



February 4, 2016

The Honorable Andrew M. Cuomo
Governor of New York State
New York State Capitol Building
Albany, NY 12224

Dear Governor Cuomo:

The 2016-2017 Executive Budget proposal to increase the state's minimum wage to \$15 per hour is a laudable goal that holds the promise of improving the economic standards for lower-wage workers across the state.

However, any increase in New York's wage floor must be fully funded by the state for healthcare providers. We estimate that this proposal would increase costs to hospitals, nursing homes, and home care providers by at least \$2.9 billion annually when fully implemented. This estimate does not take into account the added costs on other affected Medicaid providers such as the Assisted Living Program, or non-Medicaid providers such as adult care facilities, which should also be addressed.

This immense cost increase is unsustainable, cannot be passed onto consumers, could jeopardize access to key health services, and will disrupt healthcare delivery system transformation being facilitated by the Delivery System Reform Incentive Payment (DSRIP) Program.

Considering the Medicaid budget has a two-year appropriation, the associations representing hospitals, nursing homes, and home care services collectively urge the inclusion of at least \$916 million in the Executive's 30-day amendments to fully fund the first two years of implementation of the newly proposed wage floor.

It is critically important to recognize that New York State's healthcare providers are affected by this proposal differently from other business sectors, because a mandated labor cost increase cannot be passed onto consumers and tax breaks are insufficient to offset these increased costs.

The vast majority of people served by hospitals, nursing homes, and home care providers are insured under the Medicaid and Medicare programs. Medicaid managed care premiums do not support providers' increased labor costs and Medicare rates are set by the federal government with wage cost adjustments that are not predictable, guaranteed, or directly based on the added costs of mandates such as an increased minimum wage.

Moreover, it has been eight years since Medicaid provider rates have been adjusted to reflect a trend factor for inflation, and a new minimum wage floor would broadly increase the labor costs for direct care staff and other healthcare workers, not just those workers whose wages would be directly affected by the minimum wage increases.

Additionally, recent state approvals of commercial premiums have resulted in lower increases than those requested by insurers, making it nearly impossible for providers to negotiate commercial payment rates that address a new wage floor.

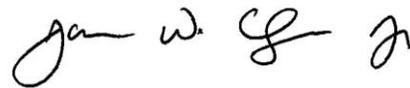
A new minimum wage floor would impact all patient care services, not just the state-managed Medicaid program. Patient care staff and other healthcare workers across all wage bands provide the same level of service to all patients without regard to insurance coverage and status. Given this commitment and the limited opportunity or outright inability to pass these increased costs onto consumers, it would be imprudent to isolate the Medicaid costs associated with a new state-mandated wage floor—the cost increases associated with the new wage floor must be fully funded.

We look forward to working with you in partnership during the 2016 legislative session on this and other important healthcare reimbursement and policy issues that are vital to the delivery of healthcare services in the communities that we serve across the state.

Sincerely,



Dennis P. Whalen
President
HANYS



James W. Clyne, Jr.
President and Chief Executive Officer
LeadingAge New York



Richard J. Herrick
President and Chief Executive Officer
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