

MONTEFIORE MEDICINE'S 2018–2019 STATE BUDGET TESTIMONY ON HEALTH POLICY AND MEDICAID:

Joint Legislative Hearing of the Senate Finance and
Assembly Ways and Means Committee

Good morning Chairwoman Young, Chairwoman Weinstein, Heath Committee Chairs Hannon and Gottfried, and distinguished members of the Committee. My name is Dr. Steven Safyer, and I am the President and Chief Executive Officer of Montefiore Medicine, the umbrella organization for Montefiore Health System, one of New York's premier academic health systems, and Albert Einstein College of Medicine (Einstein). We are an integrated academic health system that includes 11 hospitals, our innovative Hutchinson Campus (a hospital without beds), 250 ambulatory centers, a nursing home and a home care agency. We are the health care anchors in the Bronx, Westchester, Rockland and Orange counties, a region of close to 4 million people. We combine nationally recognized clinical excellence with expertise in accountable, value-based care settings that focus on optimizing patients' health and well-being, as well as the health of their families and the community. Montefiore's mission is to heal, to teach, to discover and to advance the health of the communities we serve, and this mission continues a commitment that began over 130 years ago to provide equitable and socially-just care to all whom we serve. We have been the largest provider of health care in the Bronx for over 100 years.

Einstein and Montefiore share a deep commitment to social justice and the advancement of the health of the communities we serve. Montefiore's engagement with its community and commitment to the highest standards of clinical care are enhanced by its standing as an academic medical center. Einstein brings state-of-the-art research and innovation to the region, ensuring our communities receive the highest level of advanced and innovative care.

So today, I am here to talk to you about Montefiore's vision for a financially sustainable and high-quality health care delivery model of the future, and to request your partnership and support in transforming that delivery system to better serve all New Yorkers. Montefiore is bringing our forward-thinking health care model to our four-county region, and taking responsibility for the delivery of fully integrated care across the continuum. Our goal is to work with Governor Cuomo, the Senate, the Assembly, the agencies and community-based providers and organizations to develop a national model of health care services that cares for all, regardless of whether or not a patient has insurance, regardless of their legal status, and regardless of their current state of health. We envision a model that leverages our fully integrated system well-equipped to ensure that care is provided in the right place, at the right time, and in the right way that ultimately improves quality and outcomes all while containing costs. However, in order to complete this vision, New York State must make additional

investment in Medicaid. Our work together to maximize the impact of health care spending is all the more critical in the face of New York State's significant fiscal challenges.

Throughout our history, Montefiore has modeled its services and research agenda in partnership with our communities, to address both the underlying socioeconomic factors that affect health and specific public health challenges: from the tuberculosis epidemic in the late 19th century, to infant mortality; from lead poisoning, to the HIV/AIDS epidemic in the 1980s; from the substance abuse epidemic that has never left the Bronx, to more recently, the high prevalence of diabetes, obesity and asthma. The majority of the communities for which Montefiore cares are under-resourced, and have high rates of chronic diseases, influenced by myriad socioeconomic factors and are significantly hit by the recent opioid crisis. Montefiore is responsive to both the health and socioeconomic challenges faced by the communities and serves as an anchor institution, providing economic stability and serving as the largest employer in the regions where we are located.

Montefiore is one of the largest providers of Medicaid and Medicare services in New York State, with 1.3 million Medicaid and 433,000 Medicare beneficiaries living in the four counties served by Montefiore and our affiliates. Indeed, Montefiore provided over 2.5 million primary and specialty care visits to Medicaid recipients in 2016 alone. Fifty-five percent of our outpatient visits are Medicaid, and an additional 10% are the uninsured. We are unique among safety-net hospitals in that Montefiore provides its patients the full spectrum of care—from comprehensive primary and ambulatory specialty care, to the most complex, quaternary life-saving care. We are also unique as an academic health center with a high percentage of Medicaid and Medicare patients in our care.

Montefiore has deep experience in value-based care that goes back over two decades, giving us the experience in keeping patients healthy and using government reimbursement wisely. As New York State's only Pioneer Accountable Care Organization, we refined our core capabilities in managing the health of Medicaid, Medicare and commercial beneficiaries, and are now at risk for close to 400,000 lives. Nearly half of these lives are Medicaid beneficiaries. As a true testament to our work, Montefiore was just recently approved as one of the first value-based contractors under the State's Innovator Program, which will allow us to increase the number of Medicaid lives we actively manage through risk arrangements.

Montefiore has repeatedly stepped up, working with New York State, to maintain access to care in socioeconomically challenged communities by bringing struggling hospitals to our network. We have successfully transformed bankrupt vital access hospitals, including Montefiore Wakefield (formerly Our Lady of Mercy) and Montefiore Westchester Square (formerly Westchester Square Hospital). Similarly, Montefiore has worked to improve the operations and financial health of the two hospitals of the former Sound Shore Health System, Montefiore Mount Vernon and Montefiore New Rochelle. These hospitals suffered from years of underinvestment and faced an uncertain future in an increasingly difficult health care environment, categorized by over-bedding and inadequate access to vital ambulatory services.

Both hospitals have realized dramatic operational improvements resulting in improved quality and effectiveness under Montefiore's stewardship.

