

November 30, 2007

Mr. Paul Francis
Director of the Budget and Senior Advisor to the Governor
New York State Division of the Budget
Budget Services Unit
State Capitol
Albany, NY 12224

Dear Mr. Francis:

On behalf of Thompson Health, thank you for conducting public hearings on the 2008 New York State budget. We appreciate the opportunity to provide our input during this critical starting phase of the budget process.

Thompson Health, located in Canandaigua, New York, is comprised of seven corporations, including the F. F. Thompson Hospital with 113 licensed beds, and the M. M. Ewing Continuing Care Center, with 188 long-term care beds. Our health care system serves over 120,000 residents and their families in the Greater Finger Lakes region. We are the first point of contact for people in need of healthcare services with programs including: Patient Care Services, Emergency Care, Senior Living Services, Family Health and Wellness, and Occupational Health.

Thompson Health's vision is to provide the best in health and healing in the context of a continuum of care for improved community health. Our service excellence was recognized in 2002 when Thompson Health received the Governor's Award for Excellence from the Empire State Advantage Organization. F. F. Thompson Hospital has been designated as a Magnet facility for three years in a row by the American Nurses Credentialing Center demonstrating our excellence in nursing care. In 2005, M. M. Ewing Continuing Care Center was recognized by the University of Rochester School of Nursing for community initiatives to improve nursing home and dementia care. Additionally, in 2006, the Hospital became designated as a New York State Stroke Center ultimately preventing long-term complications for our patients.

Thompson Health continues to achieve and meet its vision of "excellence in health and healing". However, we join our colleagues across the State in our grave concerns about continued and additional budget cuts, not only from the State budget, but from the Federal budget as well. We cannot maintain a level of excellence and service to our communities with continued reductions in reimbursement.

Just consider these statistics: the percentage of hospitals in New York State with negative Medicare margins has doubled in the last eight years. From 1998 – 2005, Thompson Health had a negative operating margin that continues to seriously affect our ability to recruit and retain high-quality clinical staff and physicians. To keep

physicians within our market, we provide income guarantees to help physicians establish their practices, and we have supported mid-level providers to reduce the administrative burdens on the physicians. This strains an already overburdened and stressed bottom line.

Our legislators have promoted a goal of “patient-centered” care, yet the reimbursement system is often contradictory to this goal. For example, there is a movement to strengthen access to non-institutional care and to provide support services that allow seniors to stay at home longer. However, reimbursement to adult day programs is being reduced in 2008. The visits to our adult day program, The Brighter Day, will undoubtedly be affected.

Each year, the proposed State budget cuts threaten the future of our healthcare facilities. While Medicaid trend factors are purported to adjust reimbursement with the rate of inflation, the budget either reduces or plans to eliminate this trend factor. It goes without saying that we provide the same level of service for our patients and residents, but a reduction, or potential elimination of this trend factor, doesn't even keep pace with inflation. In fact, our long-term care facility is still being paid on a base year of 1983. There are plans to rebase, potentially to 2000, but this has not been implemented and it is not clear when, or if it will be. With continued reductions, we cannot maintain market wages for our employees.

Thompson Health is the largest employer in Ontario County with a respected medical staff of more than 300 physicians, over 400 volunteers, and over 1300 employees. In addition to the life-saving care provided by hospitals, hospitals are the economic engines and largest employers within our communities

Our health care systems must continually rise to the challenge of new requirements for health information technology and disaster planning. While critical to the delivery of healthcare, these unfunded “mandates” add additional costs to healthcare systems that are already overburdened by declining margins and the inability to recruit and maintain qualified health care providers.

Yet, since 2001-2005, HMOs operating in New York State reported a combined profit of \$5.3 billion on revenues of \$81.9 billion. HMO profits increased by 93%! Conversely, reimbursement to medical providers declined from 85.3% in 2001 to a low of 81.7% in 2005. Employers and individuals are experiencing double-digit premium increases, while HMOS are reporting massive profits. During this time period, HMOs lost about 14% of their insured population. We have to wonder what happened to these individuals who dropped their coverage – were they forced to join the ranks of New York's 2.8 million uninsured? Continued budget cuts will just shift costs to small businesses and individuals and this will also drive up the number of uninsured people, ultimately increasing Medicaid costs.

All of us have a direct impact and responsibility to ensure the availability, safety, and quality of the healthcare for our communities. To achieve these goals, we must seek

local solutions and engage stakeholders in community and regional planning for the future. We must strengthen our infrastructure to meet the needs of our growing and aging populations with funding for health care technologies, physician recruitment, and to address our work force issues.

Thompson Health continues to work on these and other solutions. We invite you to join with us and all other stakeholders to engage in meaningful health care reforms that can be implemented before there's a devastating effect on patient care and safety.

Thank you for providing us with this opportunity to provide our input to the 2008 State budget.

Sincerely,

A handwritten signature in black ink that reads "Linda M. Janczak". The signature is written in a cursive style with a large initial "L".

Linda M. Janczak, President/CEO
Thompson Health