusively on the implementation of this tax for any new health system investments.

Grow the Healthcare Workforce

The healthcare workforce shortage was accelerated by the pandemic and competition from new players in the market, like tech companies, telehealth providers and private equity-backed outpatient sites. These pressures have collided with a generational shift, as the Baby Boom generation is increasingly exiting the workplace. **Our fiscal survey found that 97 percent of hospitals experienced a nursing shortage, and 89 percent struggled to fill other clinical positions.** The Suburban Hospital Alliance is working locally with academic, labor and community partners, but we need continued support from government to meet the healthcare needs of an aging population. We ask for the Legislature's support on the following issues:

Expand scope of practice. It is imperative that today's clinicians be allowed to work to the fullest extent of their education and training so that we can maximize the workforce we have. We support proposals in the Executive Budget to allow physician assistants to practice more independently, authorize registered pharmacy technicians to administer vaccines under the supervision of a licensed pharmacist, and allow trained medical assistants to administer immunizations in outpatient settings. If these provisions are not included in the budget, we urge consideration of these reforms outside of the budget.

Expedite recruitment and relocation of doctors and nurses. New York is now in a distinct minority among states in its failure to join the Interstate Medical Licensure Compact (IMLC) for physicians and the Nurse Licensure Compact (NLC), with 42 and 43 states participating, respectively. These compacts ease recruitment of clinicians to the state and facilitate telehealth services. This is even more important in a crisis – New York institutions again will be at the mercy of price-gouging staffing agencies while workers will easily be able to move across other state lines. We support the current proposal to join the NLC and ask that companion language for the IMLC be included in the budget.

New tuition support: The Executive Budget proposes to allocate $47 million to providing free community college tuition to adults aged 25-55 who pursue degrees needed for high-demand occupations, including nursing. We support this proposal and ask for prioritization of all high-demand healthcare positions.

Expand the pipeline for tomorrow's nurses. Nursing schools routinely turn away qualified applicants because they lack the faculty to expand their programs. We urge the Legislature to fund innovative regional pilot programs, like providing salary support so that working nurses can teach part-time without loss of income or training programs to prepare experienced nurses to become faculty or preceptors.

Hold Health Plans Accountable

Health plans continue to pad their bottom lines by delaying care, delaying payment for care already provided, and limiting access by failing to establish adequate networks – including in the Medicaid managed care and Essential Plan products. We have repeatedly expressed concern about the failure to hold these predominantly for-profit corporations accountable for fulfilling their commitments to patients.

We look forward to discussing during the post-budget session our robust agenda on managed care that includes addressing prior authorization and down-coding abuses by health plans. In the meantime, we are encouraged by the package of proposals included in the Executive Budget that would provide more enforcement authority, expand consumer choice and ensure some accountability for health plans. We urge you to support:

- Authorizing the DOH to fine Medicaid managed care plans that do not meet contractual obligations;
- Directing the DOH to undertake a comprehensive review of regulated health plans' network adequacy standards; and
- Increasing oversight of managed care plans' behavioral health coverage, including monitoring their compliance with a provision in last year's budget that required commercial insurers to reimburse behavioral health services at or above the Medicaid rate.

However, we oppose carving out all Medicaid claims from the independent dispute resolution process, as hospitals may struggle to find specialists willing provide emergency call coverage if they cannot get reimbursed more than the Medicaid rate.

Support Innovation and Provide Regulatory Relief

Our joint association fiscal survey found that the **median hospital operation margin -- even when including the current level of state supportive funding for safety net institutions -- was 0.0 percent for 2024.** Any new regulatory burden will tip the hospital sector back into the red. Instead, we need flexibility to implement new innovations in care and to allow hospitals to operate more efficiently. We ask for your consideration on these important issues:

Extend the community paramedicine demonstration program. The Executive Budget proposes to continue for two years a demonstration program that extends the reach of healthcare providers, allowing paramedics to treat patients safely and efficiently in the field when clinically appropriate and reducing emergency department overcrowding. This emerging care model was utilized under COVID-19 pandemic waivers to leverage an already mobile healthcare workforce.

Authorize Hospital at Home. The governor also proposes to establish Medicaid coverage for a Hospital at Home program, creating a state companion to the Medicare initiative that was authorized during the pandemic.

Allow nurse practitioners to order involuntary commitment. Governor Hochul indicated support in her State of the State address for authorizing psychiatric nurse practitioners to write orders for involuntary commitment. The workforce shortage is felt nowhere more acutely than in the behavioral health professions. Granting this authority to NPs frees up psychiatrists to focus on patient care.

Reject duplicative community benefit reporting. The Executive Budget would establish a new reporting requirement for hospitals that mirrors an existing federal filing, IRS Form 990 Schedule H, which already is disclosed publicly and to the DOH. This provision creates an unnecessary regulatory burden with no practical benefit to the state or community members.

Thank you again for the opportunity to provide input into the budget deliberations. The Suburban Hospital Alliance and its members look forward to working with you to strengthen New York's healthcare delivery system. Please do not hesitate to contact me on these or other issues.

Best regards,

Wendy D. Darwell
President and Chief Executive Officer