



Suburban Hospital Alliance of New York State, LLC

**Fiscal Year 2026 - 2027 Health Budget
Joint Legislative Hearing
Testimony
February 10, 2026**



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The Honorable Liz Krueger, Chair
Senate Finance Committee
financechair@nysenate.gov

The Honorable J. Gary Pretlow, Chair
Assembly Ways & Means Committee
wamchair@nyassembly.gov

Dear Senator Krueger, Assemblymember Pretlow and members of the Senate Finance and Assembly Ways and Means Committees:

On behalf of hospitals and health systems on Long Island and in the Hudson Valley, I welcome the opportunity to provide input on healthcare provisions in the 2027 fiscal year budget. Hospitals appreciate the continued support of the Legislature for a strong healthcare system that ensures quality and accessible care for every New Yorker.

The 2025 federal tax bill (H.R. 1) undermined the foundations of New York's healthcare infrastructure, withdrawing critical federal support for affordable health insurance, Medicaid rates for providers and support for safety net institutions. Although the recent decision to allow collection of the managed care organization (MCO) tax through the end of 2026 provides short-term relief for the next fiscal year, the impact of H.R. 1 on the State of New York and healthcare providers will be severe in the years to come.

The impact of H.R. 1's cuts on nonprofit hospitals and health systems will be compounded by the 1 million or more New Yorkers who will lose low-cost insurance coverage or will opt for bare-bones coverage with deductibles they cannot afford to pay. Hospitals' charity care for the uninsured and underinsured will spike, as they continue to struggle with Medicaid rates that lag far below the cost of providing care – a \$1.13 billion deficit for suburban hospitals in 2024.

In the face of these pressures and with the implementation of additional provisions of H.R. 1 in the coming years, it is critical that the 2026-27 budget takes steps to stabilize the healthcare system. We urge the Legislature's support for provisions in the Executive Budget that commit to supporting hospitals and health systems by:

- Maintaining last year's Medicaid rate increases, including implementing the FY26 budget's 10 percent hospital outpatient rate increase;
- Dedicating MCO tax receipts for additional rate increases in FY27 and FY28; and
- Providing ongoing support for distressed and safety net providers.

We also urge the Legislature to:

- Restore \$520 million for the Vital Access Provider Assurance Program (VAPAP); and
- Provide \$1 billion for a Statewide V Healthcare Facility Transformation Program round of capital awards.

The FY27 budget is well positioned to stabilize the healthcare sector for the short term, but we cannot lose sight of the need for long-term structural reforms, as our state's aging population will place more demands on the care system, escalate Medicaid expenditures and deplete the available healthcare workforce – all while the impacts of H.R. 1 on the state budget and providers stack up.

Stabilize and Strengthen Finances

Governor Hochul acknowledged in her budget that many hospitals are struggling to remain solvent, noting that 29 percent of hospitals meet the state's criteria for financial distress. Many others are on the brink. We appreciate the proposed investments included in the Executive Budget and urge the Legislature's attention to the following:

Continue the commitment to closing the gap between Medicaid cost and reimbursement by implementing the 10 percent Medicaid outpatient rate increase enacted in the FY26 budget and supporting the Governor's call for \$1.5 billion (including federal share) in new investments for FY27, directed toward hospital and nursing home investments. These investments will help shield against providers' growing uncompensated care expenses and other H.R. 1 impacts. We recommend that the new investments be distributed as across-the-board rate increases.

Fund the Safety Net Transformation Program. Support the Executive Budget proposal to provide \$330 million in operating funds and \$1 billion in capital to replenish the Safety Net Transformation Program to put distressed providers on a pathway to sustainability. Demand for this program continues to outstrip available funding.

Restore \$520 million in VAPAP funding and increase flexibility. The Executive Budget did not continue the additional allocation provided by the Legislature last year for this program, which provides temporary operating assistance to financially distressed providers. We also urge that eligibility criteria be made more flexible to meet emerging needs. The DOH has terminated VAPAP support for several suburban institutions over the past several years, despite acute financial distress.

Provide \$1 billion for Statewide V Health Care Transformation awards and ensure regional parity. Governor Hochul did not include any new funds for general healthcare capital projects in her budget. Capital funding is the only assistance available to the majority of hospitals and health systems; it is essential support for nonprofit institutions, many of which would otherwise struggle to raise funds in the private markets for expansion and modernization. Directing the DOH to award capital dollars in a geographically equitable manner is also essential. Although the nine-county suburban region includes 26 percent of the state's population and hospitals, **only 11 percent of Statewide IV dollars went to the suburban regions** – 10.5 percent to the Hudson Valley and 0.5 percent to Long Island.

