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# Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

## Will Congress Address Health Care Issues in 2002?

The year 2001 began with high hopes on the part of health policymakers that Congress and the Bush Administration would be able to reach agreement on a variety of health care issues, including Medicare prescription drug legislation, HMO reform, and incremental steps to help the uninsured. Even before the tragic events of September 11, 2001, however, the likelihood that Congress would be able to pass compromise legislation on any of these issues before the end of the year began to fade. Costly Medicare prescription drug legislation, in particular, looked less likely to gain passage given the downturn in the economy and the accompanying reduction in Federal revenues. Once the terrorism attacks took place, and the Federal government found the need to spend billions on disaster relief and the war on terrorism, the chances of passing Medicare prescription drug legislation seemed to fade. Washington insiders are now wondering: Will Congress address health care issues in 2002? Below is a summary of several issues GNYHA believes will be debated in the coming year.

**Medicare:** Prescription drug legislation will probably not pass in 2002 for several reasons. First, it is costly, and the Federal government is liable to run deficits over the next several years, making it difficult to afford new entitlement benefits. Second, there is no agreement between Republicans and Democrats on the form that prescription drug legislation should

take. Thus, barring major compromises that neither side appears willing to make, it is unlikely that Medicare prescription drug legislation will pass. Other Medicare issues, however, may have a better chance of passage. For instance, momentum is growing for legislation to undo some of the remaining Medicare reimbursement rate cuts enacted as part of the Balanced Budget Act of 1997 as well as solving other Medicare reimbursement problems for providers. These include eliminating the indirect medical education cut for teaching hospitals, scheduled to take effect on October 1, 2002; eliminating the 15% cut for home health providers, also scheduled for October 1, 2002; eliminating cuts to the outpatient

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## GNYHA Survey Confirms Significant IT Needs of Member Hospitals

Last month, GNYHA issued preliminary results of a survey of hospitals and health systems in the metropolitan New York area concerning its members' current information systems and projected technology requirements. Thirty-six institutions/health systems, representing 80 individual hospitals, completed the survey, reflecting an overall response rate of 76%. The survey found that while the vast majority of hospitals have certain key systems in place (for example, patient accounts, payroll, laboratory, radiology), 20% or more of the respondents did not

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## Senators Announce Funding for GNYHA Members



On December 23, U.S. Senators Charles E. Schumer (far left) and Hillary Rodham Clinton (far right, back to camera) announced at a Battery Park City press conference Congressional approval of \$140 million to help health care providers cover costs related to September 11. Press conference participants also included Leonard A. Aubrey, President and CEO, NYU Downtown Hospital (center); GNYHA President Kenneth E. Raske (shaking Senator Clinton's hand); and Mark G. Ackermann, Sr. VP, Chief Corporate Services Officer, Saint Vincent Catholic Medical Centers of New York.

# GNYHA Survey Confirms Significant IT Needs of Member Hospitals

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have a system in place for nearly half the overall departments/functions surveyed (approximately 30 in total). Moreover, more than half the hospitals reported that numerous systems are at least four years old, and that within the next three years there will be a need to upgrade or replace a wide array of systems.

**Increased Expenditures for Information Systems:** Faced with numerous system upgrades or replacements, upcoming Health Insurance Portability and Accountability Act (HIPAA) requirements, and other information systems challenges, hospitals will need to substantially increase capital expenditures for information systems over the next three years. The survey found that the percentage of hospitals needing to spend more than \$5 million increased from roughly 4% in 2000 to 25% by 2003. Likewise, at least half the responding health systems reported the need to spend more than \$5 million each year for the next three years. Current estimates suggest that the total projected capital expenditure needs for information systems for responding institutions will be at least \$250 million over the next three years, and could get as high as nearly \$600 million for this time period (see table 1). Extrapolating to all GNYHA members, such expenditures could range from \$330 million to \$790 million over the next three years.

