



MAY 15, 2000

Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

New HCFA Fiscal Impact Data Show NYC Hospitals Are Still Suffering

The U.S. Health Care Financing Administration (HCFA) recently released a data file showing the hospital-specific fiscal impacts of the Medicare outpatient prospective payment system (OPPS) final rule. The file shows the impact both with and without transition payments (see table), which were provided by the Balanced Budget Refinement Act to mitigate the effect of the rule on hospitals that were experiencing losses. The key finding of a GNYHA analysis is that, without the transition payments, the OPPS

Calendar Year 2000 Fiscal Impact of OPPS

FISCAL IMPACT OF :			
Region	Proposed Rule	Final Rule without Transition Payments	Final Rule with Transition Payments
United States	-5.7%	0.2%	4.6%
New York State	-12.2%	-3.9%	2.5%
New York City	-19.8%	-11.1%	-1.1%
Long Island	-11.7%	-3.5%	2.8%
Northern Metropolitan	-4.2%	6.8%	9.4%

Source: OPPS Impact File, HCFA.

is now budget-neutral in aggregate to pre-OPPS payments; however, outpatient payments in New York City and Long Island will decline by 11.1% and 3.5%, respectively. While the transition payments generally mitigate the loss for Long Island hospitals, they are not sufficient to hold harmless

outpatient payments in New York City. Furthermore, the transition payments phase out over three and a half years. In New York City, 80% of the hospitals lose, while on Long Island, roughly half the hospitals lose—the same proportion as in New York State as a whole. ■

Governor, Legislature Complete 2000–2001 Budget

New York Governor George E. Pataki, Assembly Speaker Sheldon Silver, and Senate Majority Leader Joseph Bruno recently put final touches on a budget agreement for the State's 2000–2001 fiscal year. Some highlights are provided below. The Governor and State Legislature will now turn their attention to other, non-budgetary issues, including GNYHA's managed care reform agenda.

Medicaid Managed Care, Mental Health SNPs: The budget passed by the Legislature includes an extension of the State's Medicaid managed care law through December 31, 2003, with the exception of authorization for mental health special needs plans (SNPs). Because the authorization for mental health SNPs was not extended, the authority for the State to implement mental health SNPs will

continued on page 3

Medicare's Proposed Rule Implements Direct GME Limits

On May 5, the U.S. Health Care Financing Administration (HCFA) published its proposed rule for FY 2001 Medicare hospital inpatient reimbursement rates in the Federal Register. Comments are due to HCFA by July 5, 2000. The significant payment parameters—including new limits on direct graduate medical education (DGME) payments—are listed in the table on page 2, to which the following explanatory

continued on page 2

HIPAA Update

On May 10, GNYHA held the first meeting of its Health Insurance Portability and Accountability Act (HIPAA) workgroup. The presentations included an overview of the standards proposed by the U.S. Department of Health and Human Services under HIPAA on maintaining the privacy of individually identifiable health information, the electronic security standards, and electronic transaction and code sets. None of the rules proposed by HHS has been finalized yet, and the deadlines have been delayed several times. Once the regulations are finalized, organizations will have two years to come into compliance. The discussion at the May 10 meeting focused on the applicable legal standards outlined in the proposed privacy and security regulations, corporate compliance issues, the general requirements of a security plan, and electronic transactions and code sets called for by HIPAA and how they will change the way health care is transacted in the future. ■

Proposed Rule continued from page 1

notes refer.

Wage Index: The wage index for the New York, NY metropolitan statistical area (MSA) fell slightly from 1.4517 in FY 2000 to 1.4445 in FY 2001, reflecting the ongoing phase-out of teaching physicians and residents. The wage index for the Nassau-Suffolk MSA appeared to drop significantly, from 1.4074 in FY 2000 to 1.3089 in FY 2001, mostly because of assumed reclassifications to the New York, NY MSA. However, HCFA has confirmed to GNYHA that the published FY 2001 wage index is incorrect and will be revised upward.

Indirect Medical Education (IME): As specified in the Balanced Budget Refinement Act (BBRA), the FY 2001 IME adjustment is a 6.24% increase for every 10% increase in the ratio of interns and residents to beds, increased from the Balanced Budget Act (BBA) adjustment for FY 2001 of 5.5%.

Disproportionate Share Hospital (DSH): As specified in the BBRA, the FY 2001 DSH adjustment is reduced by 3%, increased from the original BBA reduction for FY 2001 of 4%. HCFA is preparing a report to Congress on the DSH adjustment that includes several options for amending the statutory formula.

