



FEBRUARY 10, 2003

Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

Governor Proposes Punishing Medicaid Cuts; GNYHA Developing Aggressive Plan to Combat Cuts, Taxes

On January 29, 2003, Governor George E. Pataki released his proposed budget for the State's 2003-04 fiscal year, which begins on April 1, 2003. The budget contains huge Medicaid cuts for hospitals and continuing care providers as well as new taxes imposed on hospitals and home health care providers. "These cuts will hit hardest where we can least afford to cut: teaching hospitals,

which are our first line of defense against future terrorist attacks, and the safety net hospitals that are relied upon by the poor," said GNYHA President Kenneth E. Raske. "These cuts pose a real threat to public security and to the health care of our most vulnerable citizens." The Medicaid and tax proposals would achieve \$1.86 billion in State savings in fiscal year 2003-04 and \$2.15 billion in 2004-05.

The specifics of the cuts and taxes proposed by the Governor are described below. In addition, the Governor proposes extending the Health Care Reform Act of 2002 (HCRA), which is scheduled to expire on June 30, 2003, through June 30, 2005. While the Governor proposes no reductions in the HCRA pools for hospital uncompensated care and graduate medical education, he does propose reductions in a number of other HCRA funding streams, as well as borrowing against future funds that the State expects to receive from its settlement with the tobacco industry to reduce this year's deficit. Currently, 100% of those funds are dedicated to paying for health care

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President Bush Signals Willingness to Cut Medicare Provider Payments

On February 3, 2003, President George W. Bush released his proposed budget for Federal fiscal year 2004, which begins on October 1, 2003. In his budget, the President refers to a soon-to-be released proposal to "modernize Medicare" and provide a prescription drug benefit for Medicare beneficiaries. While the details of this modernization proposal have not yet been released, GNYHA expects that the proposal will provide strong incentives for Medicare beneficiaries to join private health plans in order to receive new Medicare benefits, including prescription drug coverage. Such a proposal, if successful, would greatly reduce the number of beneficiaries in the traditional fee-for-service program, which would have a profound impact on provider payments. The President's Medicare proposal would cost an additional \$400 billion over 10 years. This amount

includes the cost of a prescription drug benefit; a new catastrophic benefit; a proposal to change the Medicare reimbursement rate formula for physicians to include actual data, rather than estimates, so that doctors would not suffer the Medicare reimbursement rate cuts in the future that they have suffered in the past; and a proposal to link increases in Medicare+Choice premiums to health care inflation. With regard to other providers, the President's budget does not specifically call for Medicare reimbursement rate cuts. However, the budget documents state that "the Administration will work with the Congress to monitor payment issues for other providers. Credible sources such as MedPAC and GAO have found that many providers are being paid in excess of adequate returns. The Administration will consider how sav-

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Managed Care Enrollment for NYC's Publicly Insured Increased in 2002

New York City's Medicare, Medicaid, and Child Health Plus managed care plans experienced a net increase in enrollment in 2002 of 365,000 covered lives, or 33%, rising from 1.11 million to 1.48 million. That composite consisted of the following changes: Medicare+Choice plan enrollment increased by 1,500, or 0.5%; Medicaid plan enrollment increased by 431,000, or 87%;

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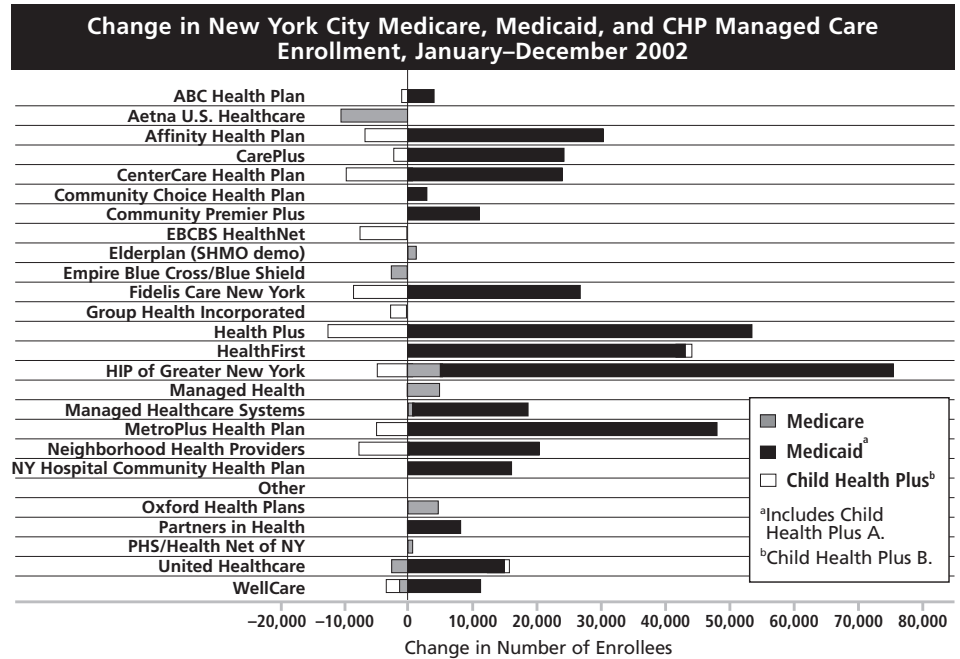
GNYHA Featured in CBS Coverage of Nursing Home Fiscal Crisis

