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Testimony of the

Iroquois Healthcare Alliance

Presented to the

New York State Senate Finance Committee

and

New York State Assembly Ways & Means Committee

regarding

2016-2017 Executive Budget Proposal on Health

by Gary J. Fitzgerald
President, Iroquois Healthcare Alliance

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Good afternoon Chairwoman Young and Chairman Farrell, legislators, and staff. I am Gary Fitzgerald, President and CEO of the Iroquois Healthcare Alliance, a membership organization representing 54 hospitals and their affiliated organizations in 32 upstate counties. IHA's membership is diverse, comprising 32 rural hospitals including 13 Critical Access Hospitals, and represents the smallest hospitals in the state as well as some of the largest teaching hospitals in Upstate New York. I want to thank you for conducting this public hearing regarding the Executive's proposed healthcare budget.

My colleagues from HANYS and GNYHA have given you extensive testimony as to the challenges of the New York State Medicaid system and the extensive transformation of the health care delivery system here. The Iroquois Healthcare Alliance supports many of the recommendations made by HANYS and GNYHA, and will work with them, and with you, to see that these efforts become reality. I will not repeat their testimony, but would like to speak briefly on the concerns of Upstate hospitals, nursing homes, and physicians – specifically, the shortage of physicians and what that means for upstate New York.

Physician Shortage: The Numbers

Communities in Upstate New York desperately need to recruit new physicians. IHA members are struggling with recruitment of physicians, both primary care and specialties. Physicians of all types are needed and in short supply, and in some cases non-existent in many Upstate communities. IHA collaborated with HANYS and the other regional hospital associations on a recent survey on the physician shortage:

- Eighty-seven percent of respondents indicated that their ability to recruit physicians was the same or worse than last year.

- Sixty-one percent reported that there are times that their emergency departments are not covered for certain specialties, requiring them to transfer patients elsewhere.
- Thirty-two percent reduced and/or eliminated services as a result of the physician shortage; at rural hospitals, 51% reduced and/or eliminated services.

With respect to primary care, 63% indicated that they did not have sufficient primary care capacity to meet their patients' needs. The vast majority (81%) plan to hire more primary care physicians, but 69% reported that they are having difficulty recruiting these doctors.

The aging physician population and the need for additional health care services in Upstate due to its aging general population, creates an even more challenging environment.

Upstate has 268 physicians per 100,000 population, which is 35.7% less than the Downstate average of 417. This includes all physicians regardless of their care setting. While all Upstate regions lag behind Downstate, the gap is largest in the Tug Hill region with 57.6% less physicians per 100,000 population than Downstate. The Southern Tier is next at 45.1% less physicians than Downstate. This information comes from *The Center for Health Workforce and Studies, 2014 Data.*

Employment of physicians – financial impact

At present, and almost exclusively, in order to recruit a physician to serve an Upstate community, they must be offered an employment arrangement by the hospital or health care system. In most cases the total cost (compensation, benefits, insurance, equipment, supplies, practice site etc.) to a hospital for employing a physician (notably primary care physicians) far exceeds the revenue generated by the physician. Within the past week, an Iroquois member hospital CEO, whose annual operating budget is in the $300M range, related that the financial

loss associated with the hospital's employment of physicians significantly exceeded the small margin the hospital was able to generate, putting the hospital into the red for the year. In compensation alone, the hospital was forced to pay 110% of the national average to recruit physicians. Over a multi-year period, such losses could threaten the financial stability of the hospital and is clearly not a viable strategy going forward.

The Investment: Graduate Medical Education

GME operates on public money. In 2012, at $1.82 billion, New York accounted for nearly half (46.9 percent) of the nation's total Medicaid GME spending and more than 10 times any other individual state. New York directs more Medicaid dollars per teaching hospital ($20.9 million) per resident ($115,500) than other states. (these numbers are according to the IOM report "*Graduate Medical Education That Meets the Nation's Health Needs*", September 2014) In efforts to increase the number of primary care doctors, we need to develop a more focused GME system. GME residency training programs can do things that would increase the likelihood of residents choosing primary care and underserved areas. The location of residency programs, mentors, and exposure to positive experiences in rural and underserved areas would make a compelling difference.

The Export: Physicians

New York exports physicians. Iroquois believes that collaboration with medical schools and residency programs in New York State to promote opportunities will help with addressing the physician misdistribution. I'd like to share some statistics with you from the *2014 New York Residency Training Outcomes* report:

- Less than half (45%) of new physicians are staying in New York after completing training.
- Only 4% of new physicians are going to rural locations.
- The vast majority of respondents who are staying the in the state (87%) are remaining in the same region where they trained.
- 80% of respondents who went to high school in New York and attended medical school in New York planned to stay and practice in New York.

New York has an opportunity to grow their own physicians by promoting opportunities throughout the education pipeline from high school to medical school to residency to practice. New York has an opportunity to keep a larger percentage of the physicians we train by promoting opportunities and our communities. New York has an obligation to do more for the rural communities that make up the Empire State.

Some Solutions:

- **Doctors Across New York - $8M**
- **Rural Residency**
- **Property tax bill**
- **Start-Up NY**
- **Expediting of the credentialing of physicians by health plans.**
- **Regional recruitment and promotional activities**

Doctors Across New York

New York should commit to consistent funding for Doctors Across New York with an annual cycle and a predictable timeline for the application process. There are multiple

components to the Doctors Across New York program, but specific to recruitment and retention efforts, the Physician Loan Repayment program and Physician Practice Support program account for $8 million. Given the more than $700M invested in regional economic development across Upstate New York in 2015, and the almost $4 billion in GME in New York State (Medicare and Medicaid combined) annually, this investment in physician recruitment and retention pales in comparison.