Top information technology priorities that hospitals report as part of their strategic plans include HIPAA compliance, electronic medical records, physician order

**Table 1. Expenditures for Information Systems for Reporting Hospitals**

Year	Projected Capital budget	
	Range	Midpoint
2001	\$91 million to \$204 million	\$117 million
2002	\$101 million to \$206 million	\$128 million
2003	\$80 million to \$186 million	\$123 million
<b>Total</b>	<b>\$272 million to \$596 million</b>	<b>\$368 million</b>

**Table 2. HIPAA Compliance**

Function	Hospitals Responding "Yes" (Compliant)	% of Total Hospitals
Access to data	77	96.3%
Transmission of patient-identifying data over the Internet	59	73.8%
Encryption capability	49	61.3%
Detection of abnormal system condition	44	55.0%
Audit trail capability	32	40.0%
Data protection	24	30.0%
Tracking of consent for release of medical records	20	25.0%

N=80

**Table 3. Recruiting Qualified IT Personnel**

IT Position	Institutions Responding					
	Not Difficult		Somewhat Difficult		Very Difficult	
	N	%	N	%	N	%
Software developers/programmers	2	3.6%	37	67.3%	16	29.1%
Systems analysts	2	3.3%	44	72.1%	15	24.6%
Network engineers	0	0.0%	42	68.9%	19	31.1%
Project leaders/managers	1	1.7%	43	74.1%	14	24.1%
Help desk technical personnel	10	16.7%	43	71.7%	7	11.7%

entry, billing systems, cost accounting systems, accounts receivable reduction, network upgrades, wireless technology, system integration, security, and document management. Funding was the most frequently cited barrier to implementation of a hospital's information technology (IT) strategic plan.

**Upcoming HIPAA Requirements:** The survey found that while the majority of hospitals reported having the capacity to restrict access to systems containing patient-identifying data based on the user's role or job title, significantly fewer are in compliance with other HIPAA requirements. Between half and two-thirds of responding institutions currently meet the upcoming HIPAA requirements with respect to encryption capabilities and detection of abnormal system conditions. Moreover, fewer than 40% of the responding institutions currently meet the requirements with respect to audit trail capability, data protection, and a computerized system to track executed consent forms authorizing the release of medical records (see table 2).

**IT Personnel:** The survey found that roughly 63% of responding hospitals have a total annual budget for IT personnel of \$1-\$5 million, and 38% of responding health sys-

tems have a total annual budget for IT personnel of over \$10 million. In addition, roughly two-thirds of responding hospitals reported having 50 or fewer permanent full-time equivalent employees (FTEs), and nearly 43% of responding health systems reported having between 51 and 250 permanent FTEs. Approximately two-thirds of responding institutions reported using temporary IT personnel. Recruiting and retaining qualified IT personnel is a major concern for hospitals. The overwhelming majority of institutions reported that it is either "somewhat difficult" or "very difficult" to recruit key IT personnel such as software developers/programmers, systems analysts, network engineers, and project leaders/managers (see table 3).

**Conclusion:** Securing funding for new systems or system upgrades, HIPAA compliance, and other new technologies is of paramount importance if New York-area hospitals are to meet the prevailing expectations concerning the quality and safety of patient care, as well as operational efficiencies. GNYHA will utilize the information yielded by this survey to help member hospitals address their funding needs and other requirements with regard to information systems and technology. ■

# GNYHA Advises Panel on Financially Distressed Nursing Home Criteria

**O**n January 4, 2002, GNYHA staff met in Albany with a Subcommittee of the Commission on Financially Distressed Residential Health Care Facilities (RHCFs) to make recommendations about particular financial indicators to be used in the definition of a financially distressed nursing home. The Subcommittee—consisting of three provider representatives from the full Commission, including Jim Davis, President and Chief Executive Officer of Amsterdam Nursing Home, a GNYHA member—was created to expedite the process of achieving consensus on criteria for determining what constitutes a financially distressed nursing home, as called for in the Commission's charge from the State Legislature. GNYHA was among those invited

to comment on specific indicators for the Subcommittee's consideration. GNYHA strongly emphasized the importance of focusing on negative operating margins as a primary indicator of financially distressed status, stressing that facilities with multiple years of negative operating results or a single year of losses of significant magnitude should be eligible to be considered for potential assistance as a "financially distressed RHCF." Having received input from GNYHA and other organizations, the Subcommittee will relay a set of recommendations to the full Commission at its next meeting in late January. According to the New York State Department of Health, a draft report will then be created and presented to the full Commission in February. ■

## Health Care Issues in 2002

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prospective payment system (PPS); extending expiring rate add-ons to the skilled nursing facility PPS and improving capital reimbursement; eliminating cuts to physicians due to the conversion factor calculation for 2002; and enhancing Medicare+Choice premiums. The Senate is also expected to follow the House's lead and pass legislation to reform the way the Centers for Medicare and Medicaid Services (CMS) does business.

