



IROQUOIS

Healthcare Alliance

Testimony of the

Iroquois Healthcare Alliance

Presented to the

Joint Legislative Public Hearing on 2024 Executive Budget Proposal

regarding

Health/Medicaid

by Gary J. Fitzgerald

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Introduction

Chairs Weinstein, Krueger, Rivera and Paulin and other distinguished members of the legislature, thank you for the opportunity to speak about this year's proposed budget and the items within it that have an impact on the future of health care especially as it relates to Upstate Hospitals and the New Yorkers they serve.

I am Gary J. Fitzgerald, President and CEO of the Iroquois Healthcare Alliance (IHA). IHA represents the independent and unified voice of Upstate and rural hospitals. We are a membership organization representing more than 50 hospitals and health systems in 32 counties across Upstate New York, spanning nearly 28,000 miles. Our membership is diverse, comprising rural hospitals, Critical Access Hospitals and Sole Community Hospitals. We represent the smallest hospital in the state, as well as some of the largest teaching hospitals in Upstate New York.

Upstate Hospitals' Fiscal and Workforce issues are slow to improve. The outlook remains bleak. Upstate and rural hospitals and health systems are grappling with significantly negative operating margins, ever escalating costs, and a long-enduring staffing shortage. This is why IHA has been urging state leaders to build on the rate increases included in the last budget cycle to stabilize healthcare in these communities.

Just weeks ago, the Hochul administration publicly promised to preserve Medicaid spending. Jarringly, this budget proposal fails to reflect that promise, and it fails to recognize the fiscal crisis our hospitals are facing. The Governor and the Legislature must eliminate proposed budget cuts. IHA calls on State leaders to reject proposed cuts and build upon the path to recovery charted in last year's budget to close the State's Medicaid Gap. To do otherwise will lead to loss of access to care and threats to quality of care and health equity in Upstate and rural communities.

As a starting point, we are grateful to you and your colleagues for the state Medicaid rate increase provided last year. At first glance this may seem like welcome news, but the reality is that it falls considerably short of resolving the longstanding and systemic underfunding of the healthcare system. It is only a beginning, not a comprehensive solution.

That said, Governor Hochul's proposed \$233 Billion spending plan does not include any proposal or even a plan to build on the Medicaid rate increases that were provided in the last budget cycle. There is a significant need for the State to take steps to close New York's Medicaid funding gap, which has plagued hospitals for far too long. More troublesome, Governor Hochul has commented that a minority of hospitals have been loaned financial support by the State but have not repaid those funds. Without additional details about the circumstances of hospitals, their needs, why funds have gone unpaid, for how long, by whom, and what role managed care organizations played, it was a comment that perpetuates the false narrative that hospitals are well resourced and flush with cash, which could not be further from the truth. The comment deserves a full explanation.

Despite the lack of adequate financial support in this budget proposal, we are pleased by and supportive of certain proposals to aid hospitals with legislation to expand clinical roles, allow New York to join licensing compacts, sunset COVID sick leave law and programming to provide relief to Emergency Medical Services (EMS), among others. These proposals should be enacted to provide flexibility and relief for hospitals to maximize the precious resources they do have and are unable to leverage due to outdated policies.

Medicaid Cuts

The Governor has proposed Medicaid rate cuts, nursing home rate freezes, cuts to funding for distressed hospitals, and \$400M in cuts yet to be determined. These actions fail to recognize the needs of hospitals. In fact, the longstanding needs call for a significant increase in the Medicaid reimbursement rate and the need to close the Medicaid funding gap.

Last year's Medicaid rate increases do not nearly reflect the permanent changes in cost structure that hospitals have seen over the last fifteen years since the rate was last seriously increased. IHA calls for a Medicaid rate increase and a plan to close the funding gap that demonstrates the magnitude of the financial challenges we face.

