



**Suburban
Hospital Alliance**
of New York State, LLC

2026 Budget & Policy Priorities

Defend New York Healthcare and Prepare for the Future

The 2025 federal tax bill (H.R. 1) undermines the foundations of New York's healthcare infrastructure, withdrawing critical federal support for affordable health insurance, Medicaid rates for providers and support for safety net institutions. Although the recent decision to allow collection of the managed care organization (MCO) tax through the end of 2026 provides short-term relief for the next fiscal year, the impact of H.R. 1 on the State of New York and healthcare providers will be severe in the years to come.

The impact of H.R. 1's cuts on nonprofit hospitals and health systems will be compounded by the 1 million or more New Yorkers who will lose low-cost insurance coverage or will opt for bare-bones coverage with deductibles they cannot afford to pay. Hospitals' charity care for the uninsured and underinsured will spike, as they continue to struggle with Medicaid rates that lag far below the cost of providing care – a \$1.13 billion deficit for suburban hospitals in 2024.

H.R. 1 compounds stresses on suburban hospitals that are severe and growing.

- In 2024, Medicaid paid suburban hospitals only 67 cents for every dollar it cost to provide the care – a \$1.13 billion deficit.
- Charity care expenses for suburban hospitals increased 50.5 percent from 2023 to 2024 and will continue to grow as New Yorkers lose coverage
- Labor, drug and supply costs continue to soar, wiping out modest rate increases.

It is critical that the 2026-27 budget takes steps to stabilize the healthcare system. We urge the Legislature's support for provisions in the Executive Budget that commit to supporting hospitals and health systems by:

- ✓ **Maintaining last year's Medicaid rate increases**, including implementing the FY26 budget's 10 percent hospital outpatient rate increase;
- ✓ Dedicating MCO tax receipts for **additional rate increases in FY27 and FY28**; and
- ✓ Providing **ongoing support for distressed and safety net providers**.

And ask the Legislature to:

- ✓ Restore **\$520 million for the Vital Access Provider Assurance Program (VAPAP)**; and
- ✓ Provide **\$1 billion for a Statewide V Healthcare Facility Transformation Program** round of capital awards and ensure those dollars are equitably distributed across the state.

The Legislature and Executive Branch also must not lose sight of the need for long-term structural reforms, as our state's aging population will place more demands on the care system, escalate Medicaid expenditures and deplete the available healthcare workforce – all while the impacts of H.R. 1 on the state budget and providers stack up.

The FY27 budget as proposed will help stabilize the healthcare sector for the short term. **We urge the Legislature to seize this opportunity to also make substantive reforms that will help secure the availability and quality of healthcare for all New Yorkers today and in the future.**

- ✓ **Stabilize and strengthen hospital and health system finances;**
- ✓ **Promote innovation and transformation;**
- ✓ **Keep New Yorkers covered;**
- ✓ **Modernize the regulatory structure;**
- ✓ **Check health plan and Big Pharma's abuses**

