



FEBRUARY 24, 2003

Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

GNYHA Testifies in Albany on Impact of Proposed Budget Cuts to Hospitals, Warns of "Unsustainable Damage"

On February 10, 2003, GNYHA President Kenneth E. Raske delivered testimony to the New York State Senate Finance and Assembly Ways and Means Committees regarding the impact of the Executive Budget's proposed Medicaid cuts and new taxes on hospitals, and the "unsustainable damage" that those measures would cause to hospitals. "New York hospitals suffer from the poorest financial condition of any other states' hospitals, and there is no way they can bear these enormous Medicaid cuts," said Mr. Raske. "These cuts would mean fewer nurses and other key staff, longer waiting times, fewer services, and reduced quality for every patient in the hospital. And the timing of these proposed cuts could not be worse, since hospitals

are also actively trying to bolster their disaster readiness capabilities."

Severe Fiscal Impact: GNYHA's fiscal impact analysis identified a number of damaging consequences that would result from the proposed budget.

- The Executive Budget estimates that the combination of the new Medicaid cuts and the new tax on hospitals would cause \$596 million in NYS hospital losses in State fiscal year (SFY) 2003–04, which begins April 1, and \$682 million in losses in SFY 2004–05.
- The average loss caused by the Medicaid inpatient cuts is 9% of Medicaid inpatient revenue statewide. However, the impact on individual hospitals varies greatly; their loss-

continued on page 2

NY Hospitals Spending Millions on Emergency Preparedness; Virtually No Outside Funding Available

Financially strapped New York hospitals are spending millions of dollars to enhance their disaster readiness capabilities, according to the results of a new GNYHA survey. Since virtually no outside funding has been made available or is slated to be available, hospitals have been funding important emergency preparedness projects from their day-to-day, already lean operating

budgets. The hospitals responding to the survey also identified critically needed unfunded projects that they would undertake immediately if funding were available.

"Hospitals are the first line of defense against a terrorist attack, and they are taking every possible step to ensure the safety of the public and their communities," said GNYHA President Kenneth E. Raske. "But the lack of outside funding for emergency preparedness

GNYHA Board Meets

The GNYHA Board of Governors met on February 20, 2003, and took the following actions:

- Heard a detailed analysis of the impact of the 2003–04 NYS Executive Budget Proposal on hospitals and continuing care providers;
- Was updated on GNYHA's multifaceted advocacy agenda to oppose the proposed State health care cutbacks and was briefed about a number of upcoming events including a March 13 event for trustees of hospitals and nursing homes that will be co-hosted by GNYHA, the Association for a Better New York, and the United Hospital Fund; the March 12 lobby day in Albany coordinated by HANYS, GNYHA, and other associations; and a huge rally in Albany on April 1 sponsored by the Healthcare Education Project, a joint initiative of 1199/SEIU and GNYHA;
- Approved a proposal to create a 501(c)(6) not-for-profit GNYHA affiliate called the Continuing Care Leadership Coalition (see story on page 4);
- Was advised that the ACGME has adopted its own set of resident working hour standards, effective July 1, 2003;
- Discussed a potential Federal health insurance tax credit demonstration project;
- Heard an update on the provisions of an anticipated interim final rule regarding changes in the computation of Medicare outlier payments; and
- Approved applications for institutional membership from Stamford Health System and St. Luke's Cornwall Hospital. ■

activities, coupled with large Medicare cutbacks in Washington and now proposed massive cutbacks in State Medicaid funding, are placing an enormous burden on cash-strapped hospitals and could disrupt their disaster readiness activities."

continued on page 3

CMS Issues Final HIPAA Security Rule and Transaction Set Regulation

On February 20, the Centers for Medicare & Medicaid Services (CMS) issued two final rules implementing provisions of the Health Insurance Portability and Accountability Act (HIPAA).

HIPAA Security Rule: The final HIPAA Security Rule, issued after a four-year delay, establishes protections for individual health information held in electronic form. The compliance date for the Security Rule is April 21, 2005, meaning that covered entities have 26 months to implement the security standards. For each security standard, the Rule set forth implementation specifications, which are further classified as either “required” or “addressable.” While the required items are literally required, the addressable items can be understood as one of several implementation options that can be used to meet the intent of a specific standard. The final Rule is technology-neutral and does not identify specific products or services that should be used to meet the security requirements, and it cites cost as an explicit factor in a covered entity’s decision-making process about how to implement security, thereby creating a more reasonable set of implementation expectations. Also, the underlying concepts of the final Security Rule have been synchronized with the privacy and transaction set regulations (see chart). If you have questions or comments about the final Security Rule, please contact Susan Stuard at GNYHA.

