Suburban Hospital Alliance of New York State, LLC

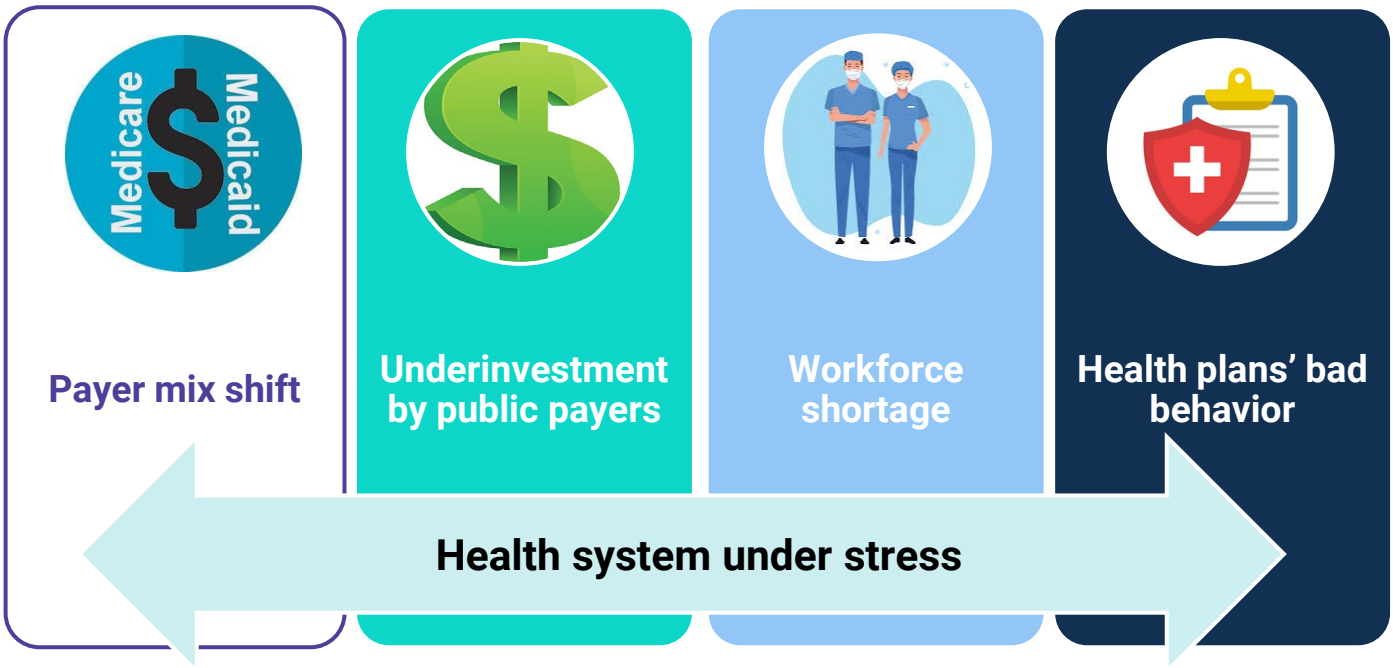
Federal Budget Priorities

May 2025

Suburban Hospital Alliance of New York State, LLC

Nassau-Suffolk Hospital Council

Northern Metropolitan Hospital Association



In December, the Suburban Hospital Alliance and allied hospital associations released our annual fiscal conditions report, demonstrating that **75 percent of the state's hospitals projected negative or unsustainable operating margins for 2024**. As the survey results made clear, the precarious fiscal condition of hospitals and health systems is no longer a consequence of the COVID-19 pandemic, though the pandemic exacerbated these fiscal challenges and a workforce shortage that was already looming.

Our report found that:

- 97 percent of hospitals experienced a nursing shortage and 89 percent struggled to fill other positions.
- Provider costs have grown much faster than the rate of inflation over the past five years, especially the cost of pharmaceuticals (+83%) and labor (+36%).
- 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. Sixty-three percent of hospitals reported hiring or trying to hire more staff to deal with insurers' aggressive practices.
- More than a third of hospitals projected that health plans' actions would reduce their operating revenue by 5 percent or more in 2024. With a statewide median operating margin for hospitals of 0.0%, that's a devastating impact.