More recently, Nyack Hospital (2014) in Rockland County, White Plains Hospital (2015) in Westchester County, Burke Rehabilitation Hospital (2015) in Westchester County and St. Luke's Cornwall Hospital (2016) joined the Montefiore Health System. Both Nyack and St. Luke's Cornwall serve communities disproportionately affected by diseases of poverty and many are Medicaid beneficiaries with comparable challenges in both the patient populations and the local communities. Montefiore's also collaborates with three affiliates, St. Barnabas Hospital Health System, St. Joseph's Medical Center and Saint John's Riverside Hospital. We have also been working with both St. John's and St. Joseph's through the Montefiore Hudson Valley Collaborative, a performing provider system under DSRIP. For many years, Montefiore has worked closely with St. Barnabas on initiatives such as the Montefiore-led Health Home (the Bronx Accountable Healthcare Network) and DSRIP.

Montefiore is honored to serve as an economic anchor to our communities. We are the 8th largest employer in New York State. Our health system employs over 40,000 associates across four counties of Westchester, Bronx, Rockland and Orange, while having an economic impact of over 11 billion dollars regionally. The jobs we provide stabilize families and our communities through employment and purchasing, the generation of over 1 billion tax dollars, and continued investment in community health initiatives, again Montefiore plays a crucial role in the economic health and prosperity of the surrounding region and state.

Montefiore has built a labor force to meet the growing needs of one of New York State's most vulnerable patient populations. Fifty-five percent of Montefiore employees are union members represented by 1199SEIU and the New York State Nurses Association in addition to other unions. All of our employees currently make at least \$15/hour, the future minimum wage of New York State. Montefiore has partnered with vital educational institutions throughout the Bronx to ensure opportunities for students in our surrounding communities. To enact meaningful change, Montefiore takes into consideration how we not only influence the health of our current patient population, but how our actions advocate for the health and economic prosperity of generations to come.

Three-quarters (75%) of the patients cared for by Montefiore and our affiliates are covered by Medicaid and Medicare, and these government payers account for 68% of the revenue of these hospitals, compared to an average of 50% of government payer revenue for all NYS hospitals. Medicaid has posed challenges, most prominently, no increases in payment rates for over a decade. On average, Medicaid and Medicare pay \$0.68 and \$0.75 respectively on the commercial dollar. Because commercially insured patients account for less than 25% of the patients we treat system-wide, there is little opportunity to subsidize our Medicaid and Medicare patients. This problem is exacerbated by continued cuts to federal funding. In this year alone, we've had to eliminate \$40 million from Montefiore's budget because of these federal cuts. Just imagine--if we had a different payer mix, we would likely have an operating margin around 5-10%.

Simultaneously, over the past decade, the costs associated with pharmaceuticals, medical and other supplies, equipment and wages, including those of over 20,000 unionized employees have risen exponentially. This has created significant fiscal pressure, creating a multitude of challenges. Under these circumstances, the inescapable conclusion is that the financial health for hospitals with high Medicaid payer mix percentages is unstable, putting healthcare access and population health at risk for the people who receive care at these facilities.

In response to these financial pressures, Montefiore has undertaken a planning effort in concert with DOH to design a system that is financially stable and accountable, delivers the best quality and outcomes of care and is singularly focused on improving the health and well-being of a population. Through DSRIP, we are developing a network of primary care providers, specialists and other community-embedded providers, social services and community-based organizations (CBOs), nursing homes, home care agencies, as well as hospitals that are tailored to each region, connected with shared infrastructure and shared values. Montefiore's approach respects the local patient preference, promotes evidence-based, patient-centric and culturally-sensitive care.

This plan, if adopted, will enable Montefiore to achieve the overarching system efficiencies necessary to develop the right care in the right setting to preserve access and strengthen quality and coordination of care for all patients, particularly for Medicaid beneficiaries in the Bronx, Westchester, Rockland and Orange counties. Montefiore's goal is to achieve tens of millions of dollars in savings from our transformation activities.

We have the tools, experience and motivation to see healthcare transformation through to its full potential. However, we need your help. As a premier academic health system, your continued support will enable us to remain on the path of healthcare delivery transformation ushering Montefiore and Einstein into a new age of innovative, quality, patient-centered and value-based care ultimately offering a cost savings to New York State.

We are eager to work with all of you to design a permanent payment system that allows innovative health systems with high government payer mixes, like Montefiore, to be financially sustainable and to advance a model which improves quality, contains cost and ensures vital access. Governor Cuomo's proposed Health Care Shortfall Fund presents an opportunity to give safety-net providers a needed Medicaid rate enhancement to keep up with rising costs of doing business, i.e. pharmaceutical costs, union wage increases and more. This Shortfall fund is critical, but additional investment in Medicaid may be necessary. I suggest we look to revenue sources that also improve the health of our communities such as the Governor's proposed vape tax or a sugary soda tax which could raise approximately \$500M annually for the Medicaid program, while helping to reduce the devastating and costly impact that obesity has on communities we serve.

Montefiore intends to continue on its course in the face of challenging times ahead, especially in areas where other fragile systems are facing precarious futures. Our history is a testament to our commitment, as we have made difficult yet strategic decisions that were not always in the

interest of our immediate bottom line, but were important for our patients, our communities, our providers, our employees and our students.

In conclusion, I thank each of you for your time and attention today. I am immensely proud of the work Montefiore has accomplished, a lot of it in partnership with many of you on this distinguished committee. Montefiore remains committed to our core mission and values and will continue to do what we genuinely believe is the only right thing to do, provide the highest quality and equitable care to all those whom come through our doors. We can only do so with the guidance and support of our elected leadership. Thank you Chair Young, Chair Weinstein and members of the committee for the opportunity to speak with you today.