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*The collective voice of Long Island's
not-for-profit and public hospitals*

Budget Hearing

Testimony of the

Nassau-Suffolk Hospital Council

before the

Republican Assembly Members of Nassau and Suffolk Counties

February 13, 2009

Suffolk County Legislative Auditorium
William H. Rogers Building
725 Veterans Memorial Highway
Hauppauge, New York

Good afternoon, Republican members of the State Assembly and thank you for holding this hearing. The not-for-profit and public hospitals on Long Island that I represent as the president and CEO of the Nassau-Suffolk Hospital Council welcome the opportunity to share their concerns, insight, and solutions about the state's current fiscal crisis.

We all agree that this country is experiencing an economic disaster of unprecedented magnitude. No sector of industry, public or private, is safe from the ravages of this economic downturn, including hospitals. Certainly, this is the worst financial crisis I have seen in my 30-plus years in hospital and health care administration. Closing the more than \$13 billion deficit in the state budget for 2009-2010 that has resulted from the economic crisis is an unenviable task for the governor and the legislature.

Fortunately, the federal government is poised to help. A substantial increase in the FMAP (Federal Medical Assistance Percentage) is now making its way through Congress as part of the economic recovery package. These funds have the potential to close a substantial portion of the state's anticipated budget gap for the upcoming fiscal year.

I appreciate the concern expressed by many legislators that the FMAP boost is only temporary funding, neither a cure-all for the state's loss of revenue nor a replacement for needed health care reform. However, the legislature can get the maximum benefit from the temporary funding by reinvesting it in health care.

The goal of FMAP and other provisions in the federal economic recovery package is to provide an immediate economic stimulus and put the nation back on the road to economic health and prosperity by creating jobs and investing in sectors of the economy that will continue to grow.

Health care is a prime field for such investments. As local and national reports indicate, the health care sector is one that has added jobs during this economic crisis. In December, while the U.S. economy shed more than a half million jobs, the health care industry added 32,000 jobs, according to the U.S. Department of Labor. Therefore, investing in our health care infrastructure now is a sure way to keep people employed in good paying, local jobs and even to provide additional jobs to those currently out of work. Besides direct employment in hospitals, jobs would be created in the construction and medical supplier industries. That is why it is imperative that the FMAP money be dedicated to Medicaid services.

The executive budget proposal for 2009-2010 squanders this opportunity, instead calling for \$1.5 billion in Medicaid cuts, including \$64 million in cuts to Long Island's hospitals. This would have the effect of damaging our local economy even further. At the very least, the approximate \$6 billion in federal FMAP relief should be used to wipe away these proposed Medicaid cuts. Making Medicaid providers whole protects not only the vital programs and services provided by every hospital, but it also protects the employees who deliver these services. These are the same employees who live in local communities and help drive the economy of their communities through spending and tax revenue. According to data from the U.S. Department of Commerce's Bureau of Economic Analysis, hospitals on Long Island contribute \$13 billion to the regional economy. On Long Island, hospitals directly employ 82,000 people.

However, Medicaid cuts of the magnitude proposed by the Governor will result in layoffs, service cuts, deferred construction projects, and cancelled orders for new equipment and technology acquisitions. This means higher unemployment rates, lost tax revenue,

more uninsured workers, and a lost opportunity for job creation and economic stimulus in the region.

Long Island's demographics support an investment in health care as a means of economic recovery. This region is seeing a surge in retirees and seniors. In less than two years, 800,000 Long Island baby boomers will become eligible for Medicare. They are just the beginning of a wave of aging seniors who will need more services for both acute and chronic health care needs. The demand for more workers to meet the complex medical needs of this population will follow.

I ask that you and your colleagues also consider dedicating a percentage of the FMAP funds to enhance eligibility and offset increases in the cost of providing public insurance programs – Medicaid, Child Health Plus, and Family Health Plus. These costs will continue to mount as we move through the recession. As people lose their jobs and their health insurance with those jobs, they turn to these public insurance programs. It is our obligation to ensure that these safety net programs are now there for those who worked hard and contributed to these programs throughout their lives.

The uninsured also turn to our hospital emergency rooms in greater numbers during difficult economic times. Emergency room overcrowding and longer waiting times for care are a side effect of hospital cuts. Most of our hospitals are already experiencing this, especially as we are in the peak of flu season. Hospitals' finances – having already sustained two rounds of state budget cuts – almost one billion statewide in fiscal year 2008-2009 – will be stressed further by a rise in uncompensated care.

If the legislature dedicates this FMAP money to averting the proposed Medicaid cuts and reserves a portion to meet growing Medicaid insurance costs, then there would be

enough new money left for the legislature to move forward on Medicaid reform initiatives in a sustainable and reasonable manner. Hospitals are the first to agree that reform of payment systems is needed. Where we disagree is on the hasty approach to reform taken by the executive branch. Currently, the Governor's proposed reform initiatives count on inpatient rebasing and reimbursement methodology changes, with an emphasis on moving money from inpatient to outpatient care. By "robbing Peter to pay Paul," the proposal weakens the viability of hospital providers who may not benefit from the reinvestment in outpatient services. FMAP provides all of us with the time and money to do reform right the first time and ensure lasting, long-term benefits for everyone.

Finally, as the legislature begins consideration of the 2009 – 2010 budget, I ask you to consider that, just as the economic crisis is multi-faceted, so are the causes of the state's looming budget deficit. Medicaid growth is not a primary driver of the budget deficit – in fact, the cost per enrollee has remained virtually unchanged in recent years – and should not primarily bear the burden of closing the gap.