**Medicaid:** Because Congress did not pass an economic stimulus bill, a number of Medicaid-related issues that did not pass in 2001 are likely to resurface in 2002. First, if the recession continues, it is likely that there will be continued attempts to enact a temporary increase in the Medicaid matching rate for all states, with a higher increase for states with high unemployment. Second, there will likely be further attempts to stop CMS from finalizing a regulation to restrict the ability of states to use Medicaid upper payment limits to maximize Federal Medicaid funding. Third, if the recession continues, there will probably be further attempts to provide Medicaid coverage to help unemployed individuals afford COBRA continuation coverage premiums.

**HIPAA:** Despite the desire of many providers to amend the Health Information Portability and Accountability Act of 1996 (HIPAA) to fix some of the administrative problems caused by the privacy regulations issued by CMS, it is very unlikely that Congress will amend HIPAA without some more compelling reasons to do so than they have been offered to date. Indeed, in 2001 Congress did enact a year-long delay in the implementation date for the transaction set requirements of HIPAA (see story on page 4), but did not touch the privacy portions. More likely, but far from certain, are regulatory changes to make the privacy requirements easier to administer and less costly.

**Patient's Bill of Rights:** Congress will likely reach an agreement on HMO reform. Prior to September 11 there had been negotiations between Senate Democrats and the Bush Administration on HMO reform that both sides said were encouraging. If those negotiations resume, it is possible that Congress will pass a bill that President Bush will sign. ■

## GNYHA Receives City DOH Award

**T**he New York City Department of Health (NYCDOH) recently presented GNYHA with its "Medical Provider Award" for GNYHA's "commitment to the incorporation of public health principles into clinical practices" during the difficult and challenging days and weeks following September 11. The theme of the award ceremony, which was held at the Museum of the City of New York on December 12, was "Excellence in Responding to Crisis." In accepting the award, GNYHA President Kenneth E. Raske thanked and praised the NYCDOH staff for their superb efforts—and their communication with GNYHA—following the

September 11 terrorist attacks as well as the anthrax exposures and the death of a New York City hospital worker from inhalation anthrax. NYCDOH also gave the following awards: "Community-Based Organization Awards" to Alianza Dominicana, Hospital Audiences, Inc., Our Lady of Mercy Medical Center, and Young Adult Institute; "Media Award" to Max Gomez, WNBC—Channel 4; "Family/Consumer Award" to Maureen Casey and Harvey Rosenthal; "Advocate Award" to Citizen's Committee for Children; and "Staff Awards" to Crisis Intervention, New York City Department of Mental Health and Emergency Response Teams, NYCDOH. ■

AROUND

**Michael Dowling** has been named President and Chief Executive Officer of the North Shore-Long Island Jewish (LIJ) Health System. He succeeds **John Gallagher**, who is now Co-Chairman of the North Shore-LIJ Health System Foundation. Mr. Dowling, who is Secretary of the GNYHA Board of Governors, was previously North Shore-LIJ's Executive Vice President and Chief Operating Officer. He joined North Shore-LIJ in 1995 after serving as New York State's Social Services Commissioner. ■

## Fund Provides No-Cost Lodging to Needy Patients and Families

The heads of two NYC companies have teamed to form the ITM Hospitality Fund, a New York metropolitan-area community service providing lodging facilities for patients and their families in times of need.

Established by Jody Merl, President and Founder of Innovative Travel Marketing (ITM), a barter company specializing in hotel and travel advertising and marketing, and Michael R. Stoler, President of Princeton Commercial Corporation, an investment banking and management consulting firm, the ITM Hospitality Fund provides no-cost hotel rooms to needy patients and their families. The cost to the patient and family (up to four members) is limited to the NYS and NYC

hotel occupancy and sales tax for the room.

ITM Hospitality Fund beneficiaries are chosen based on financial need, with consideration given to the geographic distance from the hospital to the patient's/family's home. The rooms will be available to needy patients (or needy families of patients) who are undergoing treatment for conditions such as cancer, cardiovascular disease, neurological disorders, organ transplantation, and other life-threatening conditions that involve extensive hospital stays, doctor visits, or ambulatory therapies that are an extensive distance from their homes. ITM and Mr. Stoler administer the fund via a monthly endowment of available rooms at ITM client hotels in NYC.

