



MAY 14, 2001

# Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

## Senators Introduce Hospital BBA Relief Legislation; Congress Approves Budget Outline

Last week, a group of 11 bipartisan senators led by Senators Kay Bailey Hutchison (R-TX), Hillary Rodham Clinton (D-NY), and Charles E. Schumer (D-NY) introduced legislation to relieve hospitals from some of the remaining Medicare cuts contained in the Balanced Budget Act of 1997 (BBA). The bill, S.839, would eliminate the next Medicare indirect medical education (IME) payment reduction, scheduled to take effect on October 1,

2002, and would eliminate the remaining cuts in the Medicare inpatient hospital market basket update. The IME adjustment is scheduled to be reduced from approximately 6.5% for every 10% increase in the ratio of interns and residents to beds to 5.5% on October 1, 2002. GNYHA estimates the IME cut would cost hospitals in New York State \$130 million annually. The inpatient market basket update is scheduled to be reduced by 0.55 percentage point in Federal fiscal years

2002 and 2003. GNYHA estimates these market basket update reductions will reduce inpatient prospective payment system payments to hospitals in New York State by \$36 million in FY 2002 and by \$345 million over

*continued on page 2*

## Senator Schumer Introduces IT Funding Bill

Senator Charles E. Schumer (D-NY) recently introduced the Health Information Technology and Quality Improvement Act of 2001 (S.705). This bill, which has been cosponsored by Senator Hillary Rodham Clinton (D-NY) and was developed in collaboration with GNYHA, would provide \$350 million in funding for hospitals over five years to enable hospitals to purchase and upgrade information technology (IT) hardware and software for the purpose of reducing medical errors and to help hospitals become compliant with the privacy and administrative simplification requirements of the Health Insurance Portability and Accessibility Act of 1996 (HIPAA). After the grant program, Medicare reimbursement would be avail-

able for hospitals to help them with their information technology expenses. In addition to the hospital grant program, the bill would create a grant program for skilled nursing facilities and home health care providers to help encourage the development and dissemination of information technologies specifically designed for continuing care settings. The bill would also create a national advisory board on health information technology to advise Federal officials on the types of information technology that would further the goals of the bill and that would promote communication across health care provider systems.

**Press Conference:** Senator Schumer announced the introduction of S.705 at a

*continued on page 3*

## NYC Hospitals See No Increase in Medicare Payments in FY 2002

On May 4, 2001, the U.S. Health Care Financing Administration (HCFA) published in the *Federal Register* its proposed rule for Medicare hospital inpatient reimbursement rates in fiscal year 2002, which begins October 1, 2001. While the hospital market basket index indicates that costs will increase by 3.1% due to inflation alone, the national average prospective payment system (PPS) rate for large urban hospitals will increase by only 1.56% because of several offsets, including a 0.55% cut enacted by Congress. In addition to the rate increase, case mix is expected to increase for hospitals in the NYC area resulting from proposed changes to the diagnosis related group (DRG) classification system. The

*continued on page 4*

Impact of Scheduled BBA Cuts on Hospitals in New York State and the United States						
Date	Dollars in Millions (except as indicated)					
	New York State			United States		
	BBA Update Reduction	BBA IME Reduction	Total	BBA Update Reduction	BBA IME Reduction	Total <sup>a</sup>
Oct 1, 2001	\$36	\$0	\$36	\$420	\$0	\$420
Oct 1, 2002	\$74	\$130	\$204	\$852	\$733	\$1.6b
Oct 1, 2003	\$76	\$130	\$206	\$878	\$733	\$1.6b
Oct 1, 2004	\$78	\$130	\$208	\$905	\$733	\$1.6b
Oct 1, 2005	\$81	\$130	\$211	\$933	\$733	\$1.6b
<b>TOTAL</b>	<b>\$345</b>	<b>\$520</b>	<b>\$865</b>	<b>\$4.0b</b>	<b>\$2.9b</b>	<b>\$7.0b</b>

<sup>a</sup>Total amounts are rounded to the nearest tenth.