Outliers: HCFA's latest estimate is that outliers made up 7.5% of actual total diagnosis related group (DRG) payments in FY 1999 and 6.1% in FY 2000.

Proposed FY 2001 Medicare Inpatient Payment Parameters

Payment Parameters	FY 2000	FY 2001	% Change
Prospective Payment System			
Operating PPS			
Standardized amount			
Labor portion	\$2,809.18	\$2,856.71	1.7%
Nonlabor portion	\$1,141.85	\$1,161.17	1.7%
Total	\$3,951.03	\$4,017.88	1.7%
Wage index			
New York, NY MSA	1.4517	1.4445	-0.5%
Nassau-Suffolk MSA	1.4074	1.3089	-7.0%
IME adjustment	6.5	6.24	-3.8%
DSH adjustment cut	3%	3%	0.0%
Capital PPS			
Standardized amount	\$377.03	\$383.06	1.6%
Geographic adjustment factor			
New York, NY MSA	1.2908	1.2864	-0.3%
Nassau-Suffolk MSA	1.2637	1.2024	-4.8%
Outlier Threshold			
U.S.	\$14,050	\$17,250	22.8%
New York, NY MSA	\$18,562	\$22,702	22.3%
Nassau-Suffolk MSA	\$18,120	\$21,039	16.1%
Exempt Unit Caps			
Psychiatric			
U.S.	\$10,099	\$11,329	12.2%
New York, NY MSA	\$13,650	\$14,932	9.4%
Nassau-Suffolk MSA	\$13,302	\$13,833	4.0%
Rehabilitation			
U.S.	\$18,823	\$21,115	12.2%
New York, NY MSA	\$25,442	\$27,831	9.4%
Nassau-Suffolk MSA	\$24,793	\$25,782	4.0%
DGME Per Resident Amounts for FY 1998			
	Minimum=70%	Mean	High-end threshold=140%
U.S. average	\$48,972	\$69,960	\$97,944
Manhattan	\$60,089	\$85,841	\$120,178
Queens	\$57,151	\$81,644	\$114,301
Other NYC counties, Long Island, and northern suburbs	\$57,640	\$82,343	\$115,281

DGME: FY 2000 per resident amounts (PRAs) below the FY 2001 minimum will be increased to that minimum; FY 2000 PRAs above the FY 2001 high-end threshold will not be increased for inflation in FY 2001; and FY 2000 PRAs between the minimum and the high-end threshold will be increased by the CPI-U in FY 2001. While the minimum and high-end threshold amounts are based on a blend of primary care and non-primary care PRAs, comparisons with these amounts will be made separately for hospital-specific primary care and non-primary care PRAs. To determine whether their PRAs will be affect-

ed, hospitals should compare their FY 1997 PRAs with the FY 1998 PRAs in the table.

GME Carve-Out: IME and DGME payments on behalf of Medicare managed care enrollees increase to 80% of the fee-for-service equivalents in FY 2001.

Transfers to Post-Acute Care: HCFA proposed no changes to the 10 DRGs in which discharges to post-acute care are reimbursed as transfers. HCFA also reported that a study by Health Economics Research, Inc. found that hospitals generally did not delay the date of post-acute care admission or visit as a result of the new transfer policy. ■

New York State Approves Three Mental Health Special Needs Plans

On May 1, 2000, the New York State Office of Mental Health announced that three proposals to operate mental health special needs plans (SNPs) for the Medicaid population had been approved. The two successful proposals out of four submitted in New York City were prepared by Managed Care Innovations, Inc. and the New York Behavioral Health Partnership. The two plans that were not accepted were Health-First and Integrated Behavioral Health Services. The third plan that was approved was the Westchester Behavioral Health Network. Previously, one other SNP, for Western New York, had been approved. Mental health SNPs

are expected to deliver a full range of mental health inpatient, outpatient, treatment, rehabilitation, service coordination, support, and other services to Medicaid enrollees who are identified as having a high need for such services, including those diagnosed with serious mental illness. Approvals are conditioned upon the completion of successful contract negotiations and approval by relevant State agencies. Participation in the plans would be expected to be voluntary for at least one year, after which time mandatory enrollment for the subject population might be implemented according to the terms of New York's section 1115 Medicaid managed care waiver. ■