Stabilize and Strengthen Finances

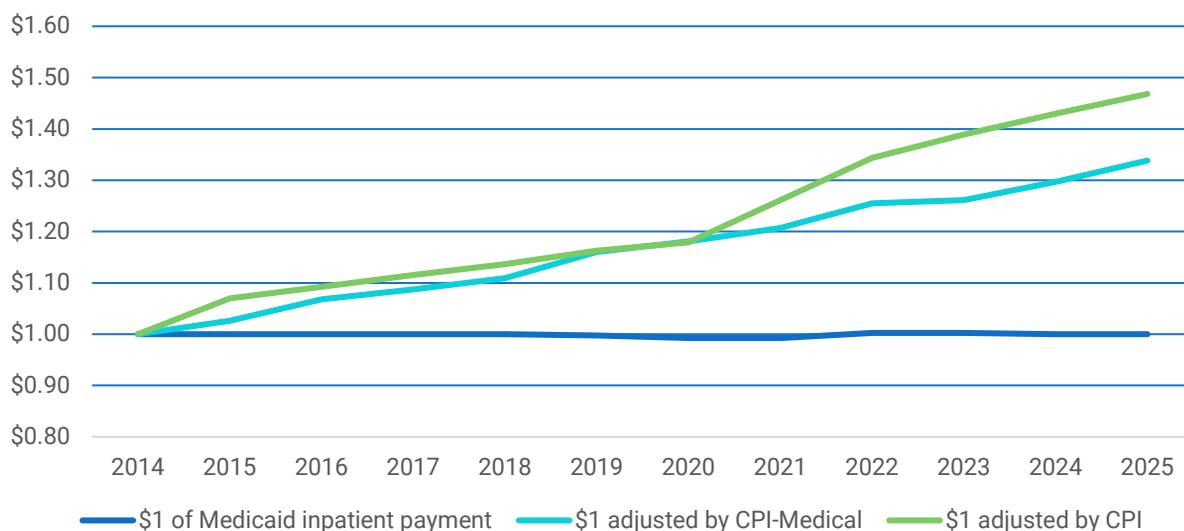


Governor Hochul acknowledged in her budget that many hospitals are struggling to remain solvent, noting that 29 percent meet the state's criteria for financial distress. Many others are on the brink. We appreciate the proposed investments included in the Executive Budget and urge the Legislature's attention to the following:

- **Continue the commitment to closing the gap between Medicaid cost and reimbursement** by implementing the 10 percent Medicaid outpatient rate increase enacted in the FY26 budget and supporting the Governor's call for \$1.5 billion (including federal share) in new investments for FY27, directed toward hospital and nursing home rate increases. These investments will help shield against providers' growing uncompensated care expenses and other H.R. 1 impacts.
- Support the Executive Budget proposal to provide \$330 million in operating funds and \$1 billion in capital to **replenish the Safety Net Transformation Program** to put distressed providers on a pathway to sustainability. Demand for this program continues to outstrip available funding.
- **Restore \$520 million in VAPAP funding and increase flexibility.** The Executive Budget did not continue the additional allocation provided by the Legislature last year for this program, which provides temporary operating assistance to financially distressed providers. We also urge that eligibility criteria be made more flexible to meet emerging needs. The DOH has terminated VAPAP support for several suburban institutions over the past several years, despite acute financial distress.
- **Provide \$1 billion for Statewide V Health Care Transformation awards and ensure regional parity.** Governor Hochul did not include any new funds for general healthcare capital projects in her budget. Capital funding is the only assistance available to the majority of hospitals and health systems; it is essential support for nonprofit institutions, many of which would otherwise struggle to raise funds for expansion and modernization. Directing the DOH to award capital dollars in a geographically equitable manner is also essential. Although the nine-county suburban region includes 26 percent of the state's population and hospitals, **only 11 percent of Statewide IV dollars went to the suburban regions** – 10.5 percent to the Hudson Valley and 0.5 percent to Long Island.
- **Strengthen the Medical Indemnity Fund.** The governor's budget proposes \$127 million for the Medical Indemnity Fund (MIF), which pays the future healthcare expenses of individuals with neurological injuries sustained at birth as a result of medical malpractice. If paired with proposed reforms to the rates paid for qualifying health expenses, the Executive Budget states this amount is sufficient to keep the fund solvent for the 2026-27 fiscal year. Suburban Hospital Alliance supports these proposals but urges further discussion about the long-term sustainability of the MIF.
- **Support ambulance services.** The Executive Budget would eliminate Medicaid ambulance reimbursement for dual-eligible patients. Medicaid currently pays what Medicare Part B would have paid for these patients. Supplemental Medicaid reimbursement was intended to make up for an unreasonably low Medicare rate and the inability to collect cost sharing from low-income patients. This cut will negatively impact the availability of ambulance services, which are already struggling, and so urge the Legislature to reject it.