Transaction Set Regulation: The final “Modifications to the Transactions and Code Sets” rule adopts several positive changes for the HIPAA transaction set implementation specifications. Providers believe that the modifications are essential to permit implementation of the transaction sets. CMS adopted several of the changes recommended in GNYHA’s May 31 comment letter, including elimination of several of the more onerous transaction set requirements. The detailed changes are published as addenda to the implementation guides, which are available at www.wpc-edi.com. This regulation is effective on March 24, 2003. The deadline for compliance with the HIPAA transactions and code sets is October 16, 2003. If you have any questions about the HIPAA transaction sets, please contact Ellen Lukens at GNYHA. ■

Proposed Security Rule	Final Security Rule
Chain of trust agreement is the contractual mechanism used to protect electronically transmitted PHI.	Additional business associate requirements are the contractual mechanism to protect electronically transmitted PHI.
Standards are grouped in four categories (administrative safeguards, physical safeguards, technical security services, technical security mechanisms).	To reduce duplication, standards are grouped in three categories (administrative, physical, and technical safeguards).
Stand-alone definitions in the proposed Security Rule did not match up with the privacy or transaction set regulations.	Most definitions now apply across the security, privacy, and transaction set regulations (45 CFR, Parts 160 and 162).

GNYHA Testifies in Albany *continued from page 1*

es would range from 2% to 48% of Medicaid revenue.

- When these losses are added to current hospital operating losses of \$337 million in 2001, they would cause losses around the State to increase to \$1 billion. In NYC, the Budget would result in operating losses of almost \$700 million.
- The Budget proposes a change to the Medicaid program that would trigger a punishing ripple effect on hospitals. In order to save \$53 million, the State must cut hospital rates by more than \$400 million, because the Budget proposes to change the State’s contribution to various aspects of the Medicaid program. In New York today, the State contributes 25% of every Medicaid dollar spent on hospitals. The new budget’s proposed reallocation of funding responsibilities between the State and localities would reduce the State’s contribution to spending on hospital care from 25% to 13%. Therefore, for every \$1 the State cuts from its Medicaid budget, hospitals would lose \$7.70 in Medicaid reimbursements.

Hospital Disaster Readiness: Since 9/11, 2001, hospitals throughout NYS have had a new level of responsibility to be part of the first line of defense against possible nuclear, biological, and chemical attacks. Virtually no funding has been received—or is slated to be received—to help hospitals meet these new responsibilities, and the proposed State health care cuts could disrupt many of the current efforts to ensure public security. In his testimony, Mr. Raske cited the results of a recent GNYHA survey on hospitals’ emergency preparedness expenditures (see story on page 1), which showed that New York downstate hospitals spent \$90.2 million on disaster readiness in 2002 alone, but only \$5.9 million was available from outside sources—meaning that these hospitals had to rely on their own, already overburdened operating budgets to fund critical emergency preparedness projects.

Condition of New York’s Hospitals: GNYHA’s testimony also provided national data that demonstrated NYS hospitals’ poor financial condition relative to other states’ hospitals and New York hospitals’ relatively high efficiency indicators. According to the *Almanac of Hospital Operating and Financial Indicators* published by Ingenix/Center for Healthcare Industry Performance Studies, the median total margin of New York hospitals in 2001 was 0.6%, compared with 3.3% for hospitals nationwide. Moreover, New York hospitals rank last in the country on overall financial health on measures of profitability, liquidity, and capital infrastructure—the result of insufficient revenue—but they score very well on national efficiency indicators like cost and price per discharge adjusted for patient severity of illness and cost of living. New York hospitals’ adjusted cost and price per discharge are among the lowest of any states’ hospitals.

GNYHA Advocacy Agenda: GNYHA strongly opposes the Medicaid cuts and new hospital taxes specified in NYS’s proposed Executive Budget, and is launching a multifaceted campaign to protect its members from these damaging provisions. ■

Spending on Emergency Preparedness continued from page 1

The survey, conducted in December 2002, gathered information from GNYHA's downstate hospital members about the scope of expenditures (actual and projected) and initiatives identified for emergency preparedness. It focused specifically on incremental costs associated with activities to improve providers' ability and capacity to serve their communities in the event of a nuclear, biological, chemical, or other terrorist attack.