**Note:** The update reduction is hospital market basket (i.e., inflation) minus 0.55% for FY 2002 and FY 2003. The IME reduction is from an approximate 6.5% increase to a 5.5% increase in rates for every 10% increase in the ratio of interns and residents to beds.

five years. Enactment of S.839 and its House counterpart, H.R.1556 (the American Hospital Preservation Act of 2001), sponsored by Congressmen Mark Foley (R-FL) and Richard Neal (D-MA), is one of GNYHA's top priorities for the 107th Congress. GNYHA is pleased that New York Senators Schumer and Clinton are among the original cosponsors of S.839, reflecting their commitment to helping GNYHA and its members enact our important legislative agenda. As *Skyline News* went to press, four additional New Yorkers had cosponsored H.R.1556: Congresswoman Carolyn Maloney, Congressman John LaFalce, Congressman John McHugh, and Congressman James Walsh. GNYHA is extremely grateful to these members of the New York Congressional Delegation for their support of this important legislation, and will be working with all the members of the delegation to ensure full delegation cosponsorship of H.R.1556.

**No Hospital, SNF BBA Relief in Budget:** Despite the progress outlined above, the budget resolution passed by Congress last week does not contain any relief from the BBA's Medicare cuts for hospitals or skilled nursing facilities (SNFs). The resolution does, however, set aside a reserve fund of \$4 billion over five years to finance the repeal of the BBA's 15% reduction in Medicare payments for home health care providers, which is scheduled to take effect on October 1, 2002. While the resolution does not set aside funding for any BBA relief for other providers, the home health provision pro-

vides a significant opening for broader BBA relief legislation. In addition to the Hutchison/Foley bill outlined above, GNYHA will be advocating for provisions to adequately reimburse SNFs for capital-related expenses. **Other Budget Provisions:** Other health care provisions include a 10-year, \$300 billion reserve fund "for Medicare reform and a pre-

scription drug benefit," Medicaid savings of \$11.7 billion over 10 years from the enactment of legislation to curtail the ability of states to draw down Federal Medicaid funds through intergovernmental transfers and "upper payment limits," new spending on the uninsured of \$28 billion from 2002 to 2004, and funding for the Family Opportunity Act, which would allow parents of disabled children to purchase Medicaid coverage for their children at an affordable rate, even if their incomes exceed traditional Medicaid income eligibility levels.

**Next Steps:** Budget action now moves to a number of Congressional committees that will work to translate the budget resolution into actual detailed legislation. The Senate Finance, House Ways and Means, and House Energy and Commerce Committees are expected to begin work soon on the Medicare, Medicaid, and uninsured proposals contained in the budget resolution, as well as other proposals of interest. ■

ANNOUNCEMENTS

**Wendy Z. Goldstein** has been appointed President and Chief Executive Officer of Lutheran Medical Center (LMC). Ms. Goldstein comes to LMC from St. Luke's-Roosevelt Hospital Center, where she was Chief Operating Officer and Executive Vice President. She has also worked at New York University, Memorial Sloan-Kettering Cancer Center, and The Mount Sinai Medical Center. • **Samuel J. Daniel, M.D.**, has been named President and Chief Executive Officer of North General Hospital. Dr. Daniel, who has been at North General since 1993, previously served as Medical Director and Director of the Department of Medicine. He is also a Clinical Assistant Professor at The Mount Sinai School of Medicine. Dr. Daniel succeeds **Harold P. Freeman, M.D.**, who stepped down to become Director of the new Ralph Lauren Center for Cancer Prevention and Care, which will be run collaboratively by North General and Memorial Sloan-Kettering Cancer Center. Dr. Freeman will also continue his role as Director of North General's Department of Surgery. • **Eileen Chisari** has been appointed to the position of Vice President, Administration, at the St. Mary's Rehabilitation Center for Children in Ossining, New York, a participating member of the St. Mary's Healthcare System for Children. • **Neville Goldson** has been named Administrator at the New York State Veteran's Home at St. Albans. He was previously Administrator at the Center for Nursing and Rehabilitation in Brooklyn. • **Susan L. Davis, R.N., Ed.D.**, has been named President and Chief Executive Officer of Vassar Brothers Hospital. Ms. Davis, who had served as Vassar's Executive Vice President and Chief Operating Officer since 1996, succeeds **Ronald T. Mullahey**, who now takes on the role of President and Chief Executive Officer of Health Quest, Vassar's parent company. • **Peter J. Karow, Ph.D.**, has been appointed Administrator of the St. Elizabeth Ann's Health Care and Rehabilitation Center, a part of Saint Vincents Catholic Medical Centers of New York. ■