Nurses House Serves Nurses in Crisis

Nurses House, a national fund that extends short-term financial assistance to registered professional nurses, met recently with GNYHA as part of the initial phase of a five-year development campaign to increase awareness of the fund and promote fiscal viability. Founded in 1922 as an actual home for nurses in need of emergency refuge, the property was later sold to

create an investment fund, and, today, Nurses House is the only national charitable foundation dedicated to helping nurses in need. Nurses House provides guidance and information about available resources and services, as well as temporary financial assistance to nurses who are ill, convalescing or disabled, or unable to meet current living

continued on page 4

2000–2001 Budget

continued from page 1

expire on June 30, 2000, unless freestanding legislation to extend the authorization is passed before the Legislature's expected adjournment on June 14, 2000. The Legislature balked at extending the authorization after GNYHA and other mental health provider organizations expressed strong concerns about the State Office of Mental Health's SNP implementation plan and the mismatch between the current design of the mental health SNP benefits package and the proposed premium methodology. The budget also provides \$7 million in State funds—\$14 million altogether, including Federal funds—to help diagnostic and treatment centers make the transition to mandatory Medicaid managed care. Increased funding is provided for school-based health clinics as well.

Medicaid Rates for Physicians: The budget includes funding to increase Medicaid reimbursement rates for primary care physicians and authorizes the Commissioner of Health to increase rates for certain specialists.

Mental Health—Shared Staffing: The budget includes funding to restore all 215 shared staff positions currently funded by the State. The proposed cuts had been of concern to GNYHA members who have utilized such staff for a variety of purposes, including to staff mobile outreach and crisis teams.

Welfare Reform Funding for Worker Retraining: The budget allows the use of \$80 million in Federal welfare reform funds (Temporary Assistance for Needy Families, or TANF) to train health care workers, including hospital workers, home health workers, nursing home workers, and others. Details of how these funds can be utilized will be contained in a Request for Proposals (RFP) later this year. Under Federal rules, TANF funds can only be spent on low-income parents who are at risk of becoming eligible for TANF assistance.

Biomedical Research: The budget provides up to approximately \$17 million in funding for biomedical research. Most of these funds will be allocated by the New York State Technology and Applied Research office, subject to an RFP to be released later this year.

Family Health Plus (FHP): The budget also provides funding to help counties offset the cost of the FHP program. ■

Legislative Digest

In recent weeks, the New York State Senate and Assembly have considered the following health care-related legislation.

Consent for Visual Observation: A.841, introduced by Assemblymen Steven Sanders and James Brennan, is currently being considered by the Assembly Health Committee. This legislation would amend the Public Health Law by adding a new section that would require the consent of any patient with a disability for any visual observation that occurs during the ordinary course of a hospital stay. GNYHA opposes this bill because, if enacted, it would seriously interfere with the medical education undertaken by teaching hospitals. S.2197, the Senate "same-as" version of this legislation, passed the full Senate on February 8 of this year. • **Health Care Proxies for Organ Donation:** A.6240, sponsored by Assemblyman James Conte, is also being considered by the Assembly Health Committee. This legislation would provide a space on the Health Care Proxy form for people to indicate their wishes regarding organ donation. GNYHA agrees with the stated justification for the bill—namely, that it will communicate intent to donate and will open a dialogue between family members regarding these wishes. Most important, GNYHA supports A.6240 for its potential to help save lives by creating an increased number of organs and tissue transplants available for the growing number of patients in need. • **Statewide Planning and Research Cooperative System Data:** S.7344, legislation introduced by Senator Kemp Hannon that would continue the Statewide Planning and Research Cooperative System (SPARCS) in the public health law, and would require that emergency department data be reported as well, passed the Senate Health Committee on May 3 and was referred to the full Senate. ■