Survey Findings: As shown in Table 1, the 54 respondents spent \$90.2 million from September 11, 2001, through the end of 2002, an average of \$1.7 million per hospital or \$4,000 per staffed bed. These 54 hospitals hoped to spend an additional \$110.5 million in 2003—an average of \$2.0 million per hospital or \$4,900 per staffed bed—and identified an additional \$469 million in spending for important projects if funding were to become available. Of those amounts, only \$5.9 million, or less than 7%, was available from sources other than general operating revenue through 2002, and only \$685,000, or 0.6% of total expenditures, will be available in 2003 from outside sources. If extrapolated to all 106 hospitals in GNYHA's downstate membership in the NYC metro-

politan area according to teaching versus non-teaching status, \$150 million would have been spent through 2002 and \$184 million would be targeted for spending in 2003. Investments have been made, and needs identified, in areas including emergency department redesign to ensure efficient diagnosis and treatment of mass casualties, modification of heating and ventilation systems to protect the rest of the hospital from the spread of detected contaminants, and installation of decontamination showers. Table 2 shows the distribution of actual and planned expenditures reported by the 54 respondents by major category.

The survey results showed that teaching hospitals and Level 1 trauma centers have invested more heavily in emergency preparedness than their peers. This finding is not surprising since teaching hospitals and trauma centers are more likely to serve as regional, specialized centers; possess advanced disease surveillance capabilities; have analytical laboratory capabilities; and tend to have a greater scope of services than community hospitals.

If you have any questions or would like to obtain a copy of the full report, please contact Ellen Lukens or Patricia Wang at GNYHA. ■

IN MEMORIAM



David B. Skinner, M.D.

GNYHA mourns the passing of our dear friend David B. Skinner, M.D., former Chief Executive Officer of NewYork-Presbyterian Hospital and former dedi-

cated Chairman of the GNYHA Board of Governors, who passed away at age 67 on January 24, 2003.

Dr. Skinner's contributions to the field of health care were enormous. Long a nationally renowned surgeon, in 1987 Dr. Skinner was named President and Chief Executive Officer of The New York Hospital. He quickly put together a leadership team and orchestrated a financial turnaround for the hospital at a time when many hospitals were struggling with large operating deficits. Dr. Skinner was also responsible for the construction of the hospital's Maurice R. and Corinne P. Greenberg Pavilion, an 850,000-square-foot building that opened in 1997, the same year he successfully oversaw the merger of The New York Hospital and Presbyterian Hospital. That year he was named Vice Chairman and Chief Executive Officer of NewYork-Presbyterian Hospital. Dr. Skinner also directed the building of the NewYork-Presbyterian Healthcare System, a network of primary, specialty, and long term care centers in the New York metropolitan area. Throughout this time, he also continued performing esophageal surgery. During his time on the GNYHA Board of Governors, the Association greatly benefited from his leadership and wise counsel.

A true visionary, Dr. Skinner will be remembered for being a pioneer in the development of hospital mergers and health care networks in New York, and for his deep commitment to improving the health care of all New Yorkers. GNYHA salutes his remarkable accomplishments and extends its deepest sympathies to his wife Ellie, his daughters Linda, Kristin, Carise, and Margaret, and his many friends and colleagues. ■

Table 1. Hospital Expenditures and Projected Expenditures, by Time Period, Among GNYHA Downstate Hospitals

Category and Time Period	Total Expenditures (\$)	Average Expenditure/Hospital (\$)	Expenditure/Staffed Bed (\$)
Spent (9/11/01–12/31/02)	90.2 million	1.7 million	4,000
Planned Expenditures (1/1/03–12/31/03)	110.5 million	2.0 million	4,900
Unfunded Projects (1/1/03–12/31/03)	469 million	8.7 million	21,000

Note: N = 54.

Table 2. Proportion of Total Emergency Preparedness Expenditures in GNYHA Downstate Hospitals, by Expenditure Category

Expenditure Categories	% Expenditures, 9/11/01–12/31/02	% Planned Expenditures, 1/1/03–12/31/03	% Unfunded Project Expenditures, 1/1/03–12/31/03
Security	4.6	3.3	5.4
Facility ^a	20.4	25.5	41.0
Medical/surgical and pharmaceutical supplies – treatment	6.1	4.2	2.0
Other equipment and supplies ^b	8.7	14.0	6.3
Information systems ^c	31.9	32.1	32.2
Communication	2.4	3.0	1.8
Staff resources ^d	25.8	17.7	10.9
Other	0.2	0.2	0.5
Total	100.0	100.0	100.0

^a Including dedicated decontamination facilities. ^b Including personal protective equipment. ^c Including disease surveillance, reporting, and laboratory identification. ^d Including training and drills and consultants.