Supportive Funding

Last year's final budget included hospital supportive funding, which while generous still does not meet the needs of all hospitals experiencing financial crisis. In particular, the Upstate Directed Payment Template (DPT) Program/Enhanced Safety Net Program has been a very useful program for our members. We call on policymakers to increase available funding for this program and ensure that for hospitals that are awarded funding based on the percent of combined public payers (Medicaid and Medicare), that percentage should be adjusted to include additional hospitals.

In addition, IHA urges the Legislature to add resources for supportive funding as it has in the last two fiscal years. In doing so, IHA urges that a fair share of that supportive funding be specifically designated for Upstate Hospitals and Health Systems.

Staffing Challenges

The staffing crisis Upstate has continued unabated. We have heard the rhetoric that there is no staffing shortage. This is plainly false. Especially in Upstate New York. As you can see from our most recent vacancy data, which is attached, and which IHA has been collecting for years. I can share that respondents report that 20% of all RN positions are currently vacant. This is a 164% increase since 2018. Moreover, 16% of all staff positions are currently vacant. This is a 138% increase in vacancies since 2018. The narrative that there is no staffing crisis is wrong.

The lack of available staff has forced our members to rely on staffing agencies. Alarming, some hospitals are spending several millions of dollars per month to keep their beds staffed. The absence of staff threatens the ability of hospitals to provide care to their communities. Many have had no choice but to reduce capacity and limit services in areas that struggle to provide sufficient healthcare resources.

A recent IHA survey found that Upstate New York hospitals are projected to spend more than \$825M on contingent or travel staffing in 2023. This expenditure represents 14% of our respondents' total labor costs, despite contingent staff comprising only 8% of their workforce. This is not a productive nor sustainable model.

Nearly two years ago Governor Hochul announced that the State would be investing \$10B dollars to grow the health care workforce by 20% over 5 years. IHA is very supportive of this initiative and lauded the announcement. Since then, we have seen few signs of progress or even policy to support the goal.

From licensing, to allowing professionals to perform at the top of their license to pipeline programs. There is so much that can be done, much of which is at little or no-cost to the State.

At a minimum, New York must act to join the Interstate Compact for Nurse Licensure and the Interstate Medical Licensure Compact. Nearly 40 other States are members of these compacts. We learned during the pandemic that New York can benefit from allowing out of state licensed professionals to practice in New York. Given the declining population in Upstate we must make participation in these Compacts a reality. It is a reasonable no-cost policy step that can be done safely for the benefit of all New Yorkers.

1115 Waiver

On January 9, Governor Hochul announced [CMS' long-awaited approval of the New York's MEDICAID 1115 WAIVER AMENDMENT](#).

The demonstration bundles a comprehensive series of actions to advance health equity, reduce health disparities, and strengthen access to primary and behavioral health care across the state, and will be supported through \$7.5B in funding over the next three years.

We note that eligibility in many programs is often determined by the mix of Medicaid and Uninsured payors among healthcare providers, with the typical threshold set at 30%. This is an important metric, which must be defined in such a way as to ensure Upstate Hospitals can participate in what we hope will be transformative programs.

Of particular importance is the Waiver's plan to Strengthen the Workforce. CMS is authorizing up to \$694M over three years to support workforce recruitment and retention to promote the increased availability of certain health care practitioners who serve Medicaid and demonstration beneficiaries. New York will implement two workforce initiatives, [Student Loan Repayment for Qualified Providers and Career Pathways Training \(CPT\)](#), that will target workforce shortages in healthcare staffing, support the delivery of Health Related Social Network services, and increase access to culturally appropriate services. Demonstration funding for these initiatives does not supplant state and federal funding or duplicate existing workforce loan repayment and professional training programs.

Many of the programs contemplated by the Waiver do not fund programs, nor impact Hospitals in a direct way. There is a proposal that requires a modest Medicaid rate increase that IHA is supportive of, but it is unclear how and when such an increase will be implemented.

In addition, there is a Medicaid Global Budgeting initiative for hospitals downstate. We hope that this program provides insight, trouble shooting and lessons learned for a program that may or may not be helpful statewide.