Strengthen the Medical Indemnity Fund. The governor's budget proposes \$127 million for the Medical Indemnity Fund (MIF), which pays the future healthcare expenses of individuals with neurological injuries sustained at birth as a result of medical malpractice. If paired with proposed reforms to the rates paid for qualifying health expenses, the Executive Budget states this amount is sufficient to keep the fund solvent for the 2026-27 fiscal year. Suburban Hospital Alliance supports these proposals but urges further discussion about the long-term sustainability of the MIF.

Support ambulance services. A provision in the Executive Budget would cap Medicaid reimbursement for dual-eligible patients at an amount equivalent to what a Medicare Part B patient would have paid in out-of-pocket expenses. Supplemental Medicaid reimbursement was intended to make up for an unreasonably low Medicare rate. We are deeply concerned about the impact that this will have on the availability of ambulance services, which are already struggling, and urge the Legislature to reject it.

Promote Innovation and Transformation

Regulatory flexibility is needed to implement new models of care and build the workforce of the future. State government can help providers leverage new technologies and advancements in care that increase consumer convenience, expand access and improve efficiency.

Although the acute staffing crisis has improved in the suburban regions for now, long-term challenges remain. Competition from new players in the market, like tech companies, telehealth providers and private equity-backed outpatient sites, continues to pressure nonprofit hospitals, as the Baby Boom generation is exiting the workforce and becoming patients themselves. The Suburban Hospital Alliance and its members are working locally with academic, labor and community partners, but we need continued support from government to meet the healthcare needs of an aging population.

Authorize Hospital at Home. The Executive Budget proposes to establish Medicaid coverage for a Hospital at Home program, creating a state companion to the Medicare initiative that has now been extended through 2030. The Suburban Hospital Alliance once again supports this proposal.

Extend and expand the community paramedicine demonstration program. The governor's budget also proposes extending through May 2031 this demonstration program, which extends the reach of healthcare providers, allowing paramedics to treat patients safely and efficiently in the field when clinically appropriate and reducing emergency department overcrowding. This emerging care model was utilized under COVID-19 pandemic waivers to leverage an already mobile healthcare workforce.

Support second-career nursing and allied health students: We support a provision in the Executive Budget that makes nursing students who already have a degree in another field eligible for the Opportunity Promise Scholarship Program.

Expand scope of practice. It's imperative that today's clinicians be allowed to work to the fullest extent of their education and training so that we can maximize the workforce we have. We support proposals in the Executive Budget to allow physician assistants to practice more independently, authorize EMS to administer immunizations under non-patient-specific orders, and allow trained medical assistants to administer immunizations in outpatient settings.

Expand the pipeline for tomorrow's nurses. Nursing schools routinely turn away qualified applicants because they lack the faculty to expand their programs. We urge the Legislature to fund innovative regional pilot programs, like providing salary support so that working nurses can teach part-time without loss of income or training programs to prepare experienced nurses to become faculty or preceptors.

Expedite recruitment and relocation of doctors and nurses. New York is now in a distinct minority among states in its failure to join the Interstate Medical Licensure Compact for physicians (42 states participate) and the Nurse Licensure Compact (43 states). These compacts ease recruitment of clinicians to the state and facilitate telehealth services. This is even more important in a crisis – New York institutions again will be at the mercy of price-gouging staffing agencies while workers will easily be able to move across other state lines. Although not included in the Executive Budget, we urge moving forward with legislation to join the compacts.

Keep New Yorkers Covered

Among H.R. 1's most devastating provisions are those that deny low- and no-cost health coverage to legally residing immigrants, require the implementation of Medicaid work requirements, shorten the period for retroactive Medicaid coverage and require more frequent income verification for certain populations. The intended effect of these provisions is to reduce the number of individuals eligible for affordable health coverage. Congress also failed to extend Enhanced Premium Tax Credits for the purchase of coverage on the insurance marketplaces, significantly increasing the cost of coverage for many.

