August 21, 2009

Honorable David A. Paterson
Governor of New York
Executive Chamber
Albany, NY 12224

Honorable John L. Sampson, Democratic Conference Leader
Honorable Malcolm A. Smith, Temporary President
Honorable Pedro Espada, Jr., Majority Leader
Honorable Jeffrey D. Klein, Deputy Majority Leader
New York State Senate
Albany, NY 12247

Dear Colleagues:

As Chair of the New York State Senate Committee on Health I am writing to ask that any deficit reduction plan that is enacted this fall does not include cuts to health care. I am aware that health care costs, and especially Medicaid, make up a large share of the New York State budget. I am also aware of the fiscal challenges facing New York, and the reality that in order to balance this year’s budget substantial and severe cuts will be necessary. Nonetheless, the health sector should be spared mid-year cuts, which wreak havoc on institutions’ ability to effectively plan and manage.

The last several budgets have included dramatic changes in state policy affecting the health care community. Changes in reimbursement methodology for inpatient and outpatient care, which are still in the process of being implemented, resulted in significant disruption to hospital and ambulatory care facilities’ revenue streams. Nursing homes and home care providers are anticipating changes in reimbursement methodologies over the next year. Last year’s deficit reduction plans cut reimbursement twice, creating significant challenges for providers. The financial turmoil resulting from the economic downturn creates additional challenges that our health care institutions are struggling to manage. We should not contribute to that struggle by further reducing reimbursement rates this year.
The Department of Health recognized that reimbursement for outpatient services has been inadequate for years, paying only a fraction of actual costs. We have only begun to redress that imbalance through increased outpatient payment rates. The new outpatient payment methodology also serves an important policy goal of strengthening the primary care delivery system. Reductions in outpatient rates at this time would not only stress providers, it would also undermine our goal of building a better primary and preventive care system. Backpedaling on our commitment to ambulatory care would also result in renewed access problems for Medicaid consumers.

Hospitals that serve large numbers of Medicaid patients also typically serve large numbers of people without health insurance. In this economic climate the numbers of people without insurance is growing. Budget cuts that destabilize essential community providers and safety net institutions are extremely ill-advised while the New York State economy continues to flounder.

Pharmacies in New York are also in severe financial distress. New York State lost 185 independent pharmacies in the last year. Recognizing the perilous nature of their existence, last year's budget did not include cuts to pharmacy. Although not unexpected, the reduction in AWP as a result of the recent US District Court ruling places all pharmacies, but especially independent pharmacies, in jeopardy. And again, a reduction in the number of pharmacies has an immediate impact on access to care for Medicaid beneficiaries. Rather than contemplating cuts to pharmacy reimbursement, please consider an increase to reimbursement to make up for the reduction in funding due to the reduced AWP.

The national debate about health care reform is in full swing. It is too early to understand what impact any federal reform will have on New York State. A change in the federal Medicaid eligibility threshold could have a significant impact on our program. Subsidies directed to lower and middle income families to help pay for health insurance, and a significant decrease in the number of uninsured New Yorkers, would profoundly change health care dynamics in our state. New York's hospitals are heavily reliant on DSH (disproportionate share hospital) payments, whose future remains unclear under federal reform. It would be prudent to delay any further changes in health care reimbursement, and any additional cuts to health care providers, until we have a clearer sense of what federal changes are likely. This will give health care providers a needed respite in responding to an industry that is undergoing profound realignment.

Sincerely,

Thomas K. Duane
NYS Senator, 29th District

cc:
Kemp Hannon, NYS Senate
Dean Skelos, NYS Senate
Sheldon Silver, Speaker, NYS Assembly
Richard N. Gottfried, Chair, NYS Assembly Committee on Health
Richard F. Daines, M.D., Commissioner of Health
Robert Megna, Budget Director