Capital Funding

The Governor's budget proposal does not continue the Statewide Capital program that is sorely needed to improve New York's significantly dated and aging hospital infrastructure. New York must fund and invest in Upstate hospitals' physical plants to ensure access to services that will lead to better health outcomes and positively impact health equity. Modern health facilities are also critically important to attracting economic development to Upstate communities. Without strong hospitals communities become less attractive to economic development investment.

Workforce & Economic Development

Hospitals need every available avenue to secure the staffing for which they are desperate. As noted, IHA fully supports the move to expand scope of practice and join the Interstate Medical Compact and the Nurse Licensure Compact to grow our labor pool and increase access to employee resources.

IHA is advocating for the state to go even further in the pursuit of a robust workforce by investing in a permanent Upstate Healthcare workforce recruitment and retention fund. This fund would support education and pipeline programs to supply the next generation of health care professionals. IHA also supports initiatives such as Senate bill S2923 NYS Nursing Shortage Act which would award appropriated funds to schools of nursing, other educational institutions and health care providers to develop initiatives to improve the capacity to prepare future generations of entry and advanced level nurses.

IHA firmly supports the EMS and Community Paramedicine initiatives outlined in the budget.

IHA has long been a proponent that investment into health care is investment into economic development. This has never been made more abundantly clear than now, as areas of New York are on the cusp of being new centers of innovation, but their health care systems are struggling to keep up. To ensure the vitality of new economic opportunities the state must safeguard the functionality of our hospitals.

Finally, IHA is supportive of the Office of Healthcare Workforce Innovation. Moreover, IHA is hopeful that the appropriation authority given to it for "Contractual Services" will be made available to organizations like IHA to build on the successes we have had with many of our pilot programs aimed at improving and expanding Upstate's Healthcare workforce labor pool.

Conclusion

Hospitals serve as anchor institutions, often the communities' largest employers and vital safety-nets for those they serve. Chronically and systemically underfunding Upstate's healthcare system is unsustainable and directly reduces access to services in our communities. This is not hypothetical; it is happening right now with tangible consequences such as the loss of emergency and maternal services, emergency department back-ups, increasing numbers of patients no longer needing acute care unable to be served by an over-burdened long-term care system, along with significant layoffs.

In Upstate New York, where hospitals are fewer and further between than they are in the New York metropolitan area, they function as their communities' healthcare safety net providers, no matter their statutory or regulatory designation. Without swift and appropriate support services will continue to be cut, operations will continue to be squeezed and a deepening crisis that could have been averted will be unavoidable, all at the cost of the health of Upstate New Yorkers.

The data, along with experiences of both hospitals and patients, consistently underscores the enduring staffing crisis in Upstate New York hospitals. The future of these hospitals and the health of the communities they serve hangs in the balance. Policy makers must act to ensure consistent, long-term, and reliable funding. This is crucial to safeguard the well-being of Upstate communities. The untenable alternative is the loss of hospital services altogether.

Thank you for the opportunity to address these important issues as we all prepare for the coming year. We look forward to continue our work together to ensure access to safe, quality healthcare in Upstate and rural New York.



2023 Mid-Year Financial Survey Report

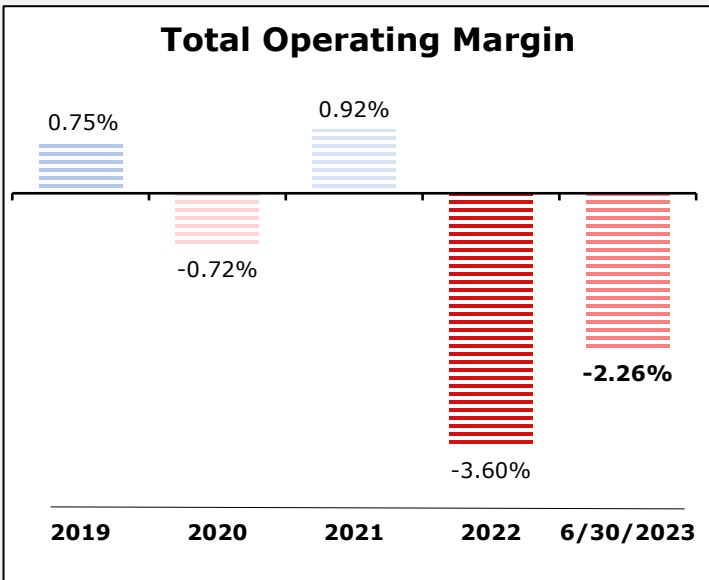
42 Individual Facilities Represented | 95% of IHA Members

