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Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

SPECIAL ISSUE THE BERGER COMMISSION

Berger Commission Recommendations for Restructuring Exceed Expectations; Pataki and Spitzer Give Their Support

HEALTH CARE PAYERS STAND TO GAIN \$8 BILLION, COMMISSION SAYS

On November 28, 2006, the Commission on Health Care Facilities in the 21st Century set the stage for implementing the most sweeping set of changes to the health care system that this country has ever experienced—all of those changes to take place in New York State. Both Governor George Pataki and Governor-elect Eliot Spitzer have endorsed the Commission's plan for closing and restructuring New York's health care facilities. All eyes will now turn to the NYS Legislature,

which will either disapprove the Commission's recommendations—57 of which affect hospitals—by December 31, 2006, or not act at all. Individual recommendations cannot be singled out—they must be disapproved in total or not at all. Each house would have to disapprove the full plan by a simple majority vote. If the Legislature does not act, the recommendations go into effect on January 1, 2007, with the Commissioner of Health charged with implementing them by June 30, 2008. The Legislature will return

for a special session on December 13, 2006.

The full Commission report is available on the GNYHA Web site at www.gnyha.org and at www.nyhealthcarecommission.org.

Hospital Recommendations: In addition to the recommended closure of nine hospitals—five of them in New York City—the Commission has put forward detailed recommendations for reconfiguring 48 facilities that could ultimately mean the closure of many more than the original nine. The nine hospitals slated for closure employ 7,000 health care workers (6,402 full-time equivalent employees, or FTEs, including management), with 4,200 in New York City alone, whose jobs are now at risk—and many more could lose their jobs as a result of general restructuring.

The net effect of the Commission's recommendations will be to eliminate approximately 4,200 hospital beds statewide, or 6.6% of certified and 7.5% of staffed beds, and approximately 3,068 nursing home beds, or 2.6% of the current supply. In addition, the Commission recommends the creation of 1,014 non-institutional long term care slots.

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Commission's Policy Recommendations

- Review reimbursement policy and develop new payment systems in order to realign health services.
- Strive for universal health coverage that is also continuous, affordable to individuals and families, and affordable and sustainable for society at large.
- Expand primary care capacity, including facilities, equipment, information technology (IT), and workforce.
- Develop and test "hybrid" delivery and financing models.
- Analyze the feasibility and advisability of privatizing the State University of New York teaching hospitals at Stony Brook, Syracuse, and Brooklyn.
- Implement strategies to address persistent workforce shortages and to educate and retrain workers in health information technology, as well as provide assistance to displaced workers in finding new jobs.
- Promote the increased use of health IT.
- Review the future role of county-owned and -operated nursing homes.
- Develop a mechanism whereby niche providers help to pay for public goods and charity care, and consider the need for monitoring quality of care in non-regulated and private settings.

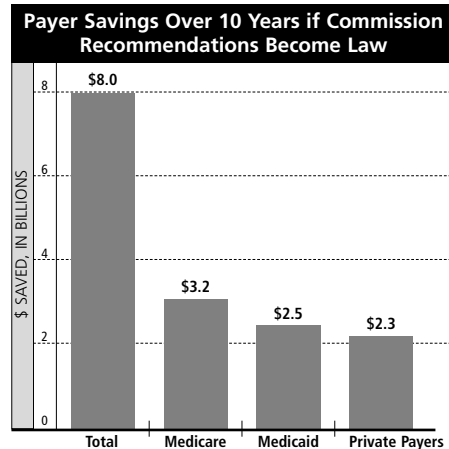
Berger Commission Recommendations for Restructuring Exceed Expectations *continued from page 1*

Savings to Payers: Of note, the Commission’s estimated savings to health care payers—including Medicare, Medicaid, and private payers—is \$806 million per year, or \$8 billion over 10 years, through a reduction in inappropriate utilization, avoidance of capital investment, and greater efficiency. The Health Economics and Outcomes Research Institute (THEORI) at GNYHA is analyzing those numbers, and it is GNYHA’s belief that they could in fact be higher.

Given the financial benefit that private payers are expected to reap from the recommendations, the Commission stated that, “It is reasonable to expect [private payers] to participate in initiatives to promote financial alignment between payers and providers, and to participate in reinvestment strategies by reimbursing adequately while maintaining adequate reserves to

meet current and future health care needs.” **Costs:** The changes recommended by the Commission will entail costs totaling an estimated \$1.2 billion associated with, among other factors, closure, new construction, and affiliations. While some of those costs may be covered by the Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) and the Federal-State Health Reform Partnership (F-SHRP), according to the Commission’s report, “insofar as facilities are capable of funding their own closure, conversion, affiliation, or rightsizing, they should be expected to do so.”