For more information about the ITM Hospitality Fund, call Michael Stoler at (212) 850-0675, or visit [www.itmhospitalityfund.com](http://www.itmhospitalityfund.com). ■

## OSHA Releases Revised Bloodborne Pathogens Compliance Directive

The U.S. Department of Labor Occupational Safety and Health Administration (OSHA) recently released an updated compliance directive for enforcing the Bloodborne Pathogens Standard (29 CFR 1910.1030) that became effective on April 18, 2001. The revised bloodborne pathogens standard includes new examples in the definition of engineering controls, requires that exposure control plans reflect changes in technology that eliminate or reduce exposure to bloodborne pathogens, requires employers to document annually consideration and implementation of safer medical devices, requires employers to solicit input from non-managerial employees in the identification of engineering and work practice controls, and requires certain employers to maintain a log of injuries from contaminated sharps. OSHA personnel will use the compliance directive as a guide in enforcing the bloodborne pathogens standard. The compliance directive may be obtained by going to [www.osha-slc.gov/OshDoc/Directive\\_data/CPL\\_2-2\\_69.html](http://www.osha-slc.gov/OshDoc/Directive_data/CPL_2-2_69.html). GNYHA hosted a briefing session in June regarding the bloodborne pathogens standard and is planning to host a second briefing session in which representatives from OSHA will discuss the revised compliance directive. ■

## President Bush Signs HIPAA Transaction Sets Delay Bill into Law

On December 27, President Bush signed HR.3323. The bill allows entities covered by Health Insurance Portability and Accountability Act (HIPAA) Transaction Sets to postpone complying with the Transactions and Code Sets Rule until October 16, 2003. Entities that wish to qualify for the postponement must submit a compliance plan to the Secretary of the Department of Health and Human Services (HHS) by October 16, 2002, including a bud-

get, schedule, work plan, and implementation strategy for achieving compliance.

This section of HIPAA deals with certain health care transactions such as electronic eligibility, authorization, claims submission, and payment. The National Committee on Vital and Health Statistics is charged with developing a model compliance plan and a report recommending solutions. The bill also appropriates \$44,200,000 for HHS to use for technical assistance and enforcement activities, and confirms that the compliance date of the Privacy Rule, April 14, 2003, is not affected. ■

### Upcoming GNYHA Briefings

All briefings below will be held at the GNYHA Conference Center in Manhattan, 555 West 57th Street, 15th Floor. To register for any of the briefings, please contact Barbara Marino at GNYHA.

#### Family Health Plus

**Date:** Tuesday, January 15, 2002

**Time:** 10:00 a.m.–12:00 noon; 1:00 p.m.–3:00 p.m.

This briefing will focus on the implementation of Family Health Plus (FHP) and will feature staff from the NYS Department of Health and the NYC Human Resources Administration. The briefing will cover both the transition from the Disaster Relief Medicaid/FHPlus program to the regular FHP program in NYC and the ongoing implementation of FHP in other areas of the state. There will be two identical sessions of the same briefing. Please register for and attend only one session. For more information, contact Sarah Smith at GNYHA.

#### Private Payers' E-Commerce Strategies

**Date:** Friday, January 25, 2002

**Time:** 10:00 a.m.–3:30 p.m.

This briefing is the third session in a series of Executive Briefings on the electronic commerce strategies of private health care payers in the NYC area. In this session, Group Health Incorporated, HIP of Greater New York, Inc., and Magellan Behavioral Health will discuss their strategies for connecting with members, employers, and providers through the Internet and other electronic media. For more information, contact Sarah Smith at GNYHA.

#### Retaining and Recruiting Top Nursing Talent

**Date:** Thursday, January 31, 2002

**Time:** 9:30 a.m.–11:30 a.m.

This briefing is intended for senior nursing and human resources executives from member hospitals and continuing care facilities. Representatives of the Advisory Board Company's H\*Works will present researched-based best practices for improving nurse retention and recruitment, and discuss their implementation, as well as application to other positions affected by workforce shortages. For more information, contact Patricia O'Brien at GNYHA. ■