Testimony on the New York Health Act (S.3577/A.5248)

Joint legislative hearing of the Senate and Assembly Health committees

May 28, 2019

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Good morning. Thank you Chairmen Rivera and Gottfried for this opportunity to testify regarding the New York Health Act. HANYS and all of our member nonprofit and public hospitals, health systems and continuing care providers support the goal of universal coverage and access in New York.

The HANYS Board of Trustees studied the New York Health Act last year and in December 2018, our board adopted a resolution that states:

> *"HANYS and its Board of Trustees support the goals of universal coverage and improved navigability and access to care as well as improving affordability of healthcare at all levels – for individuals, business, and government.*
>
> *However, the HANYS' Board of Trustees opposes the New York Health Act due to underlying concerns on how a state-based single payer system would be funded – both short- and long-term; how hospitals and doctors would be paid for care they provide; and the effect such a system would have on healthcare innovation."*

Implementing the New York Health Act without first understanding the reasons for healthcare spending growth and second, having sound strategies to manage costs, would be a grave mistake. Achieving affordability for individuals, business and government requires sustaining affordability over time. It will take time to reduce spending growth to our ability to pay for it, no matter what.

Healthcare spending growth has exceeded our general economic growth – otherwise known as our ability to pay for this increased growth – for decades. Among other factors, the medical needs of our rapidly growing senior population will make managing cost growth difficult.

We have serious concerns that under the New York Health Act, cost growth would largely be addressed by reducing provider reimbursement. Cutting government Medicaid payments that are already well below the cost of delivering care creates more problems. More than half of New York's not-for-profit hospitals barely survive, with break-even or negative operating margins.

Additional and sustained Medicaid cuts would likely lead to reduced access to needed services. Without access to services – from densely populated areas such as Brooklyn to our rural communities across northern, central and western New York – universal coverage becomes meaningless.

State single payer experience

The debate over the New York Health Act has piqued curiosity about Vermont's failed experiment with Green Mountain Care. New York and Vermont differ tremendously, as do their single-payer proposals. However, some Vermont lessons do still apply.

Green Mountain Care began with the best of intentions and enormous popularity. It ended with great disappointment and the realization that creating simplicity, "taking costs out of the system," while simultaneously expanding comprehensive coverage to all was, in fact, incredibly complicated.

During my tenure as President of the Vermont Association of Hospitals and Health Systems, the Green Mountain state spent more than three years gearing up for single payer, conducting numerous hearings, comprehensive studies and even the development of a new agency to oversee the process. It was a huge undertaking with many ups and downs.

On paper, many believed the transition to Green Mountain Care made perfect sense. In December 2014 however, then Governor Peter Shumlin determined that the "economic shock" of transitioning to a tax-financed healthcare system was unfeasible and unaffordable.

The unaffordability of Green Mountain Care and Governor Shumlin's reluctance to go forward related directly to what the Rand Corporation study of the New York Health Act showed: that an increased burden on high-income taxpayers could cause some to leave the state. Without a strong and stable tax base, no state can afford to move forward with public financing.

Another lesson is the illusion that a single benefit plan creates cost savings and administrative simplicity. It might, but what happened in Vermont and has already been exhibited in New York is that no one wants less than what they already have. Green Mountain Care would have covered 94% of the costs of a generous benefit package – an improvement for most Vermonters. However,

some Vermonters balked because they already had 100% of their health benefit costs covered – making 94% a "take-away." The richer the benefit package and the lower the out-of-pocket obligations, the faster the costs would add up in New York – when you multiply those increased costs times 19 million.

Under a state single payer system, the illusion of administrative savings is just that: an illusion. Vermont studies showed that expected reductions in provider administrative burdens would only slightly reduce provider expenses. In addition, the payer administrative expenses would in part become the state's increased administrative burden.

Innovation and improvement

Our opposition to the New York Health Act does not mean we support the status quo. Our healthcare providers are at the vanguard of change, redesigning care delivery systems in communities across the state – with improving care and reducing health spending growth as our guiding principles. Together, we must address New York's serious and longstanding healthcare problems, including affordability, quality, coverage and access to care.