Rural Residency Program

Through the SHIP/DSRIP Workforce Workgroup, a Rural Residency Program is under development. The goal of the program is to increase the number of primary care physicians practicing in rural communities through the creation of new primary care residency programs in rural communities. IHA is supportive of this "grow your own" strategy which focuses residency recruitment efforts on students/residents from rural communities and then includes community-based ambulatory care training sites.

Without a sufficient number of practicing primary care physicians, nurse practitioners and physician assistants, New York will not be successful in attaining the triple aim of improving population health, enhancing patient experience, and reducing costs. Without a sufficient number of these healthcare professionals, health care delivery system transformation can not succeed.

S.1289-A of 2015 Senator Young –Property Tax Relief

This legislation would provide a partial tax exemption for real property purchased by a physician for use as primary residence when the physician works in and the property is located in a physician shortage area designated by the Commissioner.

Start-Up NY

Iroquois joins other associations in proposing that the Start-Up NY program should be extended to focus on providing tax relief to physicians in primary care and needed specialty areas in return for performing various public benefits including the creation of new jobs. The benefits of extending Start-Up NY are within the spirit and intent of the program in that jobs will be created when physicians establish or expand practices in shortage areas. Furthermore, an adequate health care infrastructure in a community helps attract new business to locate in said community and increases economic activity. At the same time, the program is serving a public good and fulfilling a serious need to bring primary care and other specialty physicians to areas that are unable to meet patient needs.

S.5155 of 2014 Senator Valesky - Expediting of the Credentialing of Physicians by Health Plans.

The purpose of this legislation is to permit newly licensed providers, and providers moving to New York State, who are employed by a hospital and have applied to be credentialed as part of a health plan's provider network, to be considered provisionally credentialed from the date the health plan receives the hospital and physicians completed sections of the plan's credentialing application.

Regional Recruitment Activities

There are currently more than 16,500 medical residents training in New York's teaching hospitals and, as I testified to earlier, less than half are staying in New York State. 87% of those residents are intending to stay in the same region where they trained and only 4% are intending

to practice in rural areas. It is vital that these statistics change. Iroquois is working with the American College of Physicians, along with its member hospitals, and has designed the "Take a Look" Program with a primary goal of exposing residents training Downstate to practice opportunities in Upstate New York's communities. Residents are brought to Upstate New York's community hospitals and ambulatory care sites to expose them to the practice opportunities available. To date, the feedback from both the residents and the sites they visited has been very positive. Iroquois has engaged in multiple meetings and conversation with the Department of Health about the program. The Department is very interested in the program and is considering it as one strategy to increase the physician supply upstate which is vital if the DSRIP and SHIP transformational waivers are to succeed. Regional efforts like this should be encouraged and funded by New York State to avoid interruption of healthcare services in certain communities.

Healthcare, Workforce, and Economic Development

Hospitals contribute to their local and regional economies through the purchase of goods and services from local establishments and through employment of large numbers of workers. Moreover, the economic importance of hospitals extends beyond their purchasing power and employment-generating impact. Strong healthcare institutions are a necessity for attracting new workers and companies, and thereby jobs to a region. And, physicians are a necessity for strong healthcare institutions.

IHA applauds Governor Cuomo's focus on economic development, and specifically the economic development of Upstate New York. The essential role that hospitals play in regional economies, should urge economic development councils to view hospitals as a focal point for attention. Healthcare, however, has not been viewed generally by the Councils as an economic

development issue. Across Upstate New York, the health care infrastructure is often a mainstay of the region's economy. The economic growth and stability of communities requires the presence of a strong health care system to attract and keep residents, and to attract businesses to employ local residents. As a major employer, a strong health care system has multiplier effects throughout the community.

Regional Economic Development Funds:

Regions	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
(Amount In Millions)						
Central NY	103.7	93.8	66.9	80.2	122.4	467.0
North Country	103.2	90.2	81.2	63.4	85.1	423.1
Capital Region	62.7	50.3	82.8	60.0	98.1	353.9
Mohawk Valley	60.2	59.7	82.4	59.6	100.3	362.2
Southern Tier	49.4	91.1	81.9	80.8	117.0	420.2
IHA Region Total						**2,026.4**
Western	100.3	52.8	60.8	58.6	83.9	356.4
Buffalo Billion (2013)						1,000.0
						1,356.4
Finger Lakes	68.8	96.2	59.8	80.7	120.1	**425.6**

Collectively, we need to contribute to the production of a better prepared physician workforce, innovative graduate medical education programs, transparency and accountability in programs, and recruitment and retention efforts that support not only the healthcare delivery system but also the economic development and sustainability of our communities. IHA is fearful

that by not addressing these concerns, the health care delivery system will face difficulties in meeting the milestones and objectives of transformation.

Thank you again for your time and the opportunity to comment. I hope that during your deliberations you will consider the issues that I have discussed with you today. The members of the Iroquois Healthcare Alliance look forward to working with you to ensure that quality, affordable health care is accessible to all of the citizens of New York State. I am happy to respond to any questions.