➤ **Plan for a sustainable future for New York health care.** With the extension of New York’s MCO tax collection through the 2026 calendar year and potentially a favorable decision from CMS on the transition of the Essential Plan, combined with an improved revenue forecast, this budget may not require drastic actions. However, the state and its healthcare providers will face an escalating number of cuts in the near term as additional provisions of H.R. 1 take effect – in particular, cuts to the State Directed Payment program for distressed providers and a mandatory lowering of New York’s provider tax. In the longer term, demographic and workforce changes will only increase stress on the system. Now is the time to begin preparing substantive reforms to the Medicaid program to ensure that New York can provide coverage to its neediest residents in the future. We urge Governor Hochul, the Department of Health and Legislature to engage stakeholders on ways to ensure that safety net funding is sustained and transparent, to bend the cost curve of long-term care spending, and to determine whether the Medicaid benefit design is appropriate given fiscal constraints.

Medicaid inpatient rates flat over past decade, lag rate of medical inflation by 34%



There’s no time to waste. New York needs strong hospitals and health systems to meet the needs of our communities. That will not be possible if Medicaid continues to reimburse hospitals at far less than the cost of providing care – just 67 percent for suburban hospitals in 2024. Already, suburban hospitals’ commercial insurance base has been significantly eroded and supplanted by public insurance, a trend that will only continue with an aging population. According to data submitted on hospitals’ Institutional Cost Reports, inpatient revenue from commercial payers declined 23.96 percent on Long Island while Medicaid increased 35.4 percent in the first decade after passage of the Affordable Care Act. In the Hudson Valley, the commercial payer mix declined 24 percent while Medicaid increased 29.3 percent. The growing inability to cost-shift to commercial insurance to make up for the Medicaid shortfall is leaving suburban hospitals vulnerable. The financial condition of the regions’ existing safety nets will worsen as others slide toward financially distressed status.

Promote Innovation and Transformation



Regulatory flexibilities are needed to implement new models of care and build the workforce of the future. State government can help providers leverage new technologies and advancements in care that increase consumer convenience, expand access and improve efficiency.

Although the acute staffing crisis has improved in the suburban regions for now, long-term challenges remain. Competition from new players in the market, like tech companies, telehealth providers and private equity-backed outpatient sites, continues to pressure nonprofit hospitals, as the Baby Boom generation is exiting the workforce and becoming patients themselves. The Suburban Hospital Alliance and its members are working locally with academic, labor and community partners, but we need continued support from government to meet the healthcare needs of an aging population.

- **Authorize Hospital at Home.** The Executive Budget proposes to establish Medicaid coverage for a Hospital at Home program, creating a state companion to the Medicare initiative that has now been extended through 2030. The Suburban Hospital Alliance once again supports this proposal.
- **Extend and expand the community paramedicine demonstration program.** The governor's budget also proposes to extend through May 2031 this demonstration program, which 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.
- **Support second-career nursing and allied health students:** We support a provision in the Executive Budget that makes nursing students who already have a degree in another field eligible for the Opportunity Promise Scholarship Program.
- **Expand scope of practice.** It's 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 EMS to administer immunizations under non-patient-specific orders, and allow trained medical assistants to administer immunizations in outpatient settings.
- **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.
- **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 for physicians (42 states participate) and the Nurse Licensure Compact (43 states). 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. Although not included in the Executive Budget, we urge moving forward with legislation to join the compacts.

8 in 10 hospitals statewide still struggle to fill nursing and other clinical positions

Keep New Yorkers Covered



Among H.R. 1's most devastating provisions are those that deny low- and no-cost health coverage to legally-residing immigrants, require the implementation of Medicaid work requirements, shorten the period for retroactive Medicaid coverage and require more frequent income verification for certain populations. The intended effect of these provisions is to reduce the number of individuals eligible for affordable health coverage. Congress also failed to extend Enhanced Premium Tax Credits for the purchase of coverage on the insurance marketplaces, significantly increasing the cost of coverage for many.