SNF PPS Update for FY 2001 Is Published

On April 10, 2000, the U.S. Health-care Financing Administration (HCFA) published the skilled nursing facility prospective payment system (SNF PPS) update for Federal fiscal year 2001. In the proposed rule, HCFA outlines major changes to the structure of the RUG-III case-mix classification system, reflecting concerns articulated by GNYHA and others about the need for adjustments to more accurately reflect the higher costs of "medically complex" residents. The comment period for this proposed rule is open until June 9, 2000, and GNYHA plans to submit its comments before this deadline. In comparison with the current case-mix system containing 44 RUG categories, the proposed system consists of 178 RUG categories derived from the original 44. The refined RUG system features two major changes: 1) the addition of a new set of RUG categories that reflect payment for

residents receiving both rehabilitation and extensive services, and 2) a new index system to reflect the variation in non-therapy ancillary (for example, lab and pharmacy) costs within a RUG group, based on clinical information from the Minimum Data Set (the assessment tool for Medicare beneficiaries residing in SNFs). HCFA estimates that the proposed system will increase payments to SNFs in 2001 by 5.8% nationwide and by 11.1% for urban SNFs in the Middle Atlantic region. While developing comments to the proposed SNF PPS Update, GNYHA plans to analyze the impact of the refined RUG system on member facilities. GNYHA will be accepting member comments and concerns regarding the SNF PPS Update until June 2, 2000, one week before the deadline. If you have any questions or wish to submit comments, contact Roxanne Tena-Nelson at GNYHA. ■

Nurses House Serves Nurses in Crisis continued from page 3

expenses. For example, Nurses House recently provided rent and security to allow a nurse in Brooklyn to move with her two children from a shelter to an apartment.

Dependent on Voluntary Contributions: The voluntary organization is supported by the contributions of nurses and friends of nurses, and is committed to caring for those who have dedicated their lives to caring for others. Donations can be made as a tribute

or a memorial to a nursing colleague or a friend of nursing. During Nurse Week earlier this month, several institutions chose to honor their nursing staff with a donation to Nurses House. GNYHA supports the work of Nurses House and is pleased to promote an awareness of the foundation among its members. For more information, call Cathryne Welch at Nurses House, (518) 456-7858. ■

GNYHA Hosts Training Program on NYPORTS Revisions

On May 5, 2000, GNYHA hosted an all-day training program on revisions to the New York Patient Occurrence Reporting and Tracking System (NYPORTS), which are slated to take effect on June 1, 2000. NYPORTS, which is the current version of NYS's 15-year-old incident reporting system, requires hospitals to report a number of defined adverse events to the NYS Department of Health (DOH), and has been viewed as a national model for medical error reporting. The training program, conducted by DOH representatives, reviewed

changes that have been made to the list of incidents that must be reported (referred to as the "includes/excludes" list), the newly developed definitions manual, and the format for undertaking a root-cause analysis for specified incidents. DOH also described enhancements that have been made to the NYPORTS electronic reporting system, which is designed to facilitate the collection and analysis of data regarding incidents. The program also included a presentation by Arthur Levin, Director of the Center for Medical Consumers and a member of the Institute of

Upcoming GNYHA Briefings

All meetings will take place at the GNYHA Conference Center, 555 West 57th Street, 15th Floor. To register, call Adele Danahy at GNYHA.

Electronic Reporting of Medicaid Newborns

Date: Tuesday, May 16, 2000

Time: 10:00 a.m. – 12:00 noon

This briefing will cover implementation of a new State law that requires hospitals to electronically report Medicaid-eligible newborns to the New York State Department of Health (DOH) within five business days of the birth. Representatives from DOH will conduct the briefing. For more information call Stewart Presser at GNYHA.

Medicare Payment Denials for OPS

Date: Tuesday, May 16, 2000

Time: 1:00 – 4:00 p.m.

GNYHA members will discuss problems they are having when billing for outpatient psychiatric services (OPS). A representative of Empire Medicare Services, the fiscal intermediary for HCFA, will present information on the Medicare Part A Local Medical Review Policy on OPS, including covered services, medical necessity, documentation, treatment plan requirements, and additional development requests. These services were the focus of a recently published audit conducted by the Office of the Inspector General. For more information call Patricia O'Brien at GNYHA.

Health Disparities Workgroup

Date: Tuesday, June 13, 2000

Time: 9:00 a.m. – 12:00 p.m.

This meeting will address barriers to obtaining care and interventions to eliminate these barriers. Neil Calman, M.D., of the Institute for Urban Family Health, will describe focus groups conducted with the support of a U.S. Centers for Disease Control and Prevention REACH 2010 grant, to address racial disparities in health outcomes and decrease the prevalence of cardiovascular disease and diabetes. Mary Jane Massie, M.D. and Bruce Rapkin, Ph.D., of Memorial Sloan-Kettering Cancer Center (MSKCC), will discuss MSKCC's ACCESS program, which promotes breast cancer education and outreach. For more information, call Susan C. Waltman at GNYHA. ■