



April 29, 2020

I received a correspondence last night from our N.Y. State Association regarding the current N.Y. State budget. I have copied/pasted that communication which is the following:

State revenue projections plummet, with potential for deep healthcare reductions

The New York State Division of the Budget's state fiscal year 2020-2021 [Enacted Budget Financial Plan](#) projects state revenue during the fiscal year will be **\$13.3 billion lower** than the governor estimated in February. This unprecedented decline in general fund receipts is almost singularly the result of the economically devastating impact of the COVID-19 pandemic.

The governor intends to exercise authority provided in the current state budget to make mid-year budget cuts totaling \$10.1 billion. This includes an **\$8.2 billion reduction** in aid-to-localities funding, which could include massive Medicaid cuts — a 20% to 30% funding reduction. The state has not yet released details regarding the programs that will be subject to the \$8.2 billion in cuts.

These reductions could be mitigated through the receipt of unrestricted federal aid for New York. HANYS is working with the governor's office and our congressional delegation to advocate for a comprehensive funding package that recognizes the significant economic toll the pandemic has leveled against New York state.

In reading this, this state financial situation is currently in trouble. This will result in significant reductions to health care providers unless the Federal Government funds the State shortfall. As a reminder, our Medicaid reimbursement rates have already been reduced for the this full year and for the first quarter of 2021 by 1.5%. That impact to us is close to one half million dollars. The additional cuts would be devastating to our services that are dependent upon Medicaid reimbursement as well as the organization as a whole. Our ER, hospital based clinics and our ECF all serve a high percentage of Medicaid covered individuals. Our organization receives 22% of its total revenue from the Medicaid program. Massive cuts as noted in the above communication, again, will be devastating to us.

We have opened up for elective procedures and as anticipated, the startup is a slow one. You may have read recently that most people are not going to hospitals for care even when that is care is needed. It is resulting in some negative outcomes for those who are need of care. Telemedicine has helped but not everyone in our communities are able to access that type of care. We will work to improve that, but it will take time.

Our Senior Leadership team met this morning to discuss where we are at with our current response to the pandemic as well as our current financial situation. Although the month of April has not ended yet, we are expecting operational losses in the area of \$2 million for the month. Those of you that recall my comments from earlier updates, we are losing approximately \$75,000 per day due to limited volume generating small revenue numbers. Expenses remain high mainly due to our purchasing of supplies and labor costs. Until such time that volume starts to increase in a meaningful way, the plan is to continue to reduce expenses where possible.

To reduce labor costs moving forward, we will be implementing the following labor reduction programs:

1. Voluntary Furlough – we will again offer those who are willing to be voluntarily furloughed, the benefit of covered in full health care insurance for two pay periods and continued access to health insurance until the end of June (subject to be extended). Each request will need to be approved, meaning you cannot simply be furloughed because you want to be. The ongoing needs of the organization need to be considered prior to approving a voluntary furlough. A separate communication will be sent out regarding the program very soon.
2. The hours reduction program will also be honored for those areas that find that this works for them in helping us with our overarching goal to reduce labor costs. You Director/Manager will discuss this with you to get your feedback and if appropriate support. That will most probably continue through June, unless we bounce back volume wise.
3. Senior Leadership salary will be reduced by 15% effective the second pay period in May. Department Heads, Managers, select Higher Compensated Staff and Contracted Providers will see a 10% reduction in wages or service fees (i.e. on call) until the end of June. Those impacted will be receiving a written communication. This will begin pay period beginning May 10th.
4. Involuntary Furlough – this may need to be part of the process as we move forward as the above three initiatives together, will not cover the shortfall. This is being evaluated and a determination will be made soon on where further cuts need to be made.
5. Other cost savings initiatives including how we are staffing certain care areas is being undertaken which includes the OR, ED, Hospitalist Service and Endo. We will be looking to reduce costs by working together to improve efficiency.

At the risk of this update becoming too long, I will stop now and provide more information that you are used to seeing in tomorrow's update. We have seen a slight uptick in outpatient COVID 19 positive cases in the area, so please continue to abide by all guidelines designed to protect you and your loved ones.

As you know these are not normal times and requires immediate response on our part to ensure a viable future for this organization. I thank you for your understanding and support.

With Sincerest Gratitude,

Gene F. Morreale
President and CEO