# Assisted Living Policy Considered in Albany and Washington

On May 8, 2001, the New York State Senate Committee on Health considered and placed on the Senate calendar new legislation related to the regulation of assisted living facilities in New York. The bill, introduced by Senator Kemp Hannon, would require that all "assisted living facilities" in New York enter into contracts with residents that include certain defined elements, including a description of the basic services and their rates, a list of any additional services and their rates, criteria specifying who is eligible and who is no longer eligible to reside in the facility, a description of billing and payment procedures, and a statement regarding the ability of residents to receive services from persons other than those whose

services are offered by the facility. The bill would further define the financial and other information that must be disclosed to prospective residents prior to executing a contract with or receiving a deposit from such individuals. Unlike legislation introduced in prior years, the proposed bill would not define two distinct types of assisted living in New York, depending on whether a facility was registered or licensed; instead, it would define as an "assisted living facility" any facility providing, arranging, or coordinating housing and home care or other health care services to five or more adults, 80% of whom are age 55 or older or are physically disabled.

At the Federal level, the issue of how best to ensure quality and choice in assisted living

was the subject of an April 26, 2001, hearing of the Senate Special Committee on Aging entitled, "Assisted Living in the 21st Century: Examining Its Role in the Continuum of Care." The hearing was called to assess the effectiveness of states in their oversight of assisted living quality, and to evaluate the progress of the assisted living industry in developing and adhering to consistent quality standards. The Chairman of the Committee, Larry Craig (R-ID), described the hearing as an effort to take a "second look" at the assisted living industry two years after the release of a 1999 General Accounting Office report that found prospective assisted living residents were often not provided with sufficient information with which to adequately choose a facility. Testimony and a video from the hearing are available via the Internet at [www.senate.gov/~aging/hr64.htm](http://www.senate.gov/~aging/hr64.htm). ■

## Goodman Introduces Immigrant Health Coverage Bill

New York State Senator Roy Goodman (R-Manhattan) recently introduced legislation (S.5223) to restore State Medicaid eligibility for immigrants residing legally in New York State. The bill would also provide eligibility for legal immigrants for the Family Health Plus program. Similar legislation has been introduced in the Assembly by Assemblyman Nick Perry (D-Brooklyn). GNYHA is very grateful to Senator Goodman and Assem-

blyman Perry for their leadership on this important issue, which GNYHA has identified as one of its top State legislative priorities for 2001, and for which it has been engaged in a campaign to secure support. The campaign, waged through the Healthcare Education Project (a joint initiative of GNYHA and 1199/SEIU-New York's Health and Human Service Union), has included posters, postcards, fliers, and advertisements. ■

## Senator Schumer Introduces IT Funding Bill *continued from page 1*

press conference on April 29, 2001, at the St. Luke's-Roosevelt Hospital Center in Manhattan. The host of the press conference was Sigurd H. Ackerman, M.D., President and Chief Executive Officer of St. Luke's-Roosevelt. Also appearing at the press conference were GNYHA President Kenneth E. Raske and Arthur Levin, Director, Center for Medical Consumers. The press conference included an excellent demonstration of the computerized physician order entry system that has been

implemented by St. Luke's-Roosevelt and that has enabled the hospital to enhance patient safety. At the press conference, Senator Schumer stated that his legislation is designed to help hospitals obtain systems like the one at St. Luke's-Roosevelt, as well as enable hospitals that already have systems to upgrade them and to make them HIPAA-compliant. Dr. Ackerman and Mr. Raske thanked Senator Schumer for taking a leadership role on one of the top legislative agenda items for GNYHA members. ■

### Legislative Digest

*In recent weeks, the New York State Senate and the New York State Assembly have taken action on the following health-related pieces of legislation:*

**Mandatory Overtime:** The New York State Assembly Codes Committee reported A.7127 by Assemblywoman Catherine T. Nolan. The bill would limit the number of hours a nurse could work to eight consecutive hours or 40 hours in a seven-day work week. GNYHA opposes this bill on the basis that it would eliminate the flexibility needed to provide for the safe care of acutely ill patients with changing needs. The bill also appears to be based on the notion that hospitals and other employers are relying on overtime as a cost-saving strategy, rather than hiring more nurses. However, hospitals' reliance on nurse overtime is not a cost-saving strategy, but an emergency method for responding to the current workforce shortage and ensuring that patients get the care they need. • **Confidentiality:** The New York State Senate Health Committee reported S.4629 by Senator Kemp Hannon. The bill expands confidentiality protection for quality improvement activities and encourages the full exchange of information to identify the cause of preventable medical errors. GNYHA strongly supports this legislation. ■