On February 2, 2003, CBS TV featured Kenneth Brown, Chief Executive Officer at GNYHA member facility Margaret Tietz Center for Nursing Care in Jamaica, Queens, and GNYHA's Center for Continuing Care Executive Director Scott Amrhein, in a national "Marketwatch" segment highlighting the fiscal vulnerability of our nation's nursing homes. The segment, part of a series of Marketwatch features focusing on the "high cost of old age," described the current financial situation facing nursing homes as a "crisis." In particular, the segment noted that nursing homes are "faced with rising costs, high staff turnover, and less money from the government," and as a consequence, "many nursing homes are shutting down at a time when demand is on the rise." Kenneth Brown underscored the challenges of managing a successful program in a time of rising costs, noting that, at Margaret Tietz, operating expenses have risen by 20–25% over the last five years. Scott Amrhein described the cumulative impact of State Medicaid reductions, noting that, on average, Medicaid payments to long term care facilities fall 10% short of the actual costs of caring for Medicaid beneficiaries. The segment highlighted the need for Federal solutions to the current crisis, specifically the restoration of needed Medicare funding and State relief on Medicaid. As stressed by William L. Minnix, President and Chief Executive Officer of the American Association of Homes and Services for the Aging, Washington "needs to help states, which have greatly reduced tax revenue budgets, to support Medicaid." GNYHA will continue to seek opportunities to highlight the fiscal plight of its continuing care members and is working vigorously at the Federal level to secure relief for its members under both Medicare and Medicaid. ■

Managed Care Enrollment Increases in NYC *continued from page 1*

and Child Health Plus plan enrollment decreased by 67,500, or –21%. Taking into account both increases and decreases in all three managed care plans, HIP of Greater New York had the largest increase, with 71,000

lives, or 41%, while Aetna U.S. Healthcare had the largest decrease, of 10,000, or –33%. The figure below illustrates the 12-month change in New York City enrollment for all plans serving the area. ■



SHRPC Approves Member Projects

At its February 6 meeting, the State Hospital Review and Planning Council (SHRPC) gave contingent or conditional approval to these GNYHA member projects: Hudson Valley Hospital Center, certification of eight neonatal intermediate care beds; North Shore University Hospital at Forest Hills, certification of 10 additional neonatal beds; Southside Hospital, certification of five additional neonatal continuing care beds; NYC Health and Hospitals Corporation (HHC)—Coney Island Hospital, certification of 10 neonatal intermediate beds; HHC—Woodhull Medical and Mental Health Center, approval for conversion of 15 bassinets to four neonatal intensive care unit beds, seven neonatal continuing care beds, and four neonatal intermediate beds; North Shore-Long Island Jewish (LIJ) Health System—LIJ Medical Center, establishment as active parent/co-operator and sole corporate member of LIJ Medical Center; North Shore-LIJ Health System—North Shore University

Hospital at Glen Cove, renovation and expansion of the emergency department; Caledonian Community Health Center, establishment and construction of a diagnostic treatment center with its sole member and passive parent of Brooklyn Hospital Center; and New York Methodist Hospital, approval for certification of a cardiac surgery program. **RHCF Need Methodology:** At the recent SHRPC joint Codes and Planning Committees meeting, the committees discussed a revised draft residential health care facility (RHCF) bed need methodology, which was approved at the SHRPC meeting. The new methodology requires that CON applicants exceed a 97% occupancy threshold in order to add new beds to any specific county. If a county has an occupancy rate less than 97%, the applicant must rebut the presumption that there is no need for new beds based on local factors not considered in the methodology. The regulations will be published in the *State Register* for public comment. ■



GNYHA members react to the details of Governor Pataki's proposed budget, which contains huge Medicaid cuts for hospitals and continuing care providers as well as new taxes imposed on hospitals and home health care providers.

programs. The Governor also proposes increasing surcharges on health care services and on "covered lives."

