



FEBRUARY 20, 2006

Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

President Takes Aim at Hospitals, Other Providers

On Feb. 6, President George W. Bush released his fiscal year 2007 budget, which includes nearly \$50 billion in cuts to the Medicare and Medicaid programs over the next five years. A number of his proposals would reduce payments to hospitals, skilled nursing facilities (SNFs), and home health providers, amounting to nearly \$19.9 billion nationally and \$1.2 billion in NYS alone over the same period.

Hospitals: The President included several recommendations of the Medicare Payment Advisory Commission (MedPAC) in his budget, including the reduction of the market

basket update in 2007 for a variety of health care providers. However, he went beyond MedPAC's recommendations by extending cuts into 2008 and 2009. Specifically, he proposes reducing the market basket updates for both inpatient and outpatient hospital payments by 0.45% in 2007 and by 0.4% in 2008 and 2009. In addition, he proposes to phase out Medicare bad debt payments from their current level of 70% to 0% over four years for all providers. According to GNYHA's analysis, over a five-year period, the combined impact of these policies on hospitals is \$723 million in NYS and \$404 million in NJ (\$12.1 billion, nationally). With hospitals in the Greater New York area operating at negative margins for

the past seven years, these proposed cuts would be devastating if enacted.

SNFs, Home Health: Skilled nursing facilities and home health providers also face damaging cuts; their payment rates would be frozen (0% increase) in 2007 and decrease by 0.4% in 2008 and 2009. The impact of the market basket cuts and the bad debt policy described

continued on page 3

Commission Looks at Future Health Care Demand and Hospital Configuration

At the Feb. 9 meeting of the Commission on Health Care Facilities in the 21st Century, in NYC, staff from the Commission and from the NYS Department of Health (DOH) gave presentations on projected health care demand in New York as well as the construction and configuration of the hospital of the future. Both presentations can be found on the Commission Web site at www.nyhealthcarecommission.org/materials.

Projected Demand for Health Care: David Sandman, the Commission's Executive Director, identified the major drivers of change in the health care system including government policies, changes in financing and the regulatory environment, and patient preference for non-institutional care. He noted that more than 30 market-driven hospital closures and bankruptcies over the past decade jeopardize

continued on page 4

GNYHA President Testifies on State Budget, Opposes Cuts

On Feb. 7, GNYHA President Kenneth E. Raske testified in Albany before a joint session of the Senate Finance Committee and the Assembly Ways and Means Committee on Gov. George E. Pataki's proposed budget for 2006-07. In his testimony, Mr. Raske asked the Legislature to reject the proposed budget on the grounds that its \$1.3 billion worth of Medicaid and Health Care Reform Act cuts and changes to public programs for the uninsured would "dangerously weaken an already financially weak health care system." Noting that the proposed budget would prove "disastrous" for New York hospitals and their patients, Mr.

Raske explained that costs for utilities, pharmaceuticals, supplies, and malpractice insurance—coupled with the need for New York hospitals to invest in emergency preparedness and information technology—are creating huge cost pressures. At the same time, he noted, payments from private payers, Medicare, and Medicaid continue to spiral "relentlessly downward."

"Even without these [proposed] cuts," he said, "New York hospitals lose \$1.2 billion annually because of woefully inadequate emergency department and outpatient Medicaid rates. Nursing homes lose \$700 million."

continued on page 2

GNYHA Foundation Awarded Grant to Increase Access to Health Care

GNYHA Foundation, GNYHA's not-for-profit affiliate, has been awarded a grant by the Harry S. Black and Allon Fuller Fund to support the expansion in NYC of the Health Information Tool for Empowerment (HITE), an online tool that connects low-income New Yorkers to health care and social service resources. The grant, along with a continuation grant from the GHI Foundation, will supplement awards from The Robert Wood Johnson Foundation, the