While there is always room for improvement, it is also important to recognize, protect and build on what's right with the system. The New York Health Act does not appear to make this distinction and could result in unintentional and unforeseeable consequences on patients, providers, businesses and taxpayers.

New York's healthcare system is an integral part of our economy, creating more than 700,000 jobs statewide. Hospitals and health systems are often among the largest employers in the community – particularly in hundreds of our rural communities. Hospitals pay for the recruitment and retention of our highly skilled physicians, nurses and other health professionals, without whom we would have no healthcare system.

New York is also home to many of the world's finest teaching hospitals and academic medical centers, training 9% of the nation's future doctors. Despite tremendous financial, workforce, technology, marketplace and regulatory challenges, New York's healthcare providers continue to redesign healthcare delivery for the future.

In partnership with state and federal reform initiatives, our hospitals are leading the way in the use of technology, new medical devices and telemedicine. They are partnering with community leaders in efforts to improve population health and address societal issues such as food deserts, opioid addiction and violence. For example:

- **Care quality:** New York has been a champion in delivery system reform to improve quality. In fact, in 2017 New York had the largest five-year improvement of all 50 states in the America's Health Rankings® report. New York's providers are engaged in ongoing collaborative work statewide to further improve care, safety and the patient experience.

- **Reducing costs:** While Medicaid coverage has expanded dramatically to 6.7 million people, New York's per capita Medicaid spending decreased from $9,443 in 2010 to $8,305 in 2015 – a 12% decrease.

Let's make sure that we continue the positive momentum we've started.

We need to continue to improve the healthcare value proposition. The New York Health Act would change the payer only, not the value equation.

Our recommended approach: fact-based consensus

Rather than a quick fix, consumers and taxpayers would benefit from a bipartisan, long-term approach that manages cost growth over time, takes advantage of technology and innovation, and strives to continuously find more effective and efficient ways to deliver high-quality care to all who need it.

Our approach is forward-looking. No one wants to take New York backward on health innovation – we all want a healthcare system built for today's and tomorrow's needs and that takes advantage of the latest innovations.

Examples of building solutions around core problems include:

- **Insuring the remaining 5%:** About 95% of New Yorkers have health coverage. Expanding existing programs and outreach could extend coverage to everyone.

- **Addressing the needs of the elderly:** Use technology, creatively use labor, change labor roles and revise regulations.

- **Building on DSRIP:** Enhance community-based services and collaboration among providers to provide patient-centric care.

- **Invest in technology, infrastructure and innovation:** Support innovation and technology to continue the transformation of healthcare. That means capital funding for infrastructure improvements, advancing care integration and care delivery innovation, and funds for the stabilization and modernization of hospitals statewide.

- **Workforce:** Support today's and tomorrow's caregivers. Ensure we have the trained workforce needed for the future, not just in traditional healthcare settings, but in home care and other settings as well.

- **Payment adequacy:** Insist on adequate payment to our nonprofit and public providers for the healthcare services they provide to patients. Sounds obvious, but it needs to be said because right now this is not happening – Medicare and Medicaid both underpay for the cost of delivering care (Medicaid pays 74 cents for each dollar of care provided; Medicare pays 94 cents). These underpayments force providers to make hard decisions on which services to cut.

- **Flexibility:** Break down regulatory barriers and reject healthcare policy proposals that constrict innovation and reduce flexibility in all areas of healthcare, from workforce to technology.

- **Behavioral health support:** Adopt funding and policy measures that support hospitals' and health systems' ability to provide essential, yet chronically-underpaid behavioral health services, including inpatient psychiatric services.

- **Administrative simplification:** Simplify transactions between payers and providers and eliminate unnecessary claims payment delays and denials that strain already overburdened administrative systems.

- **Supporting long-term care:** As our population ages, any discussion of reform must include long-term care. Post-acute providers have become central to care coordination and patient care transitions.

HANYS: *Always There for Healthcare*

HANYS is committed to working with state government and all healthcare stakeholders as we pursue our common goal: ensuring that the highest quality care is accessible and affordable to all New Yorkers. With the continued uncertainty and persisting threats to our healthcare system from Washington, we appreciate the support of the legislature and governor and look forward to continuing the progress we have made together.

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