Hospitals: The Governor's budget would make permanent prior years' Medicaid cuts, most of which were enacted in 1995–96; reinstate a 0.7% tax on hospital gross receipts, phased out over five years; permanently eliminate the inflation adjustment, or "trend factor," from April 1, 2003, through December 31, 2003; pay all diagnosis-related groups (DRGs) at the lower of a hospital's blended or group average rate (this cut already applies to the "top 20" DRGs); for indirect medical education (IME) reimbursements, compute each hospital's interns-and-residents-to-bed ratio using the lower of the number of residents in 1990 or the current rate period while continuing to use the 1990 bed count, and reduce the IME factor from 7.7% to 5.5% over four years; eliminate the length-of-stay offset used to calculate negative volume adjustments; reduce by 5% the operating component of per diem rates for hospital exempt units and for exempt hospitals, except those units or hospitals whose primary mission is the treatment of AIDS patients; eliminate the 2003 trend factor for hospital specialty outpatient rates; and, by administrative action, identify and change the status of some part-time clinics and change the criteria for approval of new part-time clinics.

Nursing Homes: The Governor's budget would make permanent nursing home cuts enacted in 1995–96; adopt a regional average methodology under which all homes within a region would receive as the operating component of their Medicaid rate the lower of the operating component of their facility-certified rate or the average operating component of facilities within their region, trended for-

ward and adjusted for case mix; permanently eliminate the inflation adjustment, or "trend factor," applicable to the period April 1, 2003, through December 31, 2003; calculate case mix using the case mix index of Medicaid residents only for the purposes of Medicaid reimbursement; and, for proprietary facilities, eliminate the capital cost component of the Medicaid rate to pay an annual rate of return on owner's equity.

Home Care: The Governor's budget would re-establish a non-reimbursable 0.6% assessment on home care providers' revenues, phased out over five years; permanently eliminate the trend factor applicable to the period April 1, 2003, through December 31, 2003; and establish a utilization review program for home health services.

**Medicaid Hospital and Continuing Care Cuts:
All Funds (\$ in millions)**

Type of Facility	4/1/03–3/31/04	4/1/04–3/31/05
Hospitals	\$596	\$682
Nursing homes	\$394	\$445
Home care	\$72	\$79

Source: NYS Division of Budget.

Other Provisions: The Governor's budget would limit reimbursements through Medicaid for copays and deductibles for low-income Medicare beneficiaries to the applicable Medicaid provider reimbursement rate rather than the Medicare reimbursement rate (hospital services would be exempt from this cut); extend the Child Health Plus (CHP) program, scheduled to expire on June 30, 2003, for two years, and shift children ages 6–19 who are between 100% and 133% of the Federal Poverty Level (FPL) from Medicaid to CHP; eliminate eligibility for Family Health Plus (FHP) for parents with incomes above 133% of the FPL; require the counties and NYC to cover 37% of Medicaid hospital and clinic spending (up from 25%) in exchange for the State picking up 100% of pharmacy costs; and require the State to reduce Medicaid and FHP premium levels through more aggressive negotiations with managed care plans.

GNYHA Response: GNYHA is developing a multifaceted plan to protect its members from these damaging Medicaid cuts and new taxes. The day the budget was released, GNYHA engaged in an extensive press campaign, sending a detailed press release and preliminary hospital fiscal impact analysis to all media outlets in the State and to all State legislators, interest groups, and other interested parties. Mr. Raske is testifying on behalf of GNYHA members at a Joint Hearing of the Assembly Ways and Means and Senate Finance Committees on February 10, 2003. In addition, the Healthcare Education Project, a joint initiative of GNYHA and 1199/SEIU, will vigorously oppose these unsustainable proposed health care cuts. ■

State Assembly Assigns Committee Chairs

The New York State Assembly announced Committee Chair assignments for the 2003 legislative session last week. Richard Gottfried (D-New York City) remains Chairman of the Health Committee. Majority members of the Health Committee include Jonathan Bing, Kevin Cahill, Steven Cymbrowitz, Jeffrey Dinowitz, Patricia Eddington, Sandra Galef, Alexander Pete Grannis, Barry Grodenchik, Rhoda Jacobs, William Magnarelli, Nettie Mayersohn, Amy Paulin, Crystal Peoples, Gary Pretlow, Robin Schimminger, Scott Stringer, and Darryl Towns. Minority members include James Bacalles, Jeff Brown, Daniel Burling, James Conte, Matthew Mirones, and Maureen O'Connell. Assemblyman Grannis (D-New York City) remains Chairman of the Insurance Committee, Dennis Farrell (D-New York City) remains Chairman of the Ways and Means Committee, and Steve Englebright (D-Setauket) remains Chairman of the Aging Committee. Peter Rivera (D-Bronx) is the newly appointed Chairman of the Mental Health Committee. For a complete list of committee members, go to www.assembly.state.ny.us. ■

GNYHA Conducts Drill Workshop, Briefs Members on ICS

GNYHA has completed its second emergency preparedness drill workshops, with over 200 participants in total attending the workshops. The full-day workshop, with didactic and interactive training modules, was a collaborative effort of GNYHA, the NYC Office of Emergency Management, and representatives from member hospitals, and was developed to assist members in complying with standards established by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The standards require hospitals to have emergency management plans that describe how they will establish and maintain programs to

ensure effective responses to disasters or emergencies affecting the environment of care, including addressing the four phases of emergency management activities: mitigation, preparedness, response, and recovery. JCAHO also requires hospitals to develop a hazard vulnerability analysis, to coordinate with the community in emergency management planning, and to test the emergency management plan twice a year, either in response to an emergency or in planned drills.

