



Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

Schumer, Rangel, Engel Fight Medicaid Cuts

As reported in the last issue of Skyline News (August 7, 2000), the U.S. Health Care Financing Administration (HCFA) is considering a regulatory change to the Federal Medicaid program that could cost New York State hundreds of millions of dollars in Federal Medicaid funding. The proposed changes would affect the way HCFA computes the so-called Medicaid upper payment limit, which determines what

the Medicare program would have paid for similar services that are being reimbursed by the Medicaid program. Generally, Federal law does not allow a state to set reimbursement rates or engage in other Medicaid spending policies that would be more generous than those set by the Federal Medicare program. While HCFA is considering the regulations because of perceived abuses by states other than New York, Governor George

Pataki, health care providers, and health care advocates have been concerned that the new rules would greatly reduce Federal spending on important health care programs for the poor in New York State. In the last few weeks, several members of the New York Congressional Delegation have sprung to action. Senator Charles E. Schumer and Congressman Charles Rangel have had a number of

continued on page 2

Thomas Urges Colleagues to Probe Need for BBA Relief

On July 27, 2000, Congressman Bill Thomas (R-CA), Chairman of the House Ways and Means Subcommittee on Health, sent a letter to his fellow Republican members of the House urging them to "take the temperature of health care providers" in their districts to ascertain the true need for relief from the Medicare cuts contained in the Balanced Budget Act of 1997 (BBA). "As the temperature rises during the 'dog days' of August, health care providers in your district may be turning up the heat on Congress about their financial situation and Medicare payments," the letter said. Reminding his colleagues that Congress provided some relief in the Balanced Budget Refinement Act of 1999 (BBRA), Thomas states in the letter, "We are currently considering, and plan to address in Septem-

ber, many health care providers' concerns to assure that the Medicare program remains strong and vibrant for all our seniors..." He enclosed some questions for use in hospital administrators' meetings with health care providers, including "What data can you show to prove your hospital is faring poorly due to Medicare payments?... Are you making or losing money on the Medicare patients you serve? What is your Medicare inpatient margin...? Have any of your competing hospitals closed?" In addition, Congressman Thomas suggests probing hospitals about occupancy trends, readiness for the implementation of the outpatient prospective payment system (PPS), case mix and length-of-stay trends, labor force trends, and a variety of other topics. To skilled nursing facilities

continued on page 2

Democratic Platform Endorses Universal Coverage "Step by Step"

The last issue of Skyline News (August 7, 2000) included a report on the Republican platform adopted in Philadelphia. Last week in Los Angeles, the Democratic party approved its platform, entitled "The 2000 Democratic National Platform: Prosperity, Progress, and Peace." Like the GOP document, the Democratic platform addresses a number of health care issues.

The Uninsured: The platform states, "We reaffirm our commitment to take concrete, specific, realistic steps to move toward the day when every American has affordable health coverage. And we will not rest until

continued on page 3

GNYHA Meets with NYC Planning Department to Address Zoning Proposal Concerns

On August 15, 2000, GNYHA and representatives of its member facilities met with the Chairman of the NYC Planning Commission and representatives of the NYC Planning Department to attempt to resolve problems that would be created for health care building projects by NYC's zoning reform proposal, known as the Unified Bulk Program. The City Planning Department indicated a willingness to work with health care facilities to attempt to address the potential effects the proposal might have on hospital, related education and research facility, and continuing care facility building and modernization projects.

Overview of Proposal: The proposed Unified Bulk Program would, if adopted, be the first comprehensive reform of the City's zoning resolution in 40 years, and is designed to simplify and clarify the City's zoning requirements. In doing so, however, the proposal would impose new height limits and setback controls and would limit the transfer of development rights. The proposal would have a disparate and negative impact on

health care facilities, which often require greater floor-to-floor heights to accommodate operating rooms, special equipment, auditoriums, and patient care areas with special service needs. In addition, given that health care facilities often require considerable exterior space and light, they would be unable to build shorter but squatter buildings to respond to the height limitations.