Essential Plan transition. The Department of Health is awaiting a decision from the Centers for Medicare and Medicaid Services (CMS) on its request to revert from its current Essential Plan (EP) waiver, which expanded low- and no-cost coverage for individuals with incomes up to 250 percent of the federal poverty level, to the Affordable Care Act's Basic Health Plan (BHP) options. This will allow for utilization of BHP trust fund dollars to offset the cost of Medicaid coverage for the *Aliessa* population -- legally residing immigrants with incomes up to 138 percent of the federal poverty level (FPL). Because CMS has not responded to the request, the Executive Budget assumes that the state will have to absorb \$2 billion in new costs. Suburban Hospital Alliance supported the waiver request because it preserves coverage for the greatest number of New Yorkers and mitigates some of the damage of H.R. 1. We urge the Legislature and Executive Branch to work together to:

- **Make providers whole.** DOH administratively reduced premiums to some managed care plans in anticipation of the Essential Plan changes. Although not required, plans have then passed cuts down to providers, including hospitals. The state should use a portion of the trust fund dollars to restore cuts to providers.
- **Pursue alternatives to preserve low- and no-cost options.** An estimated 460,000 New Yorkers with incomes between 200 – 250% of the FPL will lose coverage in the waiver transition, while the expiration of Enhanced Premium Tax Credits makes purchasing coverage on the Marketplace far more expensive. Early evidence suggests that many Marketplace enrollees are purchasing lower-level plans with deductibles they cannot afford to pay. Legally residing immigrants with incomes above 138% of the FPL also lack coverage options. Because the Hospital Financial Assistance Law requires charity care for both the uninsured and underinsured, hospitals will see their uncompensated care costs surge. New York should consider using the BHP trust fund or other federal waiver options to fill these gaps in coverage.

Engage hospitals, community-based organizations and experienced enrollment agencies on strategies to maximize coverage. It will take a comprehensive effort to ensure that individuals who remain eligible for Medicaid and EP do not slip through the cracks as additional provisions of H.R. 1 get implemented in 2026 and 2027. Because emergency rooms are the default site of care for the uninsured, hospitals are uniquely positioned to identify individuals whose coverage has lapsed or is at risk. As long-time enrollment services provider on Long Island, we and agencies like ours are also well-equipped to identify and engage the uninsured. We urge the Legislature and DOH to bring stakeholders together to develop an aggressive statewide plan so that new federal mandates like Medicaid work requirements, a shortened period of retroactive coverage and twice annual income verification do not result in avoidable coverage loss.

Modernize New York's Regulatory Structure

The damage done to New York State by H.R. 1 only adds to the troubling long-term forecast for our state's healthcare system – increased demand for services for an older and more complex population, too few workers to meet the demand, and unsustainable cost increases for consumers, employers, state government and providers alike. Hospitals and health systems can be part of the solution but need the ability to operate more efficiently.

Support Certificate of Need (CON) streamlining. Last year, the Department of Health implemented numerous provisions to update the CON process, including updating the cost thresholds that determine

the level of review. There is more work to do. The Executive Budget proposes investing in a modernized electronic system, which is a good start. We support this investment.

Consolidate healthcare oversight under the DOH. Governor Hochul proposes to transfer responsibility for professional misconduct and discipline from the Education Department to the DOH. Another proposal would transfer authority for certifying ownership and operation of medical entities to the DOH. Suburban Hospital Alliance supports these proposals but urges the Legislature to go farther, putting all professional licensure and oversight for healthcare positions under the purview of the DOH, where there is appropriate expertise to manage these processes.

Preserve flexibility for hospitals making critical service line and facility changes. With nearly a third of New York hospitals in financial distress, increased competition from private equity-backed entities and more financial hits on the way from H.R. 1, hospitals and health systems may be forced to make difficult decisions about the services and locations they can afford to maintain without sacrificing the availability and safety of other care. Community engagement is an essential component of these decisions – already embedded in hospitals’ Community Service Plans and Community Health Needs Assessments – as is a strong partnership with DOH. However, burdensome regulatory obligations do not further these goals; rather, they only worsen institutions’ distress and will result in additional hospitals that need state financial assistance.

Hospitals need flexibility to make essential business decisions, which is why the Suburban Hospital Alliance opposes the recently vetoed Local Input in Community Healthcare Act (A.6004/S.1226), which would mandate hospitals contemplating a full closure, unit closure or certain service reductions to undergo extensive notification, public engagement and review processes. We have also submitted recommendations to the DOH on ways to make the Health Equity Impact Assessment process more efficient.

Enact balanced medical malpractice reform. The Suburban Hospital Alliance strongly opposes the repeatedly vetoed Grieving Families Act (A.6063/S.4423) and other legislation that would further destabilize New York’s medical liability system. True reform is needed that balances the rights of patients to receive fair compensation against the need for rational procedures and limitations that keep malpractice premiums affordable.

Engage stakeholders in a comprehensive review of healthcare statutes and regulations that unnecessarily add to the cost of providing care, especially those that are outdated or duplicate federal requirements.

