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

## **New York State 2008 – 2009 Budget**

Testimony

of the

Nassau-Suffolk Hospital Council

for the

State of New York, Division of the Budget  
Public Hearing Regarding the 2008 – 2009 Budget

November 30, 2007

H. Lee Dennison County Office Building  
Hauppauge, New York

Thank you to the New York State Department of the Budget for holding these hearings and allowing stakeholders, such as the Nassau-Suffolk Hospital Council, with the opportunity to offer comments and information pertaining to the development of the 2008 – 2009 state budget.

The Nassau-Suffolk Hospital Council represents Long Island's 24 not-for-profit and public hospitals that, in turn, service the health needs of 2.8 million people. Our institutions know all too well the challenges of providing quality services within the confines of shrinking revenues. Two-thirds of the hospitals on Long Island continue to post negative operating margins year after year. Economists agree that not-for-profits should realize at least a 4% yearly operating margin in order to remain healthy. So, our hospitals fully understand the state's dilemma in balancing a budget, while continuing to provide all the services – health, education, security – its citizens deserve and demand.

The state's Medicaid program, which provides health care services for low-income, mentally ill, disabled, and elderly individuals, is often a target of budget reductions. Therefore, it is imperative that law makers and budget developers understand the financial and program parameters of Medicaid, while formulating the upcoming budget. Some facts to consider are:

- Medicaid spending for hospitals and nursing homes was not the driver of Medicaid growth between 1998 and 2005. Average annual Medicaid spending grew by 7.5% (reflecting the growth in total enrollment each year), while spending for hospitals and nursing homes grew by 4.5% and 3.9% respectively.
- The recent joint report of the Division of Budget, Senate Finance Committee, and Assembly Ways and Means Committee forecasts a downward trend in Medicaid spending from the actual 2006 – 2007 spending of \$12.839 billion.
- The State Budget Office's mid-year projection for 2007 – 2008 Medicaid spending shows a decline. The budget office says spending would be about \$1 billion less than had been forecast, in part because Medicaid rolls have shrunk by 40,000 people from the previous year's level.

- State budget office also projects that the fastest-growing sector of state Medicaid spending, 2007 – 2008 to 2008 – 2009, will be pharmaceuticals at 23.9%. Hospital/clinic Medicaid spending is projected to rise at less than half that rate, \$10.3%.
- Medicaid enrollment and growth in Medicaid claims expenditures since 2000 have been almost identical, indicating that the dominant reason behind Medicaid growth has been the enrollment of uninsured New Yorkers.
- About 25% of Medicaid enrollees are elderly or disabled, yet two-thirds of Medicaid spending in the state is related to caring for these populations.
- About 12% of Long Island's hospital patients are Medicaid.
- Medicaid reimbursement for an ER visit was frozen for 15 years at \$95, until legislation was passed in 2006 to phase in a rate increase to \$150, which took effect in January of 2007. A typical ER visit at a hospital costs about \$400.
- Medicaid recipients typically and inappropriately turn to hospital ERs for non-emergent care. Private practice primary care physicians are not required to accept Medicaid patients and when they do, reimbursement is well below the cost to provide the care. Gov. Spitzer's proposal to increase Medicaid reimbursements to these doctors would reduce high-cost hospital ER services, saving hospitals money and the state money.
- New York's Medicaid program is second to last in the nation when it comes to the amount it pays its health care providers, according to a recent Public Citizen report.
- New York's Medicaid program is one of the most generous in the nation.

Perennial cuts in state Medicaid spending and Medicare spending, coupled with dwindling reimbursements from commercial insurers, have truly left a negative impact on our institutions. While we struggle daily with these reimbursement issues, Long Island's hospitals also struggle with the need to find financing to fund capital improvements and purchases that will keep their institutions in top shape, both structurally and technologically. Health information technology is an area we know that will bring about efficiencies, reduce errors, and improve overall outcomes. However, investment in such endeavors is enormous and unattainable for the majority of our hospitals.

We ask lawmakers and budget developers to be aware of these issues that surround hospitals, as the 2008 – 2009 state budget is fashioned. While good schools are often indicative of a community's worth and real estate values, the same can be said for

hospitals. Residents demand, and rightfully so, hospital care that is top quality, innovative, safe, technologically advanced, and offered at a reasonable cost.