Kellogg Foundation, the Langeloth Foundation, and others. HITE provides frontline organizations that work with the uninsured with an easily accessible, locally tailored portal to information and resources for the uninsured. It features a comprehensive, searchable database of health care and related resources for uninsured and underinsured New Yorkers and a software program developed by the NYC Human Resources Administration that pre-screens individuals' eligibility for public and lower-cost private health insurance programs. HITE was developed in partnership

with the Northern Manhattan Community Voices Collaborative, Greater Southern Brooklyn Health Coalition, and Mothers & Babies Perinatal Network of South Central New York. The Web site was launched one year ago in Manhattan, Brooklyn, and a seven-county region in south central NYS, and thousands of individuals representing nearly 500 not-for-profit and public agencies are using the tool. GNYHA Foundation is now expanding HITE to additional communities in NYC and upstate New York. For more information, contact Rima Cohen at GNYHA. ■

GNYHA President Testifies *continued from page 1*

In his written testimony (available at www.gnyha.org), Mr. Raske also compared and contrasted the weak financial condition of hospitals in NYS with the unparalleled profits enjoyed by HMOs and other insurers. Since deregulation in 1997, Mr. Raske noted, the imbalance in the relationship between health plans and hospitals has continued to grow, particularly as NYS moves away from regional health insurers to a system of national "mega-plans" created by health plan consolidation and resulting in increasing profitability for those plans.

Malpractice Insurance Costs: Mr. Raske also called for action to help hospitals and physicians afford the skyrocketing costs of malpractice insurance, which increased cumulatively by 147% between 1999 and 2004. He told legislators that GNYHA strongly supports the enactment of reform measures to ease the State's medical malpractice crisis.

Other Measures to Strengthen Hospitals: Mr. Raske suggested that legislators should eliminate the current emergency department (ED) payment cap, raising ED payments to cost, or, alternatively, re-set the cap at projected average costs for 2006, or \$400 per visit. He also requested that lawmakers consider providing assistance for hospital workers who would be displaced by the hospital consolidation and restructuring resulting from the findings of the Commission on Health Care Facilities in the 21st Century.

Mr. Raske expressed support for legislation that would allow the State to draw down Federal Medicaid dollars to help fund lan-

guage access services and increased cultural and linguistics resources to reduce the barrier to care created by language discordance. Also, with regard to health plan profitability, Mr. Raske noted that legislators should consider a variety of reforms to re-balance the hospital-payer relationship, such as guaranteeing payment for medically necessary services and standardizing administrative practices across health plans.

Finally, Mr. Raske urged State lawmakers to take steps to reduce the cost of prescription drugs through the adoption of a pharmacy benefit manager (PBM) program open to

State programs—like the EPIC (Elderly Pharmaceutical Insurance Coverage) program—and State employees, as well as not-for-profit groups, to obtain greater savings than now available through separate contracts with commercial PBMs. He also asked legislators to consider a change in statute that would require drug manufacturers to offer discounts indexed to Medicaid's statutory rebates to not-for-profit plan sponsors.

Mr. Raske's full testimony is available at www.gnyha.org/testimony/2006/pt20060207.pdf. For the testimony of Scott C. Amrhein, President of the Continuing Care Leadership Coalition, go to www.cclcn.org. ■

Legislative Digest

The NYS Legislature recently took action on the following proposed health care-related legislation:

Emergency Rx Benefits Under Medicaid: The State Legislature unanimously overrode Gov. Pataki's veto of A. 9462/S. 6410 to pay the prescription drug costs of elderly people who lost benefits because of problems with the new Medicare Part D drug benefit. The bill will take effect immediately. • **Employee Criminal History Check:** The State Senate passed S. 6630, which would make technical clarifications to the laws that established the criminal history record check system for prospective employees in nursing homes and home health agencies. S. 6630 allows the Division of Criminal Justice to submit fingerprints to the FBI, to provide that all determinations are made promptly, and to change the effective date immediately to Sept. 1, 2006. The Continuing Care Leadership Coalition supports the measure. This bill was referred to the Assembly Health Committee.