HEAL NY allocates \$1 billion over four years for capital grant funds to finance physical reconfiguration, conversion, downsizing, or closure of hospitals and nursing homes. (See page 3 for a story about the State’s recent announcement of HEAL NY Phase 2 grantees.) The HEAL grant award letters state



Source: Commission on Health Care Facilities in the 21st Century, *A Plan to Stabilize and Strengthen New York’s Health Care System: Final Report of the Commission on Health Care Facilities in the 21st Century* (New York, December 2006).

that the use of HEAL funding must be consistent with the Commission’s recommendations. The NYS Department of Health will ask grantees that are affected by the Commission’s recommendations to submit new work plans to demonstrate compliance.

Recommendations of the Commission on Health Care Facilities in the 21st Century Regarding Specific Hospitals, by Region

R E C O M M E N D A T I O N				
REGION	CLOSE	FULLY CONVERT	CONSOLIDATE & REBUILD ^a	AFFILIATE
New York City	The Parkway Hospital St. Vincent’s Midtown Hospital Cabrini Medical Center Victory Memorial Hospital Westchester Square Medical Center	Manhattan Eye, Ear, and Throat Hospital ^b	Peninsula and St. John’s Episcopal: Merge and build new 400-bed hospital to replace existing ones	New York Methodist & Community Hospital of Brooklyn (merge)
Long Island	n/a	n/a	n/a	Eastern L.I., Southampton, Peconic; ^c new entity to affiliate with University Hospital at Stony Brook; Brookhaven should consider joining
Hudson Valley	Community Hospital at Dobbs Ferry	n/a	Orange Regional Medical Center: Close existing two campuses and consolidate operations in new 350-bed hospital	Kingston & Benedictine ^c
Central NYS	n/a	Albert Lindley Lee ^d	n/a	Crouse & SUNY Syracuse ^{e, f} Arnot-Ogden & St. Joseph’s ^g
Northern NYS	Bellevue Women’s Hospital	n/a	n/a	St. Clare’s & Ellis ^c
Western NYS	Millard Fillmore-Gates Circle Hospital (Kaleida) St. Joseph’s, Cheektowaga	Degraff Memorial ^h TLC Lakeshore ^d Westfield ^d	n/a	Erie County Medical Center & Kaleida ^{f, i} Lockport Memorial & Inter-Community Memorial ^l Bernard Chafee, TLC Lakeshore, TLC-Tri-County ^k

Note: In some cases, new legislation will be desired to give SUNY hospitals greater flexibility to enter into systems arrangements (Stony Brook), re-tool the payment system to support freestanding emergency department and ambulatory care services, or develop hybrid financing/service models where less than a full-service acute care hospital is needed.

^aIf funds are available. • ^bClose all inpatient beds. • ^cSingle unified governance structure: one with full authority to engage in strategic planning; restructure clinical services, bed capacity, and facilities; negotiate and contract on behalf of subject facilities; and have the incentive to structure services to achieve maximum efficiency. Governing board of new entity must have powers sufficient to compel actions by any of the individual institutions. • ^dConvert to diagnostic & treatment center. • ^eNon-SUNY governance. • ^fNew legislation required for unified governance. • ^gParticipate in Commissioner-supervised discussions to affiliate. • ^hConvert to skilled nursing facility. • ⁱUnified governance but not under Erie County Medical Center, Kaleida, or a public benefit corporation. • ^jFull-asset merger. • ^kAffiliate.

F-SHRP will allocate \$1.5 billion over the next five years in Federal funds for health care restructuring contingent upon the State's acceptance of the Commission's recommendations. By January 31, 2007, the State must certify that there are no State statutory impediments to implementing the Commission's recommendations for reconfiguring general hospital and nursing home bed capacity. By July 15, 2008, the State must report on the final Commission recommendations, including certifying that all Commission recommendations have been acted upon and providing a strategy and timeline for full implementation. The F-SHRP waiver ends on September 30, 2011.

Specific Recommendations: The Commission made 57 recommendations affecting hospitals—comprising 9 closures and 48 reconfigurations—that include **1)** full conversions for non-patient purposes; **2)** building one hospital to replace two; and **3)** other reconfigurations such as reduction or addition of beds, conversion of beds to another inpatient purpose, affiliation under a “unified governance structure,” or a merger or other affiliation (see table at left).

