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Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

GNYHA Outlines NYS Legislative Priorities

Last week, as a new NYS Governor and Legislature were sworn in, GNYHA began working with the new Administration and legislators in Albany on its priorities for 2007. GNYHA's proposals, which the Association will aggressively pursue on behalf of its members and the New Yorkers they serve, include 1) funding for uncompensated care and coverage for the uninsured; 2) Medicaid reform that truly provides better, more efficient health care for the State's most vulnerable residents and that does not desta-

bilize an already overburdened health care system; 3) insurance and HMO reform, including making sure that insurers re-invest their profits in New York's health care system and pay for the medically necessary care their enrollees need; 4) reducing the costs of prescription drugs and medical devices, through new, innovative State practices and enhanced price transparency; and 5) medical liability reform that truly enhances quality and patient safety while protecting the best hospitals and physicians from frivolous lawsuits.

The Uninsured: GNYHA's 2007 priorities include encouraging the State to move much more aggressively toward universal health insurance coverage through a program called "Cover NY." Cover NY would achieve universal coverage through a combination of public insurance expansions, tax credits for small businesses and individuals, and, once insurance is made affordable for all, a requirement that all New Yorkers obtain health insurance coverage. GNYHA's 2007 priorities also

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Governor Spitzer Calls for Health Care Reform and Cost Containment in State of the State Address

On Jan. 3, 2007, Governor Eliot Spitzer gave his first State of the State Address before a joint session of the NYS Legislature. The Governor's comments about health care spending are of concern to the health care community with regard to the future fiscal stability of New York's financially troubled health care system, which is trying to come to grips with the massive downsizing mandated by the Commission on Health Care Facilities in the 21st Century.

Health Care Spending: After announcing that he would invest much more State money in education and enact a three-year, \$6 billion property tax cut, the Governor turned to a discussion of health care, in which he stated that spending on health care is crowding out spending on education and tax relief. He noted the need to "fundamentally reform our

health care system" and asserted that "no one can afford health care anymore." Gov. Spitzer observed the increase in State spending on Medicaid over the past 15 years, noting that "these are dollars we have made an affirmative decision not to spend on education, tax cuts, infrastructure or the kind of health care investments that are so desperately needed, like preventive care, workforce retraining, and covering New York's uninsured children. And these are dollars we will need to sustain the local cap on Medicaid expense—a critical tool to lower property taxes and to relieve pressure on localities."

Health Care Restructuring, Reform, Charity Care: The Governor acknowledged that "hard choices" will need to be made involving the closure and consolidation of community hospitals, shifting spending from nursing homes

to "community and home-based alternatives," and reducing the prices paid for prescription drugs. In making those "hard choices," however, he stated that "we will not turn our backs

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110th Congress Sworn In; Health Care Tops '07 Agenda

The new U.S. Congress convened on January 4, 2007, marking the commencement of the first session of the 110th Congress. All 435 members of the House of Representatives and a third of the nation's senators were sworn in and

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SPECIAL FEATURE: THE FACTS ABOUT NEW YORK'S MEDICAID PROGRAM

In its January 4 response to Governor Eliot Spitzer's comments about NYS's expenditures on the Medicaid program (see story on page 1), the GNYHA/1199 SEIU Healthcare Education Project expressed its eagerness to work with the Governor and both houses of the State Legislature on health care reform but stressed that "it is important for us to make clear that we do not support—and, more importantly, the people of the State of New York do not support—shifting critical funding from health care to other priorities," and emphasized "that the facts about New York's Medicaid program need to be better understood by all parties before potentially dangerous funding shifts are enacted." In that spirit, the statement went on to delineate those facts, as excerpted below.

FACT 1

Medicaid spending growth has been drastically reduced. Medicaid spending growth projections for 2006–07 have been revised downward by nearly \$360 million, from an annual growth rate of 7% to 2.8%.² Clearly, the State has made major efforts to reduce Medicaid spending growth over the last few years—including cuts to hospitals and nursing homes in the last State budget. And the State already projects that it has saved \$360 million in the next fiscal year. Thus, there is no need for further reductions.

FACT 2

State Medicaid spending growth has been driven entirely by the increase in the number of previously uninsured New Yorkers enrolled in the Medicaid program, not due to increased payments for services. Over the last five years, total Medicaid spending growth of 28%, adjusted for inflation,³ in NYS was out-

paced by enrollment growth of 38%—much of it due to the Family Health Plus program. This is how NYS has come to lead every other State in the nation in reducing its number of uninsured residents—mainly by adding people to the Medicaid rolls, people who were dropped from private insurers or who lost health insurance when their employers stopped providing it.⁴ Spending per enrollee in New York has actually declined 7% over the last five years.⁵

FACT 3

The vast majority of Medicaid spending is for services for the blind, disabled, and aged. Only 23% of Medicaid enrollees are aged, blind, or disabled, but they account for 73% of all Medicaid spending in NYS. In addition, spending per aged beneficiary grew 10%, and spending per blind/disabled beneficiary grew 13%.⁶ Thus, reform efforts must focus on providing more efficient care for this extremely vulnerable population.

FACT 4

The only major item of Medicaid spending per beneficiary that has seen a significant increase has been spending on prescription drugs. Per beneficiary spending on prescription drugs grew 40% over the last five years, while acute care spending per beneficiary—including hospital spending—decreased 11%. Thus, reform efforts must focus on prescription drug spending—not on acute care spending.

FACT 5

NYS spends far more State tax revenue on education than on Medicaid. General Fund Medicaid spending through the NYS Department of Health (DOH) for the 2005–06 fiscal year was \$9.2 billion,⁷ compared with \$17.8 billion in spending on school aid, other primary

and secondary education,⁸ and higher education combined—94% higher than on Medicaid. Thus, it is simply not true that Medicaid spending is crowding out spending for other services, including education.

FACT 6

Medicaid spending leverages Federal investment. The Federal share of Medicaid is included in the "All Funds" budget (commonly used to discuss Medicaid), even though the source is not State tax dollars. Thus, "All Funds" spending on Medicaid in State fiscal year 2005–06—including Federal spending—equaled \$30.7 billion,⁹ while spending on education, given its lower Federal investment, was \$24.6 billion. The Medicaid program has actually helped to mitigate the imbalance of payments between New York and the Federal Treasury under which New Yorkers contribute far more to Washington, D.C. than they receive in Federal support. Medicaid is one of the few NYS programs that leverages significant Federal spending and brings Federal dