



**TESTIMONY OF
GREATER NEW YORK HOSPITAL ASSOCIATION**

**DEVELOPING A PRIMARY CARE AGENDA
NYS ASSEMBLY COMMITTEE ON HEALTH**

NOVEMBER 2, 2007

Good morning, Chairman Gottfried and members of the Health Committee. My name is Tim Johnson and I am the Vice President for Finance and Graduate Medical Education at the Greater New York Hospital Association. Greater New York Hospital Association (GNYHA) is the primary trade organization for approximately 250 not-for-profit and public hospitals and continuing care facilities in the metropolitan New York area and throughout New York State. GNYHA and its members are grateful to Chairman Gottfried for holding this hearing on the critically important issue of “Developing a Primary Care Agenda” for New York State, and I am pleased to be able to testify before this Committee today.

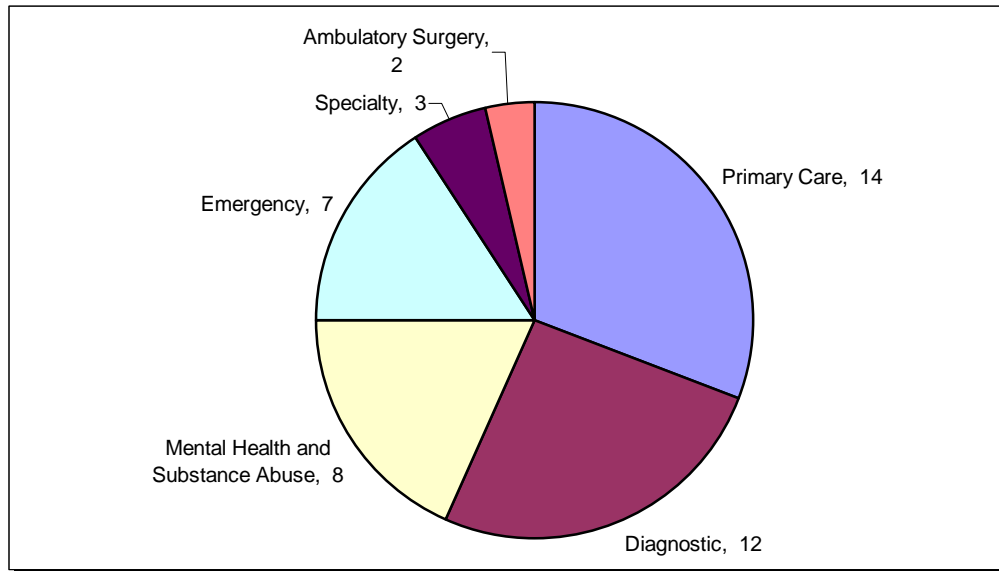
In my role at GNYHA, I work on many issues relating to graduate medical education (GME) and the development of a sufficient primary care and specialty physician workforce for New York State. As the Health Committee and the State of New York reviews the many interrelated issues that go into supporting the delivery of better primary care, we hope that the hospital community’s perspective will be considered, as hospitals play a critical role in supporting this important agenda.

New York’s Hospitals: Critical Providers of Primary Care

New Yorkers traditionally think of their hospitals as places to receive expert inpatient care for acute conditions. What is less well-known among policy makers is that millions of New Yorkers turn to hospitals as their source for primary and preventive care as well.

Indeed, a review of 2004 hospital institutional cost reports reveals that hospitals in New York State provide 46 million outpatient clinic and emergency room visits each year, *14 million of which are primary care services for adults and children*. New York’s hospitals are a constant, steady provider of ambulatory services for all patients, whether they are insured or not. Hospitals demonstrate their commitment to primary care through an extensive array of services both on the main hospital campus and throughout their communities. In many communities, hospitals and freestanding clinics are the only source of primary care—*they* are the family doctor, even in communities where the majority of the Medicaid population is enrolled in Medicaid managed care plans. The figure on the next page provides a breakdown of the types of outpatient services provided by hospitals, including the 14 million primary care visits.

**Distribution of 46 Million Outpatient Visits
Provided Annually by New York State Hospitals (in Millions)**



Source: 2004 New York State Institutional Cost Reports.

New York’s Teaching Hospitals: Training the State’s Primary Care Physicians

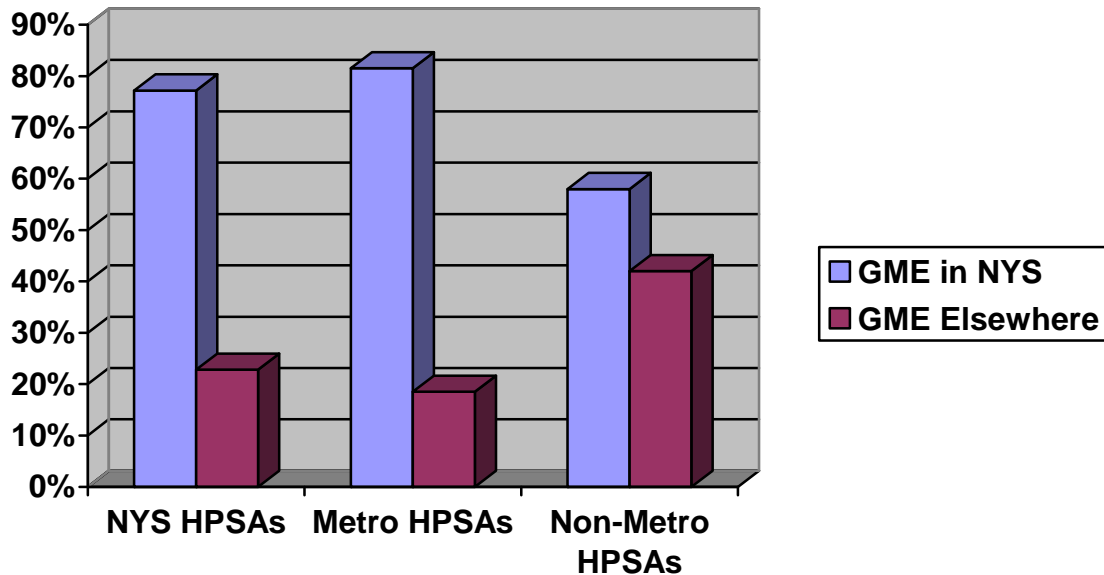
One of the features of New York’s hospital system that greatly enhances the provision of primary care services is New York’s extensive graduate medical education (GME) enterprise. New York’s teaching hospitals train approximately 17,000 residents annually, making our State the nation’s leader in the production of physicians.

Our GME system, besides providing great economic benefits to New York State through the attraction of billions of dollars in Federal funding annually, contributes to the provision of primary care for New Yorkers in two ways. First, physician residents, under the supervision of experienced attending physicians, provide a significant amount of primary and preventive care for patients who lack their own primary care physicians, including Medicaid and uninsured patients. Many Medicaid patients lack access to primary care physicians outside of the clinic setting because New York’s extremely low Medicaid reimbursement rates for primary care—rates that barely even begin to cover the cost of a patient visit—discourage many physician practices from accepting Medicaid patients.

Second, New York’s GME programs are by far the most important source of primary care physicians for the State, and more importantly, for the health professional shortage areas (HPSAs) located throughout New York State. Currently, more than 5 million New Yorkers live in HPSAs. A recent study conducted by the Center for Health Workforce Studies in the School of Public Health at SUNY Albany for GNYHA found that more than 77% of primary care physicians practicing in New York’s HPSAs completed graduate medical education training in New York—including nearly 82% of primary care

physicians practicing in metropolitan New York HPSAs and 58% of primary care physicians practicing in non-metro HPSAs.

Percentage of Primary Care MD's Practicing in NYS Health Professional Shortage Areas Who Completed Graduate Medical Education in NYS Teaching Hospitals



Source: Center for Health Workforce Studies, University at Albany, State University of New York, "The Contribution of New York Graduate Medical Education to Primary Care in HPSAs", October 2007.

A focus on two counties in very different geographic areas—Erie and Bronx Counties—reveals that this pattern is true throughout New York State. Specifically, among primary care physicians practicing in Erie County’s two primary care HPSAs, more than three-quarters (75.7%) completed GME training in New York State. In the Bronx, where over half a million people reside in five primary care HPSAs, more than 80% of practicing primary care physicians in the primary care HPSAs completed GME training in New York’s teaching hospitals. Clearly, New York’s GME training programs help provide the physicians so desperately needed in our State’s shortage areas.

To further prove this point, compare New York’s rate of internal physician workforce production—the percentage of physicians practicing in the State who completed GME residencies or fellowships in the State—with the rate in other states. Indeed, New York State has, by far, the highest percentage of practicing physicians who trained in-state of any state in the country. Specifically, 74% of practicing physicians in New York trained in New York’s teaching hospitals, including 82% of practicing physicians downstate, and 62% of practicing physicians upstate. After New York, Illinois’s internal physician workforce production rate was 61%, followed by Pennsylvania, Massachusetts, Michigan, and California (55% each). The national average was only 45%.

Proportion of Active Physicians Who Completed an ACGME or Accredited Residency or Fellowship In-State (Selected States)

New York (1)	74%
Illinois (2)	61%
Pennsylvania (3)	55%
Massachusetts (4)	55%
Michigan (5)	55%
California (6)	55%
Ohio (9)	54%
Texas (10)	49%
Connecticut (14)	40%
Maryland (23)	35%
New Jersey (29)	32%
Virginia (35)	27%
Maine (42)	21%
Montana (50)	0.8%
<i>National Average</i>	<i>45%</i>

Source: Center for Health Workforce Studies

Clearly, any strategy to ensure the provision of adequate physician services—both primary and specialty—must include recognition of the important role our extensive GME system plays in providing physician manpower throughout New York State.

The “Where to Practice” Open House: Downstate Helping Upstate

Although there are pockets of physician shortage in downstate New York and GNYHA is working with its members to address physician recruitment and retention issues in specific areas and specialties, we also recognize the tremendous need in the upstate New York region for primary care physicians and for the specialty physicians to whom those primary care physicians need to refer their patients. To address this health care need and ensure access to care for all New Yorkers, GNYHA recognizes that it is essential for physicians training in the downstate New York region to be made fully aware of the practice opportunities that are available in other regions of the State.

On October 21, 2007, more than 200 physician residents from teaching hospitals around metropolitan New York visited the first-ever Upstate "Where to Practice" Open House, an event designed to give recruiters from upstate New York a forum to network with physician residents looking for practice opportunities. Sponsored by GNYHA in cooperation with the New York State Department of Health (DOH), Iroquois Healthcare Alliance, and the Healthcare Association of New York State, the event brought together more than 30 exhibitors from across the state, who discussed practice options, local details like schools and real estate, and the natural beauty and attractions in upstate communities. Through GNYHA’s leadership, New York's health care community came together to proactively address the tremendous primary care and specialty physician

shortage in upstate areas. One of the recruiters from an upstate facility remarked that it was the best event of its kind that he has ever attended.

At the event, New York State Health Commissioner Richard Daines, M.D. visited exhibitors and talked to residents, while DOH staff gave presentations on physician loan forgiveness programs and J-1 visa waivers. According to DOH staff, nearly half of the residents attending the Open House participated in one of these information sessions, making clear that a supply of talented physicians would be interested in practice opportunities in upstate New York if policymakers were able to come together to remove some of the administrative and costs impediments to establishing a practice in these communities.

GNHYHA is committed to working with the New York State DOH, the New York State Education Department, and relevant Federal agencies to ensure that the existing programs are expanded or modified so that those programs serve the needs of communities. New York should not lose talented physicians seeking to serve the needs of New Yorkers to other states or other countries because of administrative or cost impediments.

The Looming Physician Shortage

The U.S. Department of Health and Human Services has designated 88 geographic and special population primary care HPSAs in New York State. According to the Center for Health Workforce Studies, over 5 million New Yorkers—more than a quarter of the residential population of the State—live in these HPSAs. As mentioned, the vast majority of primary care physicians practicing in New York’s HPSAs trained in New York’s teaching hospitals. But the very fact that we have so many HPSAs in the State means that the State must take action to address the underlying reasons for a lack of primary care services in so many New York regions. We address some of these underlying reasons later in our testimony.

But first, policymakers at the Federal and State level must immediately understand that we are likely to see worse health professional shortages in the future unless concerted action is taken soon. Future professional shortages will not affect only primary care services, but critical specialty services as well. This is because our nation is facing an impending and extremely serious physician shortage. According to the U.S. Bureau of the Census, the elderly population in the U.S. is expected to double between 2000 and 2030. Because of this rise in the number of elderly, demand for physician visits is expected to increase by 53% between 2000 and 2020, according to an analysis performed by the Association of American Medical Colleges (AAMC), using data gathered from the National Ambulatory Medical Care Survey.

The Federal Council on Graduate Medical Education (COGME)—an independent body charged with providing advice and recommendations regarding the supply of physicians and financing policies—issued a report in 2005 showing that, while the supply of physicians is expected to increase over the next two decades, demand for services is

likely to grow even more rapidly. According to the report, the three major factors driving the increase in demand will be:

- The projected U.S. population growth of 18% between 2000 and 2020;
- The aging of the population as the number of Americans over 65 increases from 35 million in 2000 to 54 million in 2020; and
- The changing age-specific per capita physician utilization rates, with those over age 45 using more services.

As a result of the overall trends, the report recommends an increase in U.S. medical school production by 15%. In a separate recommendation, the AAMC, which represents all 125 allopathic U.S. medical schools and 400 major teaching hospitals across the country, has called for a 30% increase in medical school enrollment among its member medical schools in order to address the pending physician shortage. Because it takes such a significant length of time to educate and train a physician to be able to practice independently, it is critically important to respond quickly if there is any evidence that a physician shortage is looming. Yet despite the evidence, policymakers seem unwilling to act to ensure that the situation does not get worse. To cite just one instance of the unwillingness of policymakers to alleviate this crisis, Congress has been unwilling to lift a cap on physician resident training slots that can be supported by Medicare. This cap was established as part of the Balanced Budget Act of 1997 and has never been lifted. In addition, the Federal Centers for Medicare and Medicaid Services issued a regulation this year (implementation has been temporarily halted by an act of Congress) that would eliminate all Federal Medicaid funding for GME. And even here in New York State, due to misunderstandings about the importance of New York's GME programs to the future health care needs of New Yorkers throughout the State, the 2007-08 State budget cut \$24 million in funds from private payers for GME. Worse, State policymakers have signaled that, despite current physician workforce shortages and worse shortages on the horizon, further GME cuts may be in the offing.

Reducing the number of physicians in training, either through eliminating GME programs or reducing funding, will not only harm efforts to ensure that we have physicians to provide critical services in our State's professional shortage areas; it will ensure that New York has even more HPSAs in the future.

The Primary Care Problem: Reimbursement, Reimbursement, Reimbursement

Lack of access to primary care services is a problem for a variety of reasons, besides the obvious impact on patients who develop unnecessarily debilitating illnesses due to the lack of primary and preventive care. From the hospital perspective, reducing the incidence of the use of the overtaxed, crowded emergency department by patients who could be better served in outpatient clinics or physician offices is of extreme importance, both because it would enhance the quality of care and the satisfaction for patients truly in need of emergency services, but also because the base Medicaid reimbursement rate for an emergency visit—still \$95, due to the lack of Federal approval for the increase passed in 2006—does not begin to cover the cost of the average emergency room visit.

Unfortunately, New York's Medicaid managed care program has failed to achieve one its primary goals, namely, to provide primary care alternatives to emergency room visits by treating Medicaid beneficiaries in physician offices instead.

The problem of lack of access to primary care services will never be resolved until reimbursement systems—Medicaid in particular—change to ensure that primary care providers are adequately reimbursed to cover their costs. Incentives for teaching hospitals, or, worse, mandates on teaching hospitals to train more primary care physicians will have no impact. If physicians in training do not want to become primary care physicians, they will not become primary care physicians. If physicians want to become primary care physicians they will choose primary care residency programs of their own free will, and no incentives or mandates on hospitals will be necessary. But few physicians will become primary care physicians, even if they want to, unless they can be assured that their income after training will be enough to pay off the staggering amount of medical school debt they have incurred, pay for their practice expenses, and provide a decent life for themselves and their families.

Unfortunately, Medicaid under-reimburses for primary and ambulatory care in a variety of ways:

- Physician office visits: the Medicaid program pays physicians only \$30 per visit, far below the cost of providing care, making it impossible for many private physicians to accept many Medicaid patients.
- Hospital outpatient visits: the Medicaid program caps payments for most outpatient visits, regardless of the number of services provided, at only \$67.50, plus allowable capital costs. This is well below the cost of care. Indeed, hospitals in New York lose \$2 billion annually caring for Medicaid patients.¹ The vast majority of these losses are attributable to low reimbursements for outpatient and emergency care.
- Bad debt and charity care: the majority of New York hospitals' bad debt and charity care is incurred for outpatient care. However, after netting out the cost of the 1% tax hospitals pay to help fund the State's bad debt and charity care pool, the State pool covers only 36% of the average hospital's uncompensated care "need."

Thus, it is clear that New York State needs to change its reimbursement policies to allow primary care providers to adequately cover the costs of care. Specifically, the State should:

- Lift the cap on hospital outpatient Medicaid reimbursement rates and provide reimbursement to enable hospitals to better manage the care of clinic patients;
- Increase Medicaid reimbursements for physician office visits;

¹ "Caring for the Uninsured in New York," Urban Institute (October 2006) page 37.

- Require Medicaid managed care plans to provide better physician networks so that enrollees stop using emergency departments for non-emergent conditions; and
- Increase enrollment in Family Health Plus and Child Health Plus to reduce the number of New Yorkers without insurance for primary care visits.

It is important to point out that most hospitals in New York barely break even or lose money from Medicaid for inpatient services; thus, we strongly oppose shifting funding from inpatient services in order to increase funding for outpatient services. New funding is necessary for these primary care investments—perhaps through required investment by the health insurance industry, which is enjoying record profits and an unprecedented build-up in discretionary reserves.

In addition, in order to attract physicians to practice in primary care HPSAs, the State should expand upon existing loan forgiveness programs, work with the Federal government to provide more visas for international medical graduates interested in working in HPSAs, and find other ways to make primary care practice affordable for interested physicians. At the aforementioned job fair GNYHA hosted for downstate physician residents to learn about practice opportunities in upstate New York communities, most of the residents said that the keys to practicing in underserved areas were assurance that outstanding debts could be dealt with and visa issues could be resolved.

As mentioned earlier, our nation is facing a physician shortage crisis of enormous proportions. Given this fact, it is important for New York to act immediately to ensure that the physician supply for all New Yorkers, including New Yorkers living in primary care shortage areas, is adequate.

GNYHA thanks you for the opportunity to present this testimony and welcomes your questions.