- **Essential Plan transition.** The Department of Health is awaiting a decision from the Centers for Medicare and Medicaid Services (CMS) on its request to revert from its current Essential Plan (EP) waiver, which expanded low- and no-cost coverage for individuals with incomes up to 250 percent of the federal poverty level, to the Affordable Care Act's Basic Health Plan (BHP) option. This will allow for utilization of BHP trust fund dollars to offset the cost of Medicaid coverage for the *Aliessa* population – legally residing immigrants with incomes up to 138 percent of the federal poverty level (FPL). Because CMS has not responded to the request, the Executive Budget assumes that the state will have to absorb \$2 billion in new costs. Suburban Hospital Alliance supported the waiver request because it preserves coverage for the greatest number of New Yorkers and mitigates some of the damage of H.R. 1. We urge the Legislature and Executive Branch to work together to:
 - **Make providers whole.** DOH administratively reduced premiums to some managed care plans in anticipation of Essential Plan changes. Although not required, plans have then passed cuts down to providers, including hospitals. The state should use a portion of the trust fund dollars to restore cuts to providers.
 - **Pursue alternatives to preserve low- and no-cost options.** An estimated 460,000 New Yorkers with incomes between 200 – 250% of the FPL will lose coverage in the waiver transition, while the expiration of Enhanced Premium Tax Credits makes purchasing coverage on the Marketplace far more expensive. Early evidence suggests that many Marketplace enrollees are purchasing lower-level plans with deductibles they cannot afford to pay. Legally-residing immigrants with incomes above 138% of the FPL also lack coverage options. Because the Hospital Financial Assistance Law requires charity care for both the uninsured and underinsured, hospitals will see their uncompensated care costs surge. New York should consider use of the BHP trust fund or other federal waiver options to fill these gaps in coverage.
- **Engage hospitals, community-based organizations and experienced enrollment agencies on strategies to maximize coverage.** It will take a comprehensive effort to ensure that individuals who remain eligible for Medicaid and EP do not slip through the cracks as additional provisions of H.R. 1 get implemented in 2026 and 2027. Because emergency rooms are the default site of care for the uninsured, hospitals are uniquely positioned to identify individuals whose coverage has lapsed or is at risk. As a longtime enrollment services provider on Long Island, we and agencies like ours are also well-equipped to identify and engage the uninsured. We urge the Legislature and DOH to bring stakeholders together to develop an aggressive statewide plan so that new federal mandates like Medicaid work requirements, a shortened period of retroactive coverage and twice annual income verification do not result in avoidable coverage loss.

Modernize New York's Regulatory Structure



The damage done to New York State by H.R. 1 only adds to the troubling long-term forecast for our state's healthcare system – increased demand for services for an older and more complex population, too few workers to meet the demand, and unsustainable cost increases for consumers, employers, state government and providers alike. Hospitals and health systems can be part of the solution but need the ability to operate more efficiently.

- **Support Certificate of Need (CON) streamlining.** Last year, the Department of Health implemented numerous provisions to update the CON process, including updating the cost thresholds that determine the level of review. There is more work to do. The Executive Budget proposes investing in a modernized electronic system, which is a good start. We support this investment.
- **Consolidate healthcare oversight under the DOH.** Governor Hochul proposes to transfer responsibility for professional misconduct and discipline from the Education Department to the DOH. Another proposal would transfer authority for certifying ownership and operation of medical entities to the DOH. Suburban Hospital Alliance supports these proposals but urges the Legislature to go farther, putting all professional licensure and oversight for healthcare positions under the purview of the DOH, where there is appropriate expertise to manage these processes.
- **Preserve flexibility for hospitals making critical service line and facility changes.** With nearly a third of New York hospitals in financial distress, increased competition from private equity-backed entities and more financial hits on the way from H.R. 1, hospitals and health systems may be forced to make difficult decisions about the services and locations they can afford to maintain without sacrificing the availability and safety of other care. Community engagement is an essential component of these decisions – already embedded in hospitals' Community Service Plans and Community Health Needs Assessments – as is a strong partnership with DOH. However, burdensome regulatory obligations do not further these goals; rather, they only worsen institutions' distress and will result in additional hospitals that need state financial assistance. Hospitals need flexibility to make essential business decisions, which is why the Suburban Hospital Alliance opposes the recently vetoed Local Input in Community Healthcare Act (A.6004/S.1226), which would mandate hospitals contemplating a full closure, unit closure or certain service reductions to undergo extensive notification, public engagement and review processes. We have also submitted recommendations to the DOH on ways to make the Health Equity Impact Assessment process less burdensome.
- **Enact balanced medical malpractice reform.** The Suburban Hospital Alliance strongly opposes the repeatedly-vetoed Grieving Families Act (A.6063/S.4423) and other legislation that would further destabilize New York's medical liability system. True reform is needed that balances the rights of patients to receive fair compensation against the need for rational procedures and limitations that keep malpractice premiums affordable.
- **Engage stakeholders in a comprehensive review of healthcare statutes and regulations that unnecessarily add to the cost of providing care,** especially those that are outdated or duplicate federal requirements.

Stop Abuses of Health Plans and Big Pharma



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. Pharmaceutical companies have taken aggressive steps to erode the community benefits of a federal program for safety net institutions. We have repeatedly expressed concern about the failure to hold these predominantly for-profit corporations accountable for fulfilling their commitments to patients. We ask for your support for our managed care reform priorities:

- **Enact the 340B Anti-Discrimination Act.** The federal 340B program allows hospitals, clinics and other providers serving a disproportionate share of low-income patients to purchase drugs from manufacturers at reduced prices. Some providers utilize community-based contracted pharmacies to dispense the drugs, making the benefit more convenient to their patients. Participating safety net providers are then able to reinvest the savings back into the communities they serve. Pharmaceutical companies and pharmacy benefit managers (PBMs) are using increasingly aggressive tactics to restrict providers' ability to operate their 340B programs effectively and erode the savings intended. The Suburban Hospital Alliance urges your support for A.6222/S.1913, which would address these abuses, and asks for its inclusion in the budget.
- **Oppose site-neutral payment policy.** The Suburban Hospital Alliance strongly opposes legislation that would cap the maximum reimbursement rate for hospital-owned outpatient sites at 150 percent of the Medicare fee-for-service rate (A.2140/S.705). Negotiating higher rates from commercial payers is the only way that providers can offset the failure of Medicaid to cover the cost of care. Hospitals in the suburban regions have already seen their commercial payer base decline significantly since the expansion of the Medicaid program and establishment of the Essential Plan. Unlike physician practices or investor-backed urgent care sites, hospitals have significant regulatory obligations and must treat every patient that comes through their doors. Passage of this legislation would further damage fragile hospital finances and ultimately limit access to patient care in community-based settings.
- **Prior authorization and utilization review reforms.** Prior authorization can play an important role in ensuring that patients get the right care in the right place, but health plans have turned it into a tool for delaying or denying even the most routine care. This unnecessarily consumes provider resources, frustrates patients and, in some cases, results in consumers giving up on needed care altogether. We appreciate the package of proposals included in the Executive Budget that would address health plans' prior authorization and utilization review process. The Suburban Hospital Alliance supports and urges inclusion in the 2026-27 budget of provisions to expand continuity of care requirements for out-of-network treatment to 90 days and for the full pregnancy and postpartum period; limit the utilization review period for treatment of chronic conditions; enhance reporting of plans' denial rates; and increase transparency of drug formularies. We also urge the Legislature to act on A.3879/S.7297, which would require plans to use evidence-based criteria to make determinations about medical necessity, make determinations within 72 hours and provide authorizations for an entire episode of care.