GNYHA Activities: The City Planning

Department has asked health care facilities to present specific examples of the proposal's potential negative impact. To facilitate this process, GNYHA will hold a briefing in September at which representatives of the City Planning Department will explain the proposal, and GNYHA members will be able to ask questions regarding the application of the proposal to specific projects. Briefing details will be announced soon. ■

GNYHA to Hold Symposium on Capital Formation

On September 21, 2000, GNYHA will hold a symposium at the Sheraton New York Hotel to address the problems that health care providers face in obtaining access to capital. Capital formation has taken on critical importance as health care revenues have been aggressively reduced as a result of Federal and State budget cuts, deregulation of the State reimbursement system, the expansion of Medicare and Medicaid managed care, and managed care abuses. At the same time, the financial obligations of health care providers have increased because of redoubled efforts to reduce medical errors, regulatory requirements, and emerging health care treatments.

Presentations: The keynote speaker for the symposium will be The Honorable Andrew Cuomo, Secretary of the U.S. Department of Housing and Urban Development (HUD), which has, for many years, operated the Fed-

eral Housing Administration's (FHA's) hospital and nursing home mortgage insurance programs. These programs have permitted NYS health care facilities to obtain credit enhancement for capital projects that could never have been built without the availability of FHA mortgage insurance. Also speaking will be Thomas J. Murphy, Executive Director of the Dormitory Authority of the State of New York, which has also been invaluable in terms of capital formation for NYS health care facilities. The symposium will include discussions among Federal and State officials responsible for capital formation and payment policies in New York, leaders from the investment banking and mortgage banking communities, and representatives of health care institutions and other entities interested in capital formation by health care facilities.

Registration information will be mailed to GNYHA members at a future date. ■

Medicaid Cuts continued from page 1

conversations with top Clinton Administration officials in an effort to ensure that New York is not hurt by any new policies. Senator Schumer and Congressman Rangel have been assured that Federal officials are looking for ways to end existing abuses without hurting states like New York, where Federal Medicaid funds are being spent legitimately. In addition, Congressman Eliot Engel last week began to circulate a letter among his colleagues in the House of Representatives that would be sent to key Clinton Administration officials asking them to reject any new policies that would harm important health care programs for low-income families. Several months ago, the New York Congressional Delegation, led by Congressman Rick Lazio and Congressman Rangel, sent a similar letter to Health and Human Services Secretary Donna Shalala. GNYHA is grateful to all members of the Congressional Delegation who have been working on this issue. ■

Thomas Urges Colleagues to Probe Need for BBA Relief

continued from page 1

(SNFs), Thomas suggests asking, "On average, what percentage of your revenue is attributable to Medicare? What percentage of your SNF's local patient days is attributable to Medicare? How much, on average, does Medicaid pay per day for nursing home care in your state? How much does Medicare pay for each day of care?" Congressman Thomas also suggests asking SNFs whether their residents need more skilled care than

previously, whether SNFs are having more difficulty hiring and retaining personnel, whether they are more cautious about admitting high-cost patients due to the SNF PPS, and whether the BBRA's changes to the SNF PPS will help. Thomas suggests similar questions for home health agencies. As Congressman Thomas states in the letter, Congress is expected to consider further BBA relief legislation some time in September. ■

the job is done." The Democrats' "step-by-step" approach includes expanding the States' Child Health Insurance Program (S-CHIP) to ensure that every child has health insurance by 2004, expanding S-CHIP to include parents, expanding Medicaid to help families make the transition from welfare to work, providing health insurance for dislocated workers, creating a Medicare "buy-in" option for uninsured adults aged 55-65, and making health care "accessible and affordable for small businesses."

Medicare: The platform calls for providing a new outpatient prescription drug benefit, placing Medicare surpluses in a "Medicare Lock Box that would insure Medicare surpluses are used for Medicare—and not for pork barrel spending or tax giveaways," and modernizing Medicare by promoting "competitive prices" and remaining vigilant against Medicare fraud. With regard to "eldercare," the platform endorses creating a \$3,000 tax credit for Americans with long-term care needs and their caregivers; holding those who care for our nation's elderly to high standards; improving the wages, benefits, training, and working conditions of long-term caregivers; and providing respite care.