GNYHA Response: Observing that “the day the recommendations were released was a sad day for the health care community,” GNYHA President Kenneth E. Raske expressed deep concern for the hospitals that could be affected by the Commission's recommendations. GNYHA is in the process of reviewing the Commission recommendations to ensure that they adequately protect patient care.

Estimated Costs Associated With Closures, New Construction, and Affiliations	
Type of Cost	Approximate Amount
Closures	\$350 million
Construction	\$1.1 billion
Affiliation Planning	\$11 million
Facility Real Property Sale Offsets	\$300 million
TOTAL	\$1.2 billion

Source: Commission on Health Care Facilities in the 21st Century, *A Plan to Stabilize and Strengthen New York's Health Care System: Final Report of the Commission on Health Care Facilities in the 21st Century* (New York, December 2006).

If the recommendations become law, Mr. Raske said, “Not one New Yorker should be permitted to lose access to critical health care services due to this process. No dislocated worker must lose his or her job without the help necessary to find a new one.”

Given the extreme volatility that the hospital community is bound to experience during the transition period if the recommendations are implemented, GNYHA notes that it is imperative that no new Medicaid or other funding cuts for hospitals be

implemented in next year's budget. In addition, the State must ensure that further health care reforms involve all of the players in the health care system—not just the financially struggling hospitals, nursing homes, and their workers, who have shouldered the burden thus far, but the insurers, HMOs, pharmaceutical companies, device manufacturers, and trial lawyers who are profiting at the expense of patients and communities without contributing anything to reforming the system. ■

NYS Announces HEAL NY Capital Restructuring Grant Awards

NYS has announced the 29 hospitals and 24 nursing homes that will be funded under Phase 2 of the Health-care Efficiency and Affordability Law for New Yorkers (HEAL NY). Phase 2 of HEAL NY provides \$269 million in funding for capital restructuring projects. The Governor's press release accompanying the announcement noted that the awards are for projects “aimed at reconfiguring and rightsizing inpatient space in favor of improved hospital-based ambulatory and outpatient care and less restrictive long-term care services” and that the grants were being provided to assist facilities in “reduc[ing] excess bed capacity.”

Certain Phase 2 HEAL grant awards will be used to fund projects that were also included as recommendations of the Commission on Health Care Facilities in the 21st Century.

The HEAL NY program was initially put forward by the GNYHA and 1199 SEIU Healthcare Education Project in January 2004 as part of a comprehensive health care reform proposal. The HEAL NY program calls for the NYS Department of Health and the Dormitory Authority of the State of New York to make available a total of \$1 billion in capital grants for the purpose of strengthening NYS's health care system. Phase 1 funding is providing \$53 million in grants to support health information technology (HIT) projects. The Request for Grant Applications (RGA) for Phase 3 of HEAL NY, which will provide another \$53 million to support additional HIT projects, was released two weeks ago and has a due date of Jan. 8, 2007. The RGA for

Phase 4 of HEAL NY, for capital restructuring projects, is expected to be released soon and will provide an additional \$269 million in funding for facilities to implement the recommendations of the Commission on Health Care Facilities in the 21st Century.

In addition to HEAL NY funding, the Federal-State Health Reform Partnership (F-SHRP) waiver signed recently by Governor Pataki and U.S. Department of Health and

HEAL NY Phase 2 Awards	
Region	Approximate Award Amount (\$ millions)
New York City	\$111.4
Hudson Valley	\$32.5
Long Island	\$41.6
Central New York	\$43.0
Northern Region	\$12.0
Western Region	\$27.2

Human Services Secretary Michael Leavitt will provide \$1.5 billion in funding to New York to restructure the acute care and long term care delivery system. In order to receive F-SHRP funding, the State must meet certain requirements, including implementing the Commission's recommendations.

For a list of the hospitals and nursing homes that are receiving HEAL NY Phase 2 funding, go to www.ny.gov/governor/press/06/1127061.html. Members can also go to the GNYHA Web site, at www.gnyha.org, and look for member letter bulletin 269, dated Nov. 27, 2006, under “Resource Center.” ■

EDITORIAL WRAP-UP: The Press Responds



Below are summaries from the opinion pages of New York newspapers that appeared the day after the Berger Commission released its Nov. 28 report.

The New York Times: Characterizing the job of the Berger Commission as “particularly impressive,” the *Times* noted that the Commission had “come up with a bold and intelligent set of recommendations.” Despite inevitable questions—about the fate of women’s health care if private and religious hospitals merge, retraining of displaced work-

ers, and privatization—the paper observed that the commissioners “had the right instincts,” emphasizing patient care and cost reduction while “making the system rational and effective, and the hospitals fiscally stable.” They added that Governor-elect Spitzer “will have to look elsewhere to find real near-term savings in the state’s \$45 billion Medicaid budget.” If the recommendations move forward, the *Times* editors said, “they will provide an excellent way” for the Governor-elect “to start . . . rebuilding a better health care system for all New Yorkers.”

