

Written Testimony of CWA District One

Health Committee Budget Hearing

FY2023 NYS Budget

Submitted: February 8, 2022

CWA District One represents approximately 15,000 healthcare workers across New York State. We write today in strong support of Governor Hochul's proposal for a massive investment in the state's healthcare system, including providing financial relief to healthcare workers, safety net hospitals, and creating new workforce development initiatives. However, we also believe an additional investment of \$1.5 billion is needed to create a dedicated fund specifically to fortify hospitals that have suffered significant net operating losses as a result of the COVID-19 pandemic and have been largely ineligible for proposed State subsidies. This additional funding is vital to stabilize hospital budgets and enable hard-hit hospitals to pay adequate wages to attract and retain staff, improve hospital conditions and patient care.

This funding should be allocated based on a formula that takes into account a hospital's total net operating losses during the pandemic, as well as the number of weeks that hospital was prohibited from elective admissions.

Hospitals have reached a breaking point.

The pandemic has stretched the State's healthcare system to the breaking point: crisis-level short staffing, unacceptable patient care, and deteriorating hospital conditions. Our members liken it to a war. With untenable overcrowding in emergency rooms that have persisted for two years, and decades of short staffing across the system, it is no surprise that hospitals are hemorrhaging workers and unable to fill vacant positions. In turn this exacerbates staffing shortages, and drives more workers to quit. It is a vicious cycle. Hospitals desperately need measures that will allow them to retain current staff and attract new ones.

However, many hospitals are unable to pay the level of wages and bonuses that will enable them to navigate the current labor market. At the same time that COVID-19 led to enormous unanticipated expenses, many hospitals lost their main revenue stream - elective admissions. While this was a necessary emergency policy, the loss of revenue has financially crippled many hospitals, and patients and workers across the State are bearing the devastating consequences. In order to protect our healthcare workers, keep hospitals open and ensure the best quality of care for all New Yorkers, we need a massive infusion of funds for our hospitals and healthcare workers.

Patient care and healthcare workers are suffering, but relief measures bypass many NYS Hospitals.

New York hospitals are eligible for several different kinds of subsidies, but too many hospitals are still not receiving the relief they need. State and Federal funds have disproportionately helped the largest systems which were actually best positioned to bounce back from pandemic-related losses. For example, a review of federal CARES Provider Relief Fund funding found that larger health systems, which due to bed size received the most relief funds, finished both FY2020 and FY 2021 with operating surpluses.¹ While the theory behind the PRF subsidies was sound, that larger systems must have incurred the largest losses, the actual outcome was that larger systems were better able to weather the costs of Covid treatment and the suspensions of elective surgery. These systems increased charges, moved quickly to offer new services, and exercised their local monopoly leverage with third-party insurers. In fact, this article further states that “At present, many of the hospitals receiving the largest payments are financially secure, have significant market power, and face little risk of closure.” Between structural supports and federal funds being allocated based on size and not actual net operating losses, these hospitals have avoided the worst financial turmoil while smaller institutions have been left behind.

This trend holds true for New York. Recent data shows that the federal infusion of PRF funds has largely helped balance budgets of major hospitals across the State. A recent article found that in nine of 10 regions, aggregate hospital income exceeded aggregate expenses.² The one exception was Western New York, where the hospitals fell 5% short of breaking even. (A high concentration of CWA health care workers are located in Western New York, so the union is extremely familiar with the particularly dire conditions there).

Other traditional aid for hospitals, particularly from the State, is based mostly on patient mix. However, during the pandemic, simply looking at a hospital's patient mix failed to account accurately for the impact of the pandemic on each institution's financial health.

A number of hospitals in New York State, particularly in Western New York, are in desperate need of financial relief. These are hospitals which do not command sufficient market share to weather the storm, are not large enough to receive the big bailouts of federal dollars and are ineligible for other funding due to their patient population mix. These hospitals need the State's help.

¹ Cooper, Z, Mahoney, N, "Economic Principles to Guide the Allocation of COVID-19 Provider Relief Funds," Health Affairs, July 9, 2020

² Hammond, Bill, "With help from Washington, most hospitals ended 2020 in the black," Empire Center, February 4, 2022.

Without stabilizing the budgets of these hospitals, many hospitals will be unable to pay wages and bonuses that retain or attract staff or improve job conditions. Without help, these hospitals will continue to hemorrhage healthcare workers.

The most urgent crisis facing healthcare institutions across the State is staffing. While the long term fix to staffing is a robust investment of workforce development programs and incentives, the current emergency requires funds for hospitals to raise wages and create viable incentives to attract and retain staff. Catastrophic staffing shortages and unbearable working conditions have led to a vicious cycle where longtime employees, particularly nurses, are leaving career positions to earn more money as "traveling nurses." A recent NY Times article found that agencies are currently paying up to \$215/hr for critical care nurses.³ This stands in stark contrast to the average hourly wage of \$43/hr for RNs in NYS, according to the Bureau of Labor Statistics.⁴ This cycle decreases the number of long-term in-house staff available to care for patients, and forces hospitals to rely on higher-cost temporary assistance, further straining the system. Wages and benefits need to be raised immediately in order to stabilize the current workforce.

Additionally, our healthcare heroes deserve bonuses that adequately recognize their contribution to our State over the last two years. While we appreciate the proposal in the Governor's Executive Budget, \$3,000 represents an inadequate amount, either to recognize the sacrifices health care workers have made in the last two years, or to incentivize them to remain on their jobs. The bonus should be increased and eligibility should be expanded to all healthcare workers who served on the frontlines of COVID-19.

Healthcare workers who have carried our State on their shoulders and continue to do so, have suffered unimaginable trauma, illness and even death. It has led to a mass exodus from the profession. And while the staffing crisis existed prior to the pandemic, we must act now to improve working conditions and protect the workforce. Providing attractive bonuses and raising wages are immediate measures that must be taken now even as longer term, structural reforms to bolster the workforce pipeline are put in place.

It is in all of our interests--the public, the workers, and the hospitals--for the state to invest directly in expanding and stabilizing the hospital workforce across New York, particularly for hospitals which have suffered net operational losses as a result of COVID-19.

Flagging Noncompetitive DOH Contracts with Maximus

CWA District 1 would also like to bring the Committees' attention to the troubling history of the Department of Health's (DOH) relationship with Maximus. Under the prior administration, language was slipped into the FY2017, FY2019, and FY2021 budgets, at the very last moment,

³ <https://www.nytimes.com/2022/01/07/nyregion/ny-hospitals-omicron-covid.html>

⁴ <https://www.bls.gov/oes/current/oes291141.htm>

singling out two DOH contracts with Maximus for exemption from standard procurement laws, and allowing for drastic expansions in the scope of these services.⁵ This has allowed DOH and Maximus to extend these contracts repeatedly without competition, and in most cases, without review and approval by the Office of the State Comptroller (OSC). As a result, these contracts have mushroomed more than fourteen-fold in total cost – from \$310 million when the contracts originally were executed in 2010 and 2011, to over \$4.4 billion today.

Maximus has spent over \$2 million on lobbying in New York since 2011.⁶ This lobbying, when juxtaposed with Maximus' vastly expanding business with DOH via non-competitive contract extensions and expansions, raises questions about whether DOH has been adequately keeping costs under control. The salience of this question is enhanced by the fact that an OSC audit of one of these contracts in 2014 and 2015 –after a previous non-competitive expansion – found that Maximus was receiving excessive fees and charging DOH for improper expenses.⁷

CWA urges the Legislature not to allow the inclusion of language in this year's budget that would further exempt these two DOH-Maximus contracts from basic procurement oversight. Furthermore, CWA calls on the Legislature to adopt measures that would prevent DOH from entering into any future non-competitive extensions with Maximus for contracts #C025147 and #C027557. It is critical that the Legislature ensure that any and all future contract awards for these services are subject to both open and genuine competition and standard OSC oversight. Doing so would restore the common sense procurement practices that form the bedrock of responsible stewardship of taxpayer dollars.

⁵ The contracts in question are contract #C025147 for the operation of call centers for the State's health insurance programs, and contract #C027557 to serve as the State's Medicaid enrollment broker. The budget language in question was: Section 26 of Part B of Chapter 59 of the Laws of 2016; Section 8 of Part C of Chapter 57 of the Laws of 2018; and Sections 12 and 20 of Part MM of Chapter 56 of the Laws of 2020.

⁶ New York State Joint Commission on Public Ethics.

⁷ OSC, Reports 2014-STAT-02A (May 6, 2014); 2014-STAT-02B (Nov. 25, 2014); 2014-STAT-02C (April 23, 2015); and 2014-STAT-02D (Aug. 21, 2015).