The Assembly recently passed the following bills sponsored by Health Committee Chairman Richard Gottfried; all of them have been referred to the Senate Health Committee. • **Clinical Peer Review Redefined:** A. 2206B would require that physician peer reviewers be Board-certified or Board-eligible in the same or similar specialty as the physician who typically recommends the treatment or manages the condition under review. GNYHA strongly supports these clinical peer review requirements. • **Physician Assistants and Death Certificates:** A. 2208B authorizes physician assistants to sign death certificates. • **Incident Reporting:** A. 2209 extends the State's hospital incident reporting system to include nursing homes, clinics, and home care services agencies. It also requires that these providers investigate all reportable incidents within 30 days of obtaining knowledge of the incident and provide a report to the NYS Department of Health, which, thereafter, would refer information for appropriate action to the Office of Professional Medical Conduct, the Office of Professions of the Education Department, or other appropriate agency. • **Adverse Determination Notification:** A. 2210 requires that a patient's designee and health care provider be notified of a utilization review final adverse determination and the rendering of an external appeal determination. GNYHA strongly supports this bill. ■

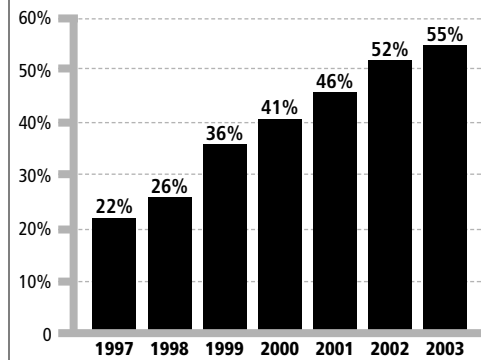
New Report Underscores Financial Fragility of Long Term Care System

On February 6, the Continuing Care Leadership Coalition (CCLC), GNYHA's long term care affiliate, published a report that describes the growing demand for long term care services, the financial fragility of nursing homes and home health agencies (see chart), and the trend among not-for-profit long term care organizations in NYS to serve as innovators. The data provided in

the report, entitled *The Evolving Need for Long Term Care in New York State, 2005*, demonstrate that New York Governor George Pataki's proposed FY 2006–07 budget will jeopardize recent gains in long term care quality and choice.

For a copy of the report, visit the consumer resources area of the CCLC Web site at www.cclcnny.org, or contact Jenifer Ferguson at CCLC at (212) 258-5330. ■

Percent of Nursing Homes with Operating Losses, New York State, 1997–2003



Source: *The Evolving Need for Long Term Care in New York State, 2005* (New York: CCLC, 2006), 16.

President Takes Aim at Hospitals, Other Providers *continued from page 1*

above results in \$5.6 billion in losses to SNFs nationally (about \$325 million each in NYS and NJ) over the next five years, and \$2.2 billion to home health providers (\$125 million in NYS, \$48 million in NJ).

IRFs: Inpatient rehabilitation facility (IRF) providers would also see their payment rates frozen (0% increase) in 2007 and inflation increases reduced by 0.4% in 2008 and 2009 for a savings of \$1.6 billion over five years if the President's budget proposals are adopted. Additionally, the budget proposes a Medicare payment adjustment for hip and knee replacements in post-acute care settings, which would save \$2.4 billion over five years. In discussions with the Centers for Medicare & Medicaid Services (CMS), GNYHA has learned that this proposal would adjust payments to IRFs in advance of broader post-acute care reform to a level "more appropriate" for the care needs of such relatively non-complex cases. On an interim basis, until a site-neutral payment methodology can be developed and implemented, the budget proposes to pay IRFs for total knee and hip replacements based on the average SNF rate plus one-third of the difference between the average IRF and SNF rates.