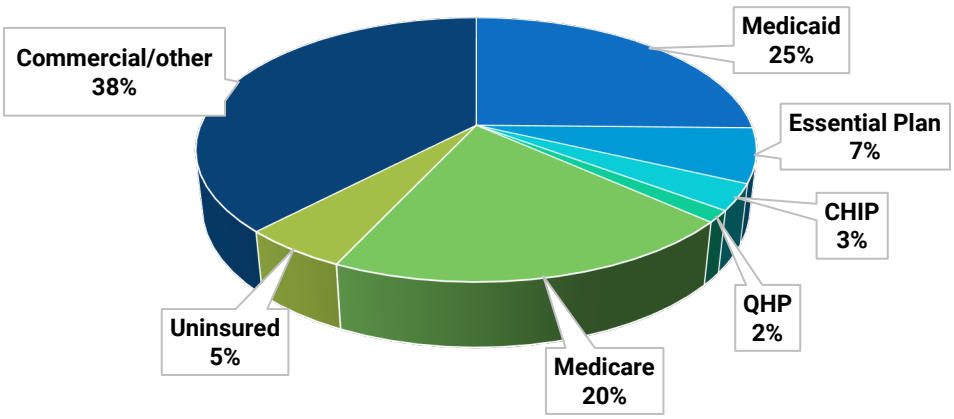
The healthcare system cannot withstand the cuts currently under consideration in budget reconciliation discussions. Access to care will be impacted.

Sustain and Strengthen Health Coverage and the Providers Who Care for New York's Communities

Proposals on the table for budget reconciliation would threaten access to care and throw New York health systems into a financial crisis far deeper than COVID did – at a time when we need increased investments to address an aging population, patients are requiring more complex care and we face a generational shift in the workforce that will leave us desperately short of physicians, nurses and other clinicians.

House budget resolution instructions put a target on public health insurance programs and healthcare providers – especially the $880 billion in savings demanded from programs under the jurisdiction of the Energy & Commerce Committee, which cannot be achieved without steep cuts to Medicaid.

More than 3 million NY suburban residents (57%) are enrolled in public health coverage



Medicaid is an essential pillar of health care access, along with Medicare and employer coverage. It provides healthcare to families with modest incomes, young adults who have aged off their parents' insurance, people with disabilities and frail elderly individuals in long-term care. It covers your neighbors, your kids, your parents and grandparents. It is now on the chopping block. Policy changes under consideration for budget reconciliation would undermine the progress our state has made toward providing access to care through low- and no-cost insurance coverage. More than 95% of New Yorkers now have coverage.

We urge you to oppose:

- **Altering the Federal Medical Assistance Percentage (FMAP), the formula that determines the federal Medicaid matching rate to states, or replacing FMAP with capped state reimbursements.** New York already receives the lowest possible FMAP rate – 50% -- for its core Medicaid program. For every one percentage point cut to FMAP, the state loses $1 billion. Any effort to apply a per-capita cap would likely cost New York billions. Lowering the matching rate or implementing a per-capita cap for the ACA's expansion population is also on the table. These additional matching dollars are funding low- and no-cost insurance options for families with modest incomes and providing essential support to safety net institutions.
- **Restricting provider taxes, assessments and waivers.** New York relies upon provider and insurer taxes, as well as other flexibilities allowed by Medicaid, to draw down supplemental federal support for healthcare. These are among the few mechanisms that narrow our state's historically negative balance of payments to the federal government ($19.4 billion in 2022).

- **Beneficiary restrictions.** In states that have already tried it, implementing work requirements as a condition of Medicaid coverage has had a negligible impact on work but a significant impact on health coverage. Similarly, requiring more frequent redeterminations of income eligibility adds administrative burden for states and will result in eligible individuals losing coverage. Reducing retroactive coverage for eligible individuals from 90 days of the date of application to 30 days not only punishes beneficiaries, it will leave healthcare providers with more unpaid bills.