The healthcare landscape remains in constant flux as we transition from pandemic response to preparing for potential future emergencies, all the while grappling with significant financial challenges. Upstate New York hospitals, in the throes of critical financial distress, are striving to sustain essential services.

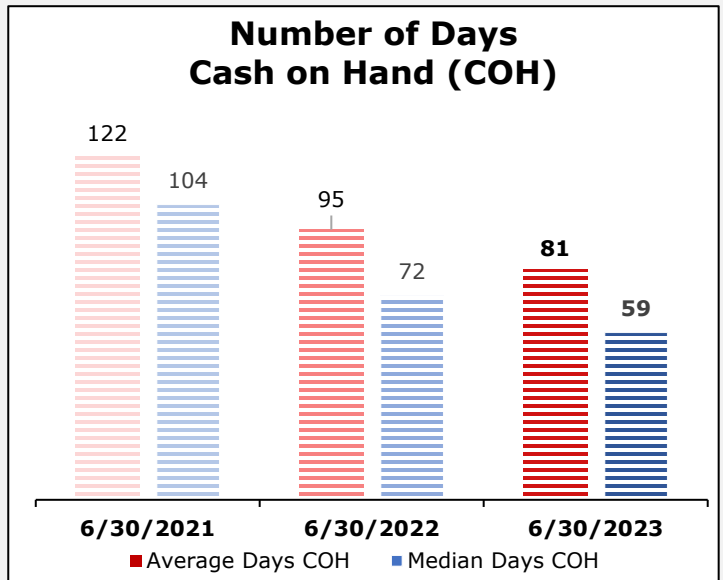
Based on our latest survey findings, the financial health of Upstate New York hospitals remains precarious. To illustrate, **64% of the surveyed hospitals have negative total operating margins** even with supportive funding from state and federal sources. Within this group, half of these hospitals are operating with margins ranging from **-2%** to **-6%** and the remaining 50% are operating with margins below **-7%**. An additional 76% of IHA survey participants had less than 100 days Cash on Hand (COH), 50 days below the target benchmark of 150 days.

Adding to this financial strain is the unrelenting reality of severe workforce shortages. According to participating IHA members, Upstate New York hospitals are projected to spend more than \$825 million on contingent staffing in 2023. This expenditure represents 14% of our respondents' total labor costs, despite contingent staff comprising only 8% of their workforce.

The data continues to highlight the longstanding staffing crisis in Upstate New York hospitals. The future of these hospitals and the health of the communities they serve hangs in the balance. Policy makers must act to ensure consistent, long-term, and reliable funding. This is crucial to safeguard the well-being of Upstate New York communities and prevent any adverse effects resulting from the loss of hospital services.