Other Medicare and Medicaid Proposals: Provider taxes would be phased down from a maximum of 6% to 3% and intergovernmental transfer payments would be restricted by reimbursing states for the cost of providing services to Medicaid beneficiaries only. These policies are expected to save \$2.1 billion and

\$3.8 billion, respectively, over five years. The "trigger" policy included in the Medicare Modernization Act of 2003 is enhanced in the proposed budget, which requires the President to provide Congress with a comprehensive reform plan when more than 45% of Medicare's finances are funded through general revenues (compared with Medicare premiums and payroll taxes). Under the proposal, when the "trigger" is reached, provider cuts would be implemented automatically, with the cuts equal to four-tenths of a percent from all payments to providers in the year the threshold is exceeded, and growing by the same percentage every year the shortfall occurred. This proposal is not expected to affect payments until 2012 at the earliest, and likely will not be triggered until 2017 according to CMS Administrator Mark McClellan. Finally, the President proposes to reduce both hospice and ambulance providers' market basket updates by 0.4% in 2007, 2008, and 2009, for a combined savings of \$2.1 billion nationally over five years.

HSAs: The President introduced a number of policies to make health savings accounts (HSAs) more attractive. Specifically, premiums for high-deductible health plans purchased in conjunction with an HSA would be tax-exempt, coverage would be portable from one job to another, and the contribution limit would increase. Employers would also be allowed to contribute additional amounts to the HSAs of chronically ill employees or their dependents, and tax credits would be avail-

able for low-income individuals purchasing an HSA with a high-deductible health plan. As part of his efforts to encourage the proliferation of HSAs, the President has suggested that legislation may be needed to increase the transparency in prices for hospital and other health services. The Administration views such transparency as an essential element to creating a price-sensitive health care consumer. Details have yet to be released.

Funding: The President's budget provides \$169 million to facilitate the widespread adoption and use of health information technology. The budget drastically reduces funding for Title VII health professions programs by 93%, to \$10 million, and provides level funding for Title VIII nursing programs. Graduate medical education payments for freestanding children's hospitals would be reduced significantly by 66%, to \$198 million. With regard to emergency preparedness-related funding, \$1.9 billion is proposed for the National Institutes of Health for biodefense research, \$70 million for a mass casualty care initiative, and \$2.3 billion for pandemic flu preparedness. Finally, the President's budget increases funding for his Emergency Plan for AIDS Relief by more than \$740 million; provides \$188 million for HIV testing, medical care, and outreach; and grants states \$98 million for voucher programs aimed at alternative substance abuse treatment options.

GNYHA has provided impact estimates to Congressional staff in Washington, D.C. to underscore the damaging impact of these cuts, and will continue to focus its efforts on protecting payments to hospitals. ■

NYS to Hold Special Election for State Legislature

On Feb. 28, NYS will hold a special election to fill vacant seats in the State Legislature. The elections will fill six vacancies in the Democratic-controlled State Assembly and one in the Republican-led State Senate. Currently, Democrats hold 102 out of the 150 seats, with six vacancies in the Assembly, and Republicans hold 35 of the 62 seats, with one vacancy in the Senate. In NYC, these vacant seats include the 59th Assembly District in Southeast Brooklyn, Bergen Beach area, formerly represented by Frank Seddio; 67th Assembly District in Manhattan, Upper

West Side, formerly represented by recently elected Manhattan Borough President Scott Stringer; 74th Assembly District on the east side of Manhattan, below midtown, above the Lower East Side, formerly represented by Steve Sanders. Long Island vacancies include 8th Assembly District in Suffolk County, formerly represented by Thomas F. Barraga; and the 17th Assembly District in Nassau County, formerly represented by Maureen C. O'Connell. Upstate vacancies include the 139th Assembly District, in the counties of Genesee, Monroe, Niagara, and Orleans, a seat held

formerly by Charles H. Nesbitt; and the 60th Senatorial District, in the counties of Erie and Niagara, formerly represented by recently elected Mayor Byron W. Brown of Buffalo. ■

Commission *continued from page 1*

both access to and quality of care. The Commission's analysis identified demographic trends, clinical innovation, and changes in health care organization and delivery that affect the need for beds and services. The analysis noted that New York will experience only marginal population growth over the next 30 years, driven in particular by immigration trends in NYC; that the population will age gradually; and that disability rates among the elderly are decreasing and a preference for community-based, non-institutional care is on the rise. The Commission noted that clinical innovation both increases and decreases service demand—for example, new devices and implantables can increase the need for hospital services while the development of minimally invasive surgeries can decrease the need for hospitalization. The analysis also noted changes in health care organization and delivery such as the declining share of hospital expenditures as a proportion of total health care spending, decreasing hospital lengths of stay along with increased acuity of hospitalized patients, and declining nursing home use accompanied by increased acuity of nursing home patients and an increased demand for home care.