HMO Reform: The platform calls for "a real, enforceable Patients' Bill of Rights with the right to see a specialist, the right to appeal decisions to an outside board, guaranteed coverage of emergency room care, and the right to sue when . . . unfairly denied coverage." The platform also commits presidential nominee Vice President Al Gore to "working with a wide range of stakeholders to develop a national strategy to reduce medical errors, including appropriate public reporting, analysis of root causes, and development of error prevention models"; devoting more resources to eliminating disease disparities among racial and ethnic groups; speeding the approval of new drugs; continuing and strengthening research, prevention, care, and treatment of HIV and AIDS; doubling funding for Federal cancer research; doubling efforts to prevent teen smoking; strengthening the community mental health system; providing access to "full mental health coverage" for every child in America; ensuring that mental illness and physical illness are treated equally by health plans; and making personal assistance services available to people with disabilities in their homes and communities. ■

HHS Releases Final Rule for Standard Health Care Transactions

The U.S. Department of Health and Human Services (HHS) has released its final rule standardizing electronic health care transactions, as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The rule was published in the August 17, 2000, Federal Register and was also made available on the HHS Web site last week. This rule is the first of several standards mandated by the new "Administrative Simplification" part of the Social Security Act (Title XI) that was created through HIPAA (Title II, Subtitle F). The final rule establishes standards for the way in which health care entities provide electronic information concerning eligibility determinations, claims, and payments, and gives health care organizations 26 months from

the final publication date to use the standard formats for electronic transactions. Small, self-administered health plans—those with a maximum of \$5 million in annual receipts—will have three years to comply with the electronic standards. Paper claims are currently exempt from the standards.

The health care industry currently uses over 400 different formats to transmit health information. The HIPAA standards for electronic transactions will streamline the processing of health care claims, and HHS estimates that the industry will achieve a net savings of nearly \$30 billion over the next 10 years as a result.

GNYHA will be providing information to its members on the new transaction set through its HIPAA workgroup meetings. ■

GNYHA Urges Veto of Bill on Malpractice Fees

The NYS Senate passed S.544-A on June 22, 2000, which would repeal the State's statutory schedule for attorney contingent fees in malpractice cases. The Assembly followed suit the next day. The current law provision limits the dollar amounts that an attorney may receive when working on a contingency basis by imposing a sliding fee schedule. GNYHA sent a letter on July 31, 2000, to James McGuire, Counsel to the Governor, requesting that Mr. McGuire recommend that Governor Pataki veto S.544-A. GNYHA believes that the bill will transfer compensation from plaintiffs to lawyers, thus encouraging lawyers to file more costly lawsuits. GNYHA noted that New York is at the forefront of the movement to protect patients from harm, through its incident reporting systems, extensive surveillance processes, and quality improvement requirements. Recently, the State Legislature approved the Patient Health Information and Quality Improve-

continued on page 4

Upcoming Briefing

Home Health PPS Clinical Workshop

Date: Tuesday, September 12, 2000
Time: 8 a.m.–12 noon *or* 1 p.m.–5 p.m.
Location: GNYHA Conference Center,
555 West 57th Street, 15th Floor

GNYHA's Center for Continuing Care is hosting a workshop on clinical documentation issues under the new Medicare home health prospective payment system (HH PPS). The workshop is designed to orient field nurses and other clinicians who complete the Outcome and Assessment Information Set (OASIS) to the changes under the HH PPS, which will go into effect on October 1, 2000. The workshop will provide an overview of the documentation requirements under HH PPS, strategies for accurately assessing patients and completing OASIS, case studies emphasizing the accurate completion of OASIS, and a discussion of the successful management of patients under HH PPS. The session will be offered twice, once in the morning and once in the afternoon. For more information, call Roxanne Tena-Nelson, and to register, call Jenifer Fergusson, at GNYHA. ■

Final Rule Has Cut in DGME Payments for Medicare+Choice Enrollees

The U.S. Health Care Financing Administration (HCFA) published its final rule for FY 2001 Medicare hospital inpatient reimbursement rates in the Federal Register on August 1. The significant payment parameters, including a new cut in direct graduate medical education (DGME) payments made on behalf of Medicare+Choice enrollees, appear below.