Target Benchmark: +2.5%



Target Benchmark: 150 Days

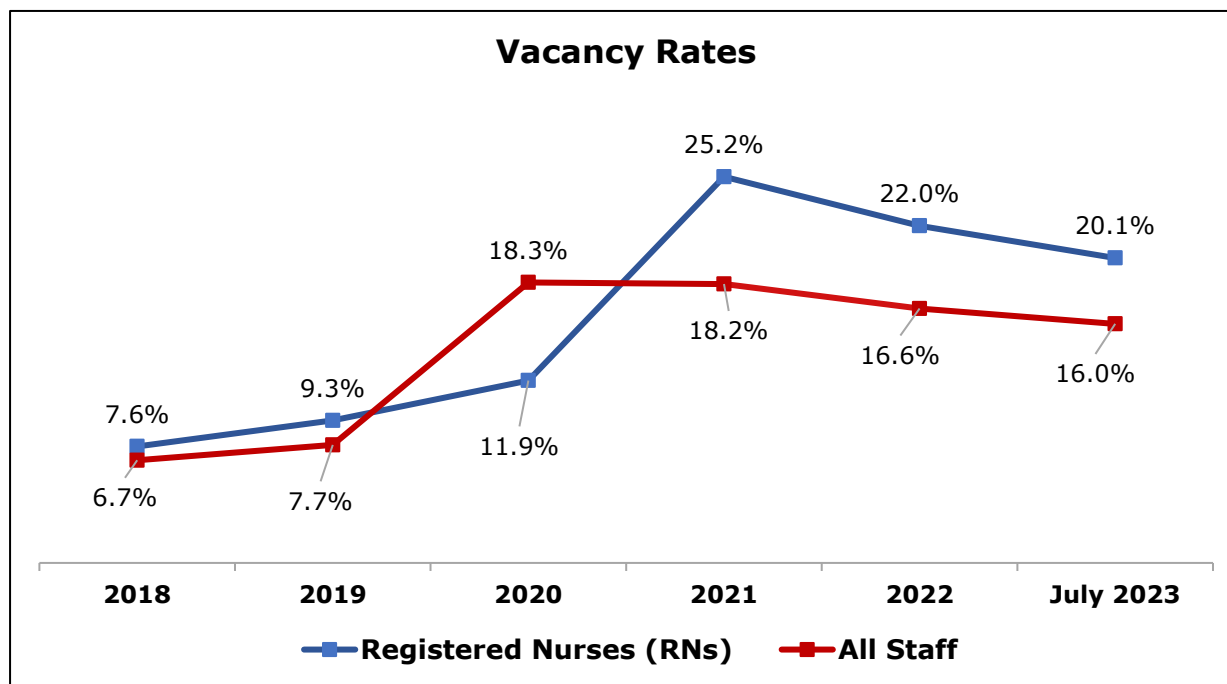
Participating IHA members have experienced an **over 400%** decrease in their aggregate operating margin since 2019.

Participating IHA members saw an overall **31.5%** decrease in the average number of days cash on hand since June 30, 2021.



Semi-Annual Vacancy and Turnover Survey | July 2023 Highlights

36 Facilities Represented | 82% of IHA Members



Job Titles with the Highest Rates of Vacancies as of July 1, 2023

	Job Title	Total # of Individuals Employed	Total # of Vacant Positions	Vacancy Rate
1	Medical Assistant - Inpatient	306	207	40.4%
2	Certified Nurse Assistant - LTC	987	412	29.4%
3	Licensed Practical Nurse - LTC	358	147	29.1%
4	Operating Room Technician (Surg. Technician)	365	149	29.0%
5	Registered Nurse - LTC	182	69	27.5%
6	Licensed Practical Nurse - excluding LTC	1,718	552	24.3%
7	Lab Clinical Support Technician	273	72	20.9%
8	Registered Nurse - excluding LTC	12,628	3,177	20.1%
9	Registered Nurse - Outpatient	1,885	473	20.0%
10	Nurse Assistant - non-certified, excluding LTC	2,259	556	19.8%

Sources
 NYS Department of Health, NYS Hospital ICR Data, 2019, 2020, & 2021
 IHA, 2023 Mid-Year Financial Survey, August 2023 (42 Respondents)
 IHA, [Semi-Annual Vacancy and Turnover Survey Report](#), July 2023 (36 Respondents)
 Moody's Investor Services, Days COH Benchmark (150 Days), [Not-For-Profit Healthcare Rating Methodology](#), December 24, 2018
 S&P Global Ratings, U.S. Median Operating Margin (+2.5%), [U.S. Not-For-Profit Health Care System Median Financial Ratios--2021](#), August 24, 2022