The Hospital of the Future: DOH staff noted that the "hospital of the future" would be shaped by an emphasis on quality and pay-for-performance, the need for digital information exchange capabilities, an increasing emphasis on centers of excellence, and the need for flexibility to respond to changes in reimbursement, programmatic needs, and construction needs. DOH staff will review its findings with regard to the "nursing home of the future" at a subsequent meeting.

The Commission's next public meeting will be held in NYC on Mar. 9. Meanwhile, the Commission's Regional Advisory Committees are holding multiple public hearings in all Commission regions; schedules are posted on the Commission Web site. ■

Upcoming GNYHA Member Briefings

Pandemic Influenza: State and City Agency Planning

Date: Monday, February 27, 2006

Time: 2:00 p.m.–4:00 p.m.

Location: GNYHA Conference Center, 555 West 57th Street, 15th Floor

This meeting will focus on the pandemic influenza planning being undertaken by the NYS Department of Health (DOH), the NYC Department of Health and Mental Hygiene, and the NYC Office of Emergency Management. DOH is expected to release its pandemic influenza plan prior to Feb. 27 and will review it at this meeting. For more information, contact Doris R. Varlese at GNYHA; to register, send an e-mail to Laurie Sangirardi at sangirardi@gnyha.org.

National Provider Identifier

Date: Friday, March 3, 2006

Time: 9:00 a.m.–12:00 noon

Location: GNYHA Conference Center, 555 West 57th Street, 15th Floor

The administrative simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) call for the Secretary of Health and Human Services (HHS) to adopt national standard identifiers for use by health care providers for activities that fall under the purview of the HIPAA transaction standards. To date, HHS has adopted the National Provider Identifier (NPI). The NPI, which will replace all of the proprietary numbers currently in place that are assigned to health care providers by health plans and government payers, is a unique 10-digit number that does not contain any imbedded intelligence about the identified organization or individual medical professional to which it is assigned. The deadline for mandatory implementation of the NPI by all HIPAA-covered entities is May 23, 2007. For more information or to register, contact Stewart Presser at presser@gnyha.org.

SPARCS Training Sessions

Dates: Tuesday, March 7, 2006, and Wednesday, March 8, 2006

Time: 9:00 a.m.–3:00 p.m.

Location: GNYHA Conference Center, 555 West 57th Street, 15th Floor

GNYHA staff have been working with NYS Department of Health (DOH) staff on hospital data submission to the Statewide Planning and Research Cooperative System (SPARCS). Accurate data submission to SPARCS is essential to ensure that hospital data are available to DOH for rate-setting purposes and now for the Commission on Health Care Facilities in the 21st Century. This DOH-sponsored, all-day SPARCS training session, which will be held twice, will cover correction of facility errors, resolution of unresolved errors, viewing submission results, understanding data failure notices, and understanding SPARCS error reports. For more information or to register for either date, contact Stewart Presser at presser@gnyha.org.

AIDS Institute Forum: Rapid HIV Testing

Date: Thursday, March 16, 2006

Time: 9:00 a.m.–1:00 p.m.

Location: New York University, Kimmel Center's Rosenthal Pavilion, 60 Washington Square South, 10th Floor, New York, NY

The NYS Department of Health AIDS Institute and the New York/New Jersey AIDS Education and Training Center are sponsoring a forum, *Three Years of Rapid Testing: Where Are We Now?* The objective is to share experiences and best practices for implementing HIV Rapid Testing in hospital settings. For more information and to register for the forum, send an e-mail with your name, address, and the program title to clinicaleducation@health.state.ny.us or call Anna at (315) 477-8166. ■