Wage Indices: The wage index for the New York, NY metropolitan statistical area (MSA) increased from 1.4517 in FY 2000 to 1.4651 in the FY 2001 final rule, while the wage index for the Nassau-Suffolk MSA decreased slightly from 1.4074 in FY 2000 to 1.3932 in FY 2001.

DGME: FY 2000 per resident amounts (PRAs) below the FY 2001 minimum will be increased to the 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 increase by the urban consumer price index in FY 2001. Comparisons will be made separately for hospital-specific primary care and non-primary care PRAs.

GME Payments and Medicare+Choice: For FY 2001, indirect medical education (IME) and DGME payments increase to 80% of the fee-for-service equivalents. In addition, the Balanced Budget Refinement Act of 1999 required HCFA to reduce DGME payments to finance payments to hospitals operating nursing schools and paramedical training programs. For calendar year 2000, the cut will be 10.5%, or \$26 million. GNYHA estimates that NYS hospitals will lose \$2.9 million in aggregate from this provision, of which \$2.7 million will come from GNYHA member hospitals.

Hospitals with Nursing Schools and Paramedical Training: The \$26 million financed by a cut in DGME payments associated with Medicare+Choice enrollees will go to hospitals based on each one's share of total U.S. expenditures on nursing schools and paramedical training programs. The distribution is not based on the hospitals' volume of patients in a Medicare+Choice plan, although the impetus for the distribution is the assumption that hospitals have lost part of their pass-through payments because of the Medicare+Choice program. GNYHA estimates that NYS hospitals will get \$2.4 million in aggregate from this provision, of which \$1.1 million will accrue to GNYHA hospitals. ■

Proposed FY 2001 Medicare Inpatient Payment Parameters

	FY 2001		
	FY 2000	Proposed	Final
Prospective Payment System			
Operating PPS			
Standardized amount, large urban areas			
Labor portion	\$2,809.18	\$2,856.71	\$2,864.19
Nonlabor portion	\$1,141.85	\$1,161.17	\$1,164.21
Total	\$3,951.03	\$4,017.88	\$4,028.40
Wage index			
New York, NY MSA	1.4517	1.4445	1.4651
Nassau-Suffolk MSA	1.4074	1.3089	1.3932
IME adjustment	6.5	6.24	6.24
DSH adjustment cut*	3%	3%	3%
Capital PPS			
Standardized amount	\$377.03	\$383.06	\$382.03
Geographic adjustment factor			
New York, NY MSA	1.2908	1.2864	1.2989
Nassau-Suffolk MSA	1.2637	1.2024	1.2549
Outliers			
Threshold			
U.S.	\$14,050	\$17,250	\$17,550
New York, NY MSA	\$18,562	\$22,702	\$23,354
Nassau-Suffolk MSA	\$18,120	\$21,039	\$22,456
Exempt Unit Caps			
Psychiatric			
U.S.	\$10,989	\$11,329	\$11,364
New York, NY MSA	\$14,541	\$14,932	\$15,146
Nassau-Suffolk MSA	\$14,192	\$13,833	\$14,561
Rehabilitation			
U.S.	\$20,497	\$21,115	\$21,193
New York, NY MSA	\$27,122	\$27,831	\$28,246
Nassau-Suffolk MSA	\$26,472	\$25,782	\$27,155

DGME Per Resident Amounts for FY 2001

	Minimum=70%	Mean	High-end Threshold=140%
U.S. Average	\$53,215	\$76,021	\$106,430
Manhattan	\$65,295	\$93,278	\$130,589
Queens	\$62,102	\$88,717	\$124,204
Other NYC counties, Long Island, and northern suburbs	\$62,634	\$89,477	\$125,268

*DSH is "disproportionate share hospital."

Malpractice Fees continued from page 3

ment Act of 2000, which will give more quality information to consumers than ever before. Also, New York's system respects a patient's right to seek redress for injuries, while attempting to control the high costs of malpractice litigation. By repealing the cap on contingency fees, as S.544-A would do, the State would be undoing an important part of New York's tort system. The Senate has until the end of the year to transmit S.544-A to the Governor for his approval. ■