- **Terminating the enhanced premium tax credits for coverage purchased on the health insurance marketplace.** The enhanced tax credits implemented in 2021 have resulted in more than 10 million Americans gaining coverage. Failure to extend the expiring tax credits will amount to an immediate $700 tax increase on these families. Undoubtedly many will opt for lower tiers of coverage with higher deductibles or forego coverage altogether. Residents of New York's suburban counties make up a disproportionate percentage of the state's enrollment in Qualified Health Plans, so our regions will be hit hard.

- **Expanding Medicare site-neutral payment policy.** Existing provisions have limited Medicare reimbursement for some services provided at hospital-owned clinics to the same level that a physician practice would receive, but there have been numerous proposals to expand these policies to additional services or even to eliminate the hospital outpatient department rate altogether. Hospitals should not be paid at the same rate as a freestanding physician offices. They treat sicker and more complex patients, are subject to much more rigorous regulatory requirements and, unlike private practices or private equity-owned urgent care centers, cannot cherry-pick their patients – hospitals treat all patients, regardless of insurance coverage or lack thereof.

Any combination of these provisions will fundamentally endanger the structure of New York health care for your constituents and local health systems. Hospitals and health systems are already struggling to care for a growing share of patients with public insurance that reimburses them at less than what it costs to provide the care. Suburban hospitals collectively are only paid 68 cents for every $1 of care provided to Medicaid patients and 87 cents for Medicare patients. Medicare and Medicaid cuts will deepen this distress and force more cost-shifting to commercial insurance coverage.

New York hospitals also have a heightened risk from the loss of low-cost coverage or individuals choosing plans with higher deductibles they cannot afford to pay. Changes to New York's charity care law last year significantly raised the income thresholds to which hospitals provide charity care and restricted hospitals' ability to collect on medical debts, even from those with insurance or the ability to pay. Therefore, unlike other healthcare providers, hospitals will absorb many of these Medicaid and ACA coverage cuts directly.

Unfinished Business

We appreciate that the continuing resolution covering the remainder of the 2025 fiscal year addressed many healthcare priorities but only did so for the short term. Extending critical programs and flexibilities for a few months at a time disrupts care and makes financial planning more challenging for providers already under stress. We ask for your support for long-term extensions of the following provisions, all of which will now expire this year:

- **Eliminate or delay the Medicaid Disproportionate Share Hospital (DSH) cut.** The DSH program provides critical support to institutions treating Medicaid beneficiaries and uninsured New Yorkers. Every New York hospital receives some level of DSH funding based on the percentage of high-need patients they treat. If Congress does not take action by September 30, funding to the state's hospitals will be cut by nearly 60 percent – a loss of approximately $1 billion to providers next year alone.

- **Modify the harmful Medicaid Disproportionate Share Hospital (DSH) cap policy.** Section 203 of Title II of the Consolidated Appropriations Act of 2021 changed how hospital-specific Medicaid DSH funding caps (the maximum amount of Medicaid DSH funding a hospital can receive) are calculated. This policy will severely impact access to essential federal supplemental support for many of New York's public safety net hospitals, including Nassau University Medical Center, Stony Brook University Hospital and Westchester Medical Center, that care for the highest share of low-income and uninsured individuals in the state. This provision slashes funding for New York's public institutions by approximately $300 million a year.

- **Extend Medicare telehealth waivers and the Acute Hospital at Home program.** The need to create additional capacity, reduce transmission risk and better utilize the clinical workforce during the COVID-19 pandemic led to important innovations in care. Two of these – the broad expansion of telehealth services to Medicare beneficiaries and the Medicare Acute Hospital Care at Home program – continue to be popular with patients and provide needed flexibility to hospital providers but will expire on September 30. We continue to support making these programs permanent.

We also ask for action on two other critical issues that were not addressed in the FY2025 continuing resolution:

- **Reverse the Medicare physician cut.** 2025 is the fifth consecutive year that the existing physician reimbursement formula has called for a cut. Reform is needed to the payment system but in the meantime, Congress should act to at least mitigate the 2.8% cut that took effect on January 1.

- **Reauthorize the Pandemic and All-Hazards Preparedness and Response (PAPAR) program and increase funding for the Hospital Preparedness Program.** This program provides leadership and financial support for hospitals' emergency preparedness and surge capacity. It is essential to our ability to plan for, coordinate and collaborate on our regional response to pandemics, hurricanes, floods and other emergencies.

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