GNYHA also held two briefings on the Hospital Emergency Incident Command System (HEICS) on January 29. The briefings described HEICS and the various staff mem-

bers' roles in an emergency. Detailed instructions on how and when to activate HEICS were reviewed, as were the responsibilities of the positions outlined in the HEICS command and control structure. Staff from the Regional Healthcare Emergency Management Training Center, at the North Shore-Long Island Jewish Health System, provided the training. Attendees also received a training guide, *Do You Know Your Incident Command System? Ensuring Effective Emergency Response and Management*, which was made possible by a grant from The Commonwealth Fund and created by GNYHA in coordination with its Emergency Preparedness Coordinating Council. The guide will be distributed to all GNYHA members and will be available on the GNYHA Web site. Although many hospitals have already provided HEICS training, this program was designed to enhance the knowledge of evening, night, and weekend staff. Participants are now eligible to take a more advanced ICS course, to be offered this spring. GNYHA plans on having additional HEICS programs in Westchester and Long Island; details will be forthcoming. ■

Upcoming GNYHA Briefings

Managing Revenue and Payments Under Medicare's OPPS

Date: Friday, February 14, 2003

Time: 9:30 a.m.–11:30 a.m.

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

In order to help hospitals track their outpatient billing and receivables more effectively, GNYHA Ventures, Inc., has entered into an agreement with The Cirius Group, Inc. (TCG), the developer of a software application to help hospitals in managing their revenues and payments under the Medicare outpatient prospective payment system (OPPS). TCG has developed an electronic logging system for OPPS that enables the user hospital to get specific ambulatory payment classification pricing information, identify unbilled charges, compute payments for specific services and claims, and manage line item denials. This session will acquaint members with TCG's services. For more information contact Stewart Presser, and to register contact Barbara Marino, at GNYHA.

Hand Hygiene and Barrier Protection in Infection Control

Date: Tuesday, February 18, 2003

Time: 11:30 a.m.–4:30 p.m.

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

This briefing will update GNYHA members on developments in hand hygiene and barrier protection in infection control. GNYHA is committed to helping members identify and implement best practices to reduce hospital-acquired infections, while also identifying products that are safe and effective in protecting health care staff. Infection control staff, health educators, and nursing, materials management, and medical staff are encouraged to attend this session.

The program is approved for 4.0 continuing contact hours through the American Nurses Credentialing Center, and 4.0 continuing medical education credits have also been requested. For more information contact Terri Straub, and to register contact Barbara Marino, both at GNYHA.

Medicare's OPSS: 2003 Update

Date: Wednesday, February 26, 2003

Time: 9:00 a.m.–12:00 noon

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

This briefing will educate GNYHA member hospitals about the coding and billing changes in the Medicare OPSS for 2003. Empire Medicare Services, the fiscal intermediary in NYS, will conduct the session. For more information contact Elisabeth Wynn, and to register contact Barbara Marino, at GNYHA.

Environmentally Preferable Purchasing

Date: Tuesday, March 4, 2003

Time: 9:00 a.m.–4:00 p.m.

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

This all-day conference will focus on how environmentally preferable purchasing (EPP) can help health care facilities increase compliance with environmental regulations and manage costs. It will be of particular interest to vice presidents of support services and managers of purchasing, materials, environmental services, safety, and waste. Hospital representatives will describe their experience implementing EPP, and government representatives will discuss compliance priorities and initiatives. For more information contact Susan Stuard, and to register contact Barbara Marino, at GNYHA. ■

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ings from provider payment adjustments could be used to help support a comprehensive Medicare modernization package." The MedPAC staff has taken the position that the Medicare indirect medical education adjustment for teaching hospitals is too high, although the MedPAC commissioners themselves have rejected recommendations to cut it further. In addition, MedPAC has recommended update reductions for hospitals, skilled nursing facilities, and home health agencies. The Administration's statement about the potential use of savings from provider payment adjustments seems to signal its willingness to support MedPAC's recommendations as ways to help pay for the new Medicare prescription drug benefit, increased payments to private health plans, and increased payments to physicians. GNYHA will be working with Congress and the Administration throughout the year, and will vigorously oppose any new payment reductions for GNYHA members. ■