New York Daily News: The *Daily News* editors call the Commission’s recommendations “a balanced set of choices that is, if anything, restrained in the face of a looming crisis.” Citing the factors that the Commission considered—“financial viability, quality of care, operating capacity, and importance to the community and the economy”—the paper said that the Commission had “left intact the big teaching hospitals and city-owned facilities while targeting struggling institutions for change or elimination.”

Newsday: *Newsday* observed that the Commission’s report “represents a significant first step toward an absolutely necessary restructuring of the system” and that the Commission is “right on the mark” in its fundamental recommendations but notes that, while “welcome,” the report “is only the first step in a long, hard process that must be pursued by the new governor . . . and the legislature.”

New York Post: Although they indicate their belief that the Commission’s recommendations do not go far enough, the editors at the *Post* noted that, “The Commission rightly predicts that slicing fat will make remaining hospitals stronger, improving health care overall.” ■

Excerpts from Statements of Public Officials

Governor George Pataki

“The commissioners did an outstanding job. . . . [They] made some tough recommendations but necessary recommendations. . . . [Adopting the recommendations is] the right thing for New York’s health care community.” (*The New York Times*, Nov. 30, 2006)

Governor-elect Eliot Spitzer

“If the Legislature allows these recommendations to become law, as I believe they must, my administration will have the responsibility for implementing them. In doing so, we will pay careful attention to the service-delivery, workforce, financial and economic implications involved. . . .

“[M]ost of the savings from implementing these recommendations will accrue to Medicare and the providers themselves, not the state through reduced Medicaid payments. As a result, we must be judicious about how we spend the limited money that is available to make this reconfiguration possible. . . . these recommendations must be the beginning, not the end, of a broader process to fundamentally reform and restructure our health care system. . . .”

Assembly Speaker Sheldon Silver

“I am . . . requesting that the Assembly Health Committee immediately notice and convene hearings on the commission’s recommendations.

“The members of the Assembly Democratic Conference . . . will further examine the recommendations through our hearings to gain public input in helping us identify those proposals that are a concern.

“[T]he commission’s report did not rectify its violation of the Open Meetings Law. . . . Had the public been able to weigh in and see the deliberations in an open and public forum, New Yorkers would have been afforded a greater opportunity to comment on issues of immense and fundamental importance to our state’s public health policy.”

Senate Majority Leader Joseph L. Bruno

“The Senate is going to undertake a very close and thorough review of the report and recommendations. . . . An integral part of that review will be a public hearing to be held in Albany on December 1st by the Senate Health Committee, chaired by Senator Kemp Hannon.

“[W]e . . . have to remember the human element and our commitment to ensuring access to quality health care and reducing the number of uninsured New Yorkers. . . . [T]he Senate Majority will not support gratuitous health care cuts that jeopardize access to care.

“Our commitment to health care access must also be balanced with our concern that the system be efficient, accountable and affordable to taxpayers. . . . [W]e will be open to cost containment proposals.

“ . . . New York . . . is spending less on Medicaid this year than originally projected. At the Federal level, Medicaid spending has declined for the first time in history.

“[W]e will receive a great deal of public input from health care providers and consumers before any decisions are made.” ■

Assembly Hearings: How to Comment

The Assembly Health Committee, chaired by Assemblyman Richard N. Gottfried (D-Manhattan), will hold regional public hearings on the Commission’s recommendations in New York City, Long Island, Westchester, Albany, Syracuse, and Buffalo, as well as an electronic hearing. Individuals may also mail in their written comments. Individuals who want to testify at or attend any of the hearings should contact Richard Conti of the Assembly Health Committee staff at (518) 455-4941 or GottfrR@assembly.state.ny.us.

NEW YORK CITY: 250 Broadway, between Park Place and Murray Street in Manhattan, Dec. 11, 2006, at 11:00 a.m.

OTHER AREAS: Dates, times, and locations to be announced.

ELECTRONIC HEARING: E-mail comments to the Assembly Health Committee at HealthHearing@assembly.state.ny.us by Dec. 8, 2006.

COMMENT BY MAIL: Send written statements by Dec. 8, 2006, to the Assembly Committee on Health, 822 Legislative Office Building, Albany, NY 12248. ■