# Moynihan Named Co-Chair of Bipartisan Social Security Commission

**O**n May 2, 2001, former U.S. Senator and honorary GNYHA Board member Daniel Patrick Moynihan was named Co-Chair of a new, bipartisan Social Security Commission required to develop a social security reform plan. In announcing the commission, President

George W. Bush said Senator Moynihan "has been aptly described as the nation's best thinker among politicians since Lincoln, and as the best politician among thinkers since Jefferson." President Bush also praised him for having a "profound mind, a compassionate heart and a far-

seeing imagination." The other members of the 14-person commission include Co-Chair Richard Parsons, who is Co-Chief Operating Officer of AOL Time Warner, and economists, business executives, and former government officials, split evenly between Democrats and Republicans. ■

## DOH Announces a Delay in Action on Some CON Applications

**A**t the April 25, 2001, meeting of the Public Health Council Establishment Committee, the New York State Department of Health (DOH) announced a delay in action on extension clinic and diagnostic and treatment center Certificate of Need (CON) applications. DOH indicated that action on those applications would resume at the time of the October 2001 State Hospital Review and

Planning Council meeting. DOH has convened a workgroup, of which GNYHA is a member, to meet in the interim and review the distribution of and demand for primary care services. DOH is also planning to establish criteria for processing those CON applications for primary care services.

GNYHA recently wrote a letter to DOH requesting clarification regarding the applications that are subject to the delay in

action. In the letter, GNYHA also expressed its members' concerns with DOH's recent policy, including the imposition of the policy without advance notice, the importance of DOH's adhering to its October deadline, the review of part-time clinic applications, and issues regarding grant funding, Medicaid managed care, and financial commitments. If you have any questions, please call Doris R. Varlese at GNYHA. ■

## JCAHO Aims to Streamline Requirements for Hospitals

**T**he Joint Commission on Accreditation of Healthcare Organizations (JCAHO) has appointed an 18-member task force to review its hospital standards for accreditation for the purpose of identifying standards that do not contribute to good patient outcomes and that will be considered for elimination or modification. In addition, the task force will identify "redundant and overly burdensome documentation requirements" for potential streamlining. JCAHO plans to conduct similar reviews for its seven other accreditation programs in the near future.

GNYHA shares the concern expressed by

many hospital executives and industry leaders over the burden regulatory and accreditation requirements pose for hospitals at a time when the hospitals are faced with limited financial revenues and a nationwide staffing crisis. GNYHA's action plan to address workforce shortages calls for the reevaluation of requirements, specifically documentation requirements, with which hospitals must comply, since these activities reduce the time nurses are available for direct patient care. In *GNYHA's Survey of Nurse Staffing in Hospitals in the New York City Region, 2001*, hospitals identified documentation requirements that were thought to be most burdensome and

time-consuming for nurses. Most frequently cited was the documentation associated with the nurse's assessment of a patient at the time of admission to the hospital.

Standards related directly to the Medicare Conditions of Participation (CoPs) for hospitals will receive special consideration and, according to JCAHO, may serve as the basis for discussions with the U.S. Health Care Financing Administration as changes to the CoPs are considered. ■

## Medicare Payments

*continued from page 1*

combined rate increase and case mix increase will be offset for New York City area hospitals, however, by a reduction in their area wage index associated with the continued phasing out of teaching physician data. Therefore, GNYHA expects FY 2002 payments to be flat compared with FY 2001 payments. The wage index reduction will not be nearly as great as indicated in the proposed rule because the proposed rule's wage index was based on unedited data, and an edited wage data file that was released concurrent with the proposed rule showed only a modest decrease. ■

### Upcoming Briefings

#### **ECIN Discharge Planning Solutions**

**LONG ISLAND** Date: Monday, June 11, 2001 • Time: 2:00 p.m.-4:00 p.m.

**Location:** New Life Center A, Conference Room, Winthrop-University Hospital, Mineola, New York

**MANHATTAN** Date: Tuesday, June 12, 2001 • Time: 9:30 a.m.-11:30 p.m.

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

This briefing will focus on the automated discharge planning solutions provided by Extended Care Information Network, Inc. (ECIN), which offers Internet-based solutions and resources that connect hospitals and consumers with extended care providers. Founded by health care professionals, ECIN's products and services automate the discharge planning process, improve business efficiencies for extended care providers, and assist consumers in finding extended care providers and information on senior health issues through its Web site, [www.extendedcare.com](http://www.extendedcare.com). For more information, call Larry Brooks, and to register call Barbara Marino, both at GNYHA. ■