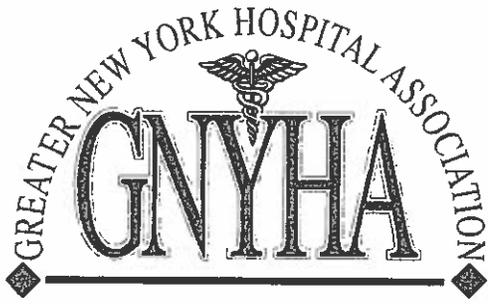


Submitted



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**Greater New York Hospital Association**  
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**Submitted Testimony of the Greater New York Hospital Association on  
Behalf of the State University of New York's University Hospitals**

**For the**

**State Fiscal Year 2012–13 Joint Legislative Budget Hearing on  
Higher Education**

**February 1, 2012**

Greater New York Hospital Association (GNYHA) represents 250 not-for-profit and public hospitals and continuing care facilities concentrated in the metropolitan New York region, but also located throughout New York State, New Jersey, Pennsylvania, Connecticut, and Rhode Island. GNYHA's members are all either not-for-profit, charitable organizations or publicly sponsored institutions that provide services ranging from state-of-the-art tertiary services to basic primary care necessary to support their surrounding communities, many of which are medically underserved. GNYHA members and their affiliated medical schools also provide extensive medical education, training, and undertake cutting-edge medical research that benefits patients all over the world. GNYHA would like to thank the New York State Legislature for its historic and continued support of the State University of New York's (SUNY's) three publicly sponsored teaching hospitals Brooklyn, Stony Brook, and Syracuse. We greatly appreciate the opportunity to provide written testimony on their behalf in support of their budget request to increase their State subsidy from the current \$60 million per year to \$115 million per year, and to receive an additional \$600 million in capital funding.

SUNY's three teaching hospitals, SUNY Downstate in Brooklyn, Stony Brook University Medical Center in Long Island, and SUNY Upstate Medical University in Syracuse, provide a full array of patient care, from primary to advanced tertiary care. They are also a critical component of a vast business and clinical enterprise that includes training 1,800 physician residents from their affiliated medical schools and beyond, educating 5,500 New Yorkers at their health-related professional schools, and providing 22,000 jobs. The hospitals themselves provide 55%, or 12,000, of these jobs. In 2011, the SUNY hospitals saved 2,500 jobs in New York with the acquisition of Long Island College Hospital (LICH) and Community General Hospital (CGH).

Moreover, the hospitals serve a unique purpose for their surrounding communities. SUNY Downstate is the only academic medical center in Brooklyn. Stony Brook University Medical Center is the largest academic medical center on Long Island and is the only tertiary care hospital and Level 1 trauma center in Suffolk County. SUNY Upstate Medical University is the only academic medical center in Central New York.

In 1999, Price Waterhouse Coopers (PWC) studied the finances and operations of the SUNY hospitals and found that despite being efficiently managed, they incur “State sponsorship” costs that are out of their control, specifically **fringe benefits** and **collectively bargained salary increases**. Unlike other non-public hospitals, the State of New York negotiates SUNY hospitals’ fringe benefits costs, and not the hospitals themselves. The hospitals also incur costs in support of their public medical schools. As such, PWC recommended that the State provide financial assistance to the hospitals to help cover the State sponsorship costs.

SUNY experienced a 96% increase in revenue between 2001 and 2011, and the State provided adequate funding from 2001 until the national and State economy started declining in 2008, when the State subsidy decreased. The subsidy cut, coupled with collective bargaining agreements that were signed in 2008, placed tremendous pressure on the hospitals’ operating margins.

In 2011, SUNY requested \$224 million in subsidy for the three hospitals, which was almost \$100 million more than the \$128 million they had received in 2009 and 2010. The increase was based on the continued escalation in State-sponsored costs, fringe benefits, and collective bargaining. Last year, the Governor’s SFY 2011–12

Executive Budget proposed that the subsidy be eliminated all together, but the enacted budget restored \$60 million, and the SUNY Board of Trustees allocated an additional \$14 million. However, this restoration was less than half of the subsidy provided in 2009 and 2010, and represented a huge amount of lost funding.

As previously stated, one of the costs that the SUNY hospitals have no control over is fringe benefit costs. For the upcoming SFY 2012–13, SUNY hospitals are requesting the “differential” between SUNY hospitals’ fringe benefits costs and the comparative fringe benefit cost among non-public hospitals in New York State. According to a recent analysis by SUNY, for 2012 the estimated fringe benefit costs for all three SUNY hospitals is \$436.2 million, for an average fringe benefit rate of 39.7%, which is much higher than the average fringe benefit rate for a large, comparison group of non-public hospitals of 23.5%.

If the SUNY hospitals were able to apply the non-public hospital fringe rate of 23.5%, their fringe benefit costs would be \$258 million, or a “differential” of \$178 million. SUNY is requesting only \$115 million, which excludes any fringe benefit costs related to the recent acquisitions of LICH and CGH.

Finally, the SUNY hospitals are requesting \$600 million in capital funding, which would assist the hospitals in optimizing programmatic and revenue-enhancing opportunities and critical maintenance needs. Additionally, these self-supporting capital programs, which operate with no long term impact to the State treasury, would create an estimated 5,000 direct and 2,500 indirect construction jobs. At the same time, the projects would advance such initiatives as: 1) meeting the increased medical needs of an aging population on Long Island; 2) increasing outpatient

medical services at Downstate; and 3) providing more effective infection control by increasing single bed availability at Upstate.

In conclusion, GNYHA thanks you for your interest in our views and urges the Governor and members of the Legislature to increase SUNY's three teaching hospitals' annual subsidy from the current \$60 million to the much-needed \$115 million. In addition, by providing the hospitals with \$600 million in capital funding, they will be able to implement their strategic plans to grow and remain competitive in their local markets. This critical funding is essential so that they can continue their public mission to provide affordable, accessible, and high-quality patient care, maintain their stellar residency training program for New York's future physicians, and advance the State's bio-medical research.