Stop Abuses of Health Plans and the Pharmaceutical Industry

Health plans continue to pad their bottom lines by delaying care, delaying payment for care already provided, and limiting access by failing to establish adequate networks – including in the Medicaid managed care and Essential Plan products. Pharmaceutical corporations have taken aggressive steps to erode the community benefits of a federal program for safety net providers. We have repeatedly expressed concern about the failure to hold these predominantly for-profit entities accountable for fulfilling their commitments to patients. We ask for your support for our 340B program and managed care provisions, as follows.

Enact the 340B Anti-Discrimination Act. The federal 340B program allows hospitals, clinics and other providers serving a disproportionate share of low-income patients to purchase drugs from manufacturers

at reduced prices. Some providers utilize community-based contracted pharmacies to dispense the drugs, making the benefit more convenient to their patients. Participating safety net providers are then able to reinvest the savings back into the communities they serve. Pharmaceutical companies and pharmacy benefit managers (PBMs) are using increasingly aggressive tactics to restrict providers' ability to operate their 340B programs effectively and erode the savings intended. With the 340B program under assault at the federal level, urgent action is needed here. Therefore, the Suburban Hospital Alliance urges your support for the inclusion in the budget of A.6222/S.1913, which would address these abuses, and asks for its inclusion in the budget.

Prior authorization and utilization review reforms. Prior authorization can play an important role in ensuring that patients get the right care in the right place, but health plans have turned it into a tool for delaying or denying even the most routine care. This unnecessarily consumes provider resources, frustrates patients and, in some cases, results in consumers giving up on needed care altogether.

We appreciate the package of proposals included in the Executive Budget that would address health plans' prior authorization and utilization review process. The Suburban Hospital Alliance supports and urges inclusion in the 2026-27 budget provisions to expand continuity of care requirements for out-of-network treatment to 90 days and for the full pregnancy and postpartum period; limit the utilization review period for treatment of chronic conditions; enhance reporting of plans' denial rates; and increase transparency of drug formularies. We also urge the Legislature to act on A.3879/S.7297, which would require plans to use evidence-based criteria to make determinations about medical necessity, make determinations within 72 hours and provide authorizations for an entire episode of care.

Reject Independent Dispute Resolution (IDR) changes. The Executive Budget proposes to carve out all Medicaid managed care claims from the IDR process and set caps on maximum payment rates. The Suburban Hospital Alliance is deeply concerned about the impact that this would have on hospitals' ability to secure on-call coverage for specialty services. Another proposal would carve the Empire Plan/NYSHIP into the state IDR process; it currently is regulated under the federal No Surprises Act statute. We urge the Legislature to reject both proposals.

Oppose caps on reimbursement. The Suburban Hospital Alliance strongly opposes legislation that would cap the maximum reimbursement rate for hospital-owned outpatient sites at 150 percent of the Medicare fee-for-service rate (A.2140/S.705). Negotiating higher rates from commercial payers is the only way that providers can offset the failure of Medicaid to cover the cost of care. Hospitals in the suburban regions have already seen their commercial payer base decline significantly since the expansion of the Medicaid program and establishment of the Essential Plan. Unlike physician practices or investor-backed urgent care sites, hospitals have significant regulatory obligations and must treat every patient that comes through their doors. Passage of this legislation would further damage fragile hospital finances and ultimately limit access to patient care in community-based settings.

In Closing

With the extension of New York's MCO tax collection through the 2026 calendar year and potentially a favorable decision from CMS on the transition of the Essential Plan, combined with an improved revenue forecast, this budget may not require drastic actions. However, the state and its healthcare providers will face an escalating number of cuts in the near term as additional provisions of H.R. 1 take effect – in particular, cuts to the State Directed Payment program for distressed providers and a mandatory lowering of New York's provider tax.

In the longer term, demographic and workforce changes will only increase stress on the system. Now is the time to begin preparing substantive reforms to the Medicaid program to ensure that New York can provide coverage to its neediest residents in the future. We urge the Legislature, along with Governor Hochul and the Department of Health, to engage stakeholders on ways to ensure that safety net funding is sustained and is distributed transparently, to bend the cost curve of long-term care spending, and to determine whether the Medicaid benefit design is appropriate given fiscal constraints.

Thank you again for the opportunity to provide input into the budget deliberations. The Suburban Hospital Alliance and its members look forward to working with you to strengthen New York's healthcare delivery system. Please do not hesitate to contact me on these or other issues.

Best regards,

/s/ *Wendy D. Darwell*

Wendy D. Darwell
President and CEO