Continuing Care Leadership Coalition to Be Established

The GNYHA Board of Governors has authorized the establishment of the Continuing Care Leadership Coalition (CCLC) as a 501(c)(6) not-for-profit GNYHA affiliate. Reflecting a modification of the current GNYHA advocacy structure for continuing care, the establishment of the CCLC presents an opportunity to enhance the resources available for continuing care advocacy, operational support,

and public relations. The CCLC will create a structure within the GNYHA corporate umbrella designed to unify and strengthen the advocacy activities of the voluntary and public continuing care community in the Greater New York area, to foster strategic decision-making, and to maximize the identity of the voluntary and public continuing care community in the governmental and public spheres. As a corporate GNYHA affiliate, the CCLC will be governed by a board consisting of elected continuing care leaders, with strong linkages between the CCLC Board and GNYHA, its Board, and its Executive Committee. ■

GNYHA Advocates in Washington for SNF Medicare, Medicaid Relief

On February 21, GNYHA's Center for Continuing Care met with White House Health Policy Advisor Doug Badger about targeted Medicare relief for skilled nursing facilities (SNFs), because of the failure of the SNF prospective payment system (PPS) to cover the full amount of capital costs incurred by many facilities that have undertaken recent construction projects. Over 4,000 facilities across the nation sustain losses as a result of this flaw, with over 50 of them losing more than \$275,000 per year. GNYHA has been promoting an amendment on Capitol Hill and with key Administration officials that would address this problem in

the PPS. Also on February 21, GNYHA's Center for Continuing Care took part in a press conference, hosted by Citizens for Long Term Care, calling on President Bush and Congress to pass urgent State Medicaid relief. Calling for immediate relief, GNYHA stressed that "strong national leadership is needed to ensure that states receive the fiscal relief necessary to preserve quality long term care services for our most vulnerable citizens." Also participating were AARP, the Alzheimer's Association, 1199/SEIU, American Association of Homes and Services for the Aging, American Health Care Association, The Arc of the United States, and American Network of Community Options and Resources. ■

Proposed Nursing Home Cuts Fall Hardest on Public and Voluntary Facilities

A new "regional average reimbursement methodology" and a trend factor cut in NYS's proposed Executive Budget would cut payments to nursing homes statewide by \$292 million, a 5% cut from baseline Medicaid revenue. Combined with a proposed "Medicaid-only case mix" cut, these cuts will reduce payments to nursing homes by almost \$400 million. Both upstate and in NYC, the effects of the cuts are most pronounced in public facilities, and are disproportionately severe in NYC not-for-profit facilities. ■

GNYHA Preliminary Analysis of the Impact of the Trend Factor and Group Average Cuts on Nursing Homes

Annualized 2003 Fiscal Impact	Baseline Medicaid Revenue (\$ in millions)	Loss (\$ in millions)	% Loss
Total	5,900	(292)	-5%
New York City	2,786	(133)	-5%
Non-profit	1,361	(82)	-6%
Proprietary	1,249	(34)	-3%
Public/Gov't	176	(18)	-10%
Upstate	1,880	(91)	-5%
Non-profit	1,190	(65)	-5%
Proprietary	1,350	(48)	-4%
Public/Gov't	574	(45)	-8%

Upcoming GNYHA Briefings

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. 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.

HEICS

Date: Thursday, March 13, 2003

Time: 9:30 a.m.-1:30 p.m.

Location: Westchester Medical Center, Cedarwood Hall Auditorium, Valhalla, New York

This introductory briefing on the Hospital Emergency Incident Command System (HEICS) is identical to the HEICS briefing held at GNYHA on January 29. The program is intended as an *entry-level session* for those who are unfamiliar with HEICS, and will cover basic principles and the responsibilities of the positions outlined in the HEICS command and control structure. Hospitals are strongly encouraged to register employees who work evening, night, and weekend shifts. This program is a pre-requisite to an upcoming GNYHA training session on incident commander development. For more information contact Terri Straub, and to register contact Barbara Marino, at GNYHA.

Preventing and Managing Risk in the ED

Date: Friday, March 14, 2003

Time: 9:00 a.m.-12:30 p.m.

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

GNYHA and the Association for Healthcare Risk Management of New York, Inc., are co-sponsoring this second briefing in the "Beyond Risk Management" series, which is designed to assist senior management, clinical staff, and health care professionals improve quality and patient safety, and manage medical malpractice exposure. The briefing will focus on emergency department (ED) risk management and interventions to minimize hospital exposure when an event occurs. Attendees will participate in a mock trial involving an ED physician, with examinations by both a plaintiff's attorney and a defense attorney. Best practices in communication and documentation will be identified, and a panel discussion will highlight ED risk exposure scenarios. For more information contact Terri Straub, and to register contact Barbara Marino, at GNYHA. ■