



Testimony of the  
Nassau-Suffolk Hospital Council  
before the  
New York State Senate Finance Committee  
on  
Governor's Proposal to Reduce the  
Estimated Budget Deficit SFY 2009 – 2010  
October 27, 2009  
Brookhaven Town Hall

Thank you, Senator Foley and Democratic members of the Senate Finance Committee, for the opportunity to offer Long Island hospitals' perspective on Governor Paterson's Deficit Reduction Proposal of October 15. My name is Kevin Dahill, and I am the president and chief executive officer of the Nassau-Suffolk Hospital Council (NSHC). This organization represents the 24 public and not-for-profit hospitals and health systems on Long Island.

The Hospital Council's member institutions understand that the economic recession's impact on the state budget has been extraordinary, and that these circumstances demand an uncommon response from the governor and state legislature. To that end, New York hospitals have accepted that sacrifices are required from every sector, and so have been willing partners in seeking solutions to the crisis.

However, targeting the health provider community – and hospitals in particular – has ceased to be an extraordinary response of the state government; rather, it has become all too common. If the legislature reconvenes for a special session and enacts the deficit reduction package as proposed by the governor, it will mark the sixth time in two years that hospitals have faced Medicaid cuts or new taxes. The magnitude of these accumulated cuts and taxes is substantial: in the last five rounds, Long Island's hospitals have been targeted for \$123.74 million in revenue reductions.

It bears mentioning that Long Island institutions have been disproportionately impacted by two of the state's recent actions: the implementation of the Metropolitan Transit Authority payroll tax

on all employers and the restoration of the gross receipts tax in last year's budget. Both represent a shift of funds away from the suburban regions to other parts of the state.

Now, the governor proposes an additional \$46 million in cuts to our hospitals over the next 16 months. To make matters worse, the governor's proposal would execute half of those cuts over the next four months, leaving hospitals with an unanticipated loss of 10 percent of their state Medicaid revenue before March 31. The governor's proposal is both shocking and demoralizing to institutions that have already borne the lion's share of budget cuts. This is not shared sacrifice; it is nearly unilateral sacrifice.

With two-thirds of the region's facilities already operating at or below a 1 percent margin, another round of cuts will threaten the ability to manage the daily functions of doing business – making payroll, paying utility bills and other immediate expenses will all be in jeopardy. These short-term challenges are truly daunting, but the challenges of the near future begin to look insurmountable when institutions face wave after wave of reimbursement cuts.

New York State takes great pride in its Medicaid program, the breadth of the benefits it offers and the generous eligibility criteria, both of which far exceed federal requirements. It is a commitment to quality care for the indigent that is unmatched anywhere in the country. But, increasingly, that commitment is just a façade. While New York may offer more benefits to more of its population than any other state, those promises are not backed up with support for a financially stable delivery system. On the contrary, the state's seasonal budget cuts are making it harder for providers to keep delivering the services that the state promises.

This is the position that Long Island hospitals find themselves in. Having reached the limits of achieving administrative efficiencies as a response to Medicaid cuts, they already have had to resort to freezing salaries, suspending pension contributions, delaying hundreds of millions of dollars in capital projects and postponing badly needed maintenance.

We are asking the state to live up to the promises it has made to the public of expansive benefits and generous eligibility criteria by adequately reimbursing health care providers. If it does not, then the public will begin to see the consequences of the budget cuts: layoffs, program closures, and service reductions. Hospitals, in an effort to meet their own fiduciary responsibilities, also will be reluctant to electively provide or participate in new initiatives under the Medicaid program. This does a disservice to the very population the state aims to help.

Furthermore, the impact of these cuts has the potential to spill over into the broader Long Island economy. During this recession, health care has been a pillar of stability compared to other sectors of the economy. While our region has shed hundreds of private sector jobs every week since the recession began in the fall of 2007, the hospital industry – the region’s second largest -- has been a steady source of employment. With more cuts, layoffs will be unavoidable.

We need to invest in hospitals – not just to meet the growing Medicaid enrollment, the H1N1 epidemic, the need for upgraded technologies, or other pressing infrastructure concerns, all of which are critically important – but to meet the challenges of tomorrow. Investments in health care facilities, not further cuts or new taxes, will create jobs while ensuring that we are prepared

for the needs of Long Island's aging population and are able to keep our aging facilities compliant with local, state and federal technology, construction and environmental regulations.

The alternative is to cut hospitals again and kick this can down the road another decade or so – with local hospitals deferring roof repair, expansion projects and implementation of new technology while the Baby Boom generation's retirement gets into full swing. Then we'll wonder how it is that our facilities came to be so antiquated and ill-equipped to serve the public.

Once again, I thank you for the opportunity to represent the views of Long Island's hospitals. Please consider the severe impact this proposed budget reduction plan would have on the hospitals and constituents in your districts, on the quality and availability of care, and on the local employment base.