- **Reject Independent Dispute Resolution (IDR) changes.** The Executive Budget proposes to carve out all Medicaid managed care claims from the IDR process and set caps on maximum payment rates. The Suburban Hospital Alliance is deeply concerned about the impact that this would have on hospitals' ability to secure on-call coverage for specialty services. Another proposal would carve the Empire Plan/NYSHIP into the state IDR process; it currently is regulated under the federal No Surprises Act statute. We urge the Legislature to reject both proposals.
- **Address downcoding abuses.** Health insurers are increasingly abusing the practice known as "downcoding," changing the claim to a lower level of service than what was actually performed by the provider, even when a medical necessity determination has already been made. Under current law, providers generally do not have the ability to challenge downcoded claims because they are not considered denials that are subject to internal and external appeals processes established in the law. A.3707/S.4833 would correct this.
- **Deem claims approved if insurer fails to respond.** Under current statute, if a health plan fails to respond to an authorization request within the statutory timeframe, the request for health services is deemed to be denied. This requires the healthcare provider to file an appeal, which is difficult and time-consuming to argue when the plan has not provided any justification for the denial. Medically necessary care ultimately gets authorized, but not until the healthcare provider has spent days or weeks pursuing the claim. Once again, this delays treatment and creates costly administrative burdens for providers, diverting resources that could be better deployed for patient care (A.4063/S.4721).
- **Community reinvestment.** The insurance market is dominated by multi-national for-profit health plans that are headquartered out of state and have no investment in the New York consumers they serve. Similar to the federal Community Reinvestment Act obligation for financial institutions, health plans should be required to contribute to a fund that could support health equity initiatives, technology and capital upgrades, workforce training or other community goods.

- 100 percent of respondents to our statewide fiscal survey, conducted jointly with the Healthcare Association of New York State (HANYNS) and other regional hospital associations, said that health insurers' claims denials are resulting in lost operating revenue. Losses from claims denials were conservatively estimated at more than \$3 billion for 2025.
- A recent Kaiser Family Foundation poll found that 7 in 10 insured adults say prior authorization is a burden, with about a third reporting that they have had a health insurance company deny coverage in the past year for treatment or medication prescribed by their doctor. The same percentage responded that a health plan has delayed their ability to get needed treatment.

About the Suburban Hospital Alliance of New York State

The Suburban Hospital Alliance of New York State represents not-for-profit and public hospitals advocating for better health care policy for all those living and working in the nine counties north and east of New York City – Nassau and Suffolk counties on Long Island and Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster and Westchester counties in the Hudson Valley.

The Northern Metropolitan Hospital Association (NorMet) and the Nassau-Suffolk Hospital Council (NSHC) began collaborating in 2006 and in 2012 officially formed the Suburban Hospital Alliance. NSHC represents hospitals on Long Island and NorMet represents hospitals in the Hudson Valley. The Suburban Alliance ensures that the specific concerns of suburban hospitals are heard in Albany and Washington.

Blythedale Children's Hospital

Catholic Health

Good Samaritan University Hospital
Mercy Hospital
St. Catherine of Siena Hospital
St. Charles Hospital
St. Francis Hospital & Heart Center
St. Joseph Hospital

Ellenville Regional Hospital

Garnet Health

Garnet Health Medical Center
Garnet Health Medical Center–Catskills,
Callicoon
Garnet Health Medical Center – Catskills, Harris

Helen Hayes Hospital

Keller Army Community Hospital

Montefiore Health System

Burke Rehabilitation Hospital
Montefiore Mount Vernon Hospital
Montefiore New Rochelle Hospital
Montefiore Nyack Hospital
Montefiore St. Luke's Cornwall Hospital
White Plains Hospital

Mount Sinai South Nassau

Nassau University Medical Center

Northwell Health

Glen Cove Hospital
Huntington Hospital
LIJ Valley Stream Hospital
Mather Hospital
Northern Dutchess Hospital
Northern Westchester Hospital
North Shore University Hospital
Phelps Hospital
Plainview Hospital
Putnam Hospital
Peconic Bay Medical
South Shore University Hospital
Syosset Hospital
Vassar Brothers Medical Center

NYU Langone Health

NYU Langone Hospital – Long Island
NYU Langone Hospital – Suffolk

St. Joseph's Medical Center

St. Joseph's Medical Center
St. Vincent's Hospital Westchester

Stony Brook Medicine

Stony Brook Eastern Long Island Hospital
Stony Brook Southampton Hospital
Stony Brook University Hospital

WMCHealth Network

Bon Secours Community Hospital
Good Samaritan Hospital
HealthAlliance Hospital
MidHudson Regional Hospital
St. Anthony Community Hospital
Westchester Medical Center



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