
March 30, 2023

Dear Hudson Valley and Long Island Members of the Senate and Assembly:

On behalf of the hospital and health system members of the Suburban Hospital Alliance, I thank you for the significant investments in our region's healthcare institutions that were included in your respective budget resolutions. Your help is urgently needed.

As our [Critical Condition](#) report underscored, the financial condition of hospitals is dire and getting worse. In the suburban regions, 98 percent of hospitals reported that they would have negative or unsustainable operating margins for 2022. There are multiple contributing factors – a slow rebound from the COVID-19 pandemic, a national workforce shortage that has forced hospitals to utilize temporary staff, rising wages, and inflationary increases in pharmaceutical, supply and energy costs. But chief among these is underinvestment by public payers. In the suburban regions, Medicaid only covers 60 percent of the cost of providing care.

As you enter the final stages of negotiations on the 2023-24 budget, I urge your continued support for the following priorities:

A true increase in Medicaid inpatient and outpatient rates. A 10 percent increase in Medicaid rates is the minimum needed to stop the bleeding, without cuts elsewhere in the budget to offset that increase. It is essential that the rate increase be extended to both inpatient and outpatient services. Healthcare providers have invested heavily in primary care and other outpatient services to improve access, provide care more efficiently and address health disparities. They are competing against largely unregulated, private equity-backed providers on a playing field that is not level. Unlike their competitors, hospital-owned clinics have substantial regulatory and overhead requirements that increase the cost of providing care while also treating every patient that comes through the door, regardless of ability to pay. Increased Medicaid reimbursement is essential to maintaining these community-based services.

Repeal the Medicaid pharmacy benefit carve-out. We appreciate that both the Senate and Assembly budgets included the repeal of the Medicaid pharmacy benefit carve-out, which will be implemented on April 1 unless the Legislature acts. This policy change has severe financial implications for hospitals and clinics participating in the federal 340B drug rebate program. The savings 340B providers garner is reinvested back into the communities they serve.

Restore the cut in supportive funding for distressed and safety net providers. We are grateful for the Legislature's proposals to restore the \$700 million cut in supportive funding included in the Executive Budget and provide additional funding for the 2023-24 fiscal year. Last year's funding was insufficient to meet the urgent needs of distressed providers and the need for assistance only continues to grow.

Reject new cuts and tax increases on healthcare providers. The Executive Budget calls for an \$85 million cut to the Indigent Care Pool. Nearly half of the impacted hospitals are on Long Island and in the Hudson Valley. This cut would be compounded by a nearly 50 percent increase in the MTA payroll tax, to which nonprofit hospitals are subjected but receive little or no benefit. These proposals should be rejected.

This is not the time for flat funding of hospitals, or worse, new cuts. Access to care already has been negatively impacted by the dire fiscal condition of hospitals and workforce shortage; it will only get worse without new investments to stabilize the system.

Finally, we strongly support provisions in the Executive Budget that would make permanent many of the workforce flexibilities hospitals have utilized throughout the pandemic, facilitate bringing out-of-state clinicians into the state to ease our workforce shortage, and address unreasonable behavior by managed care plans that deprives nonprofit health systems of resources and creates costly administrative burdens. While we understand the Legislature's reluctance to address these policy issues in the context of the budget, we look forward to working with you in the remaining legislative session to address these key priorities.

Thank you for everything you do to support your local hospitals and the communities they serve.

Sincerely,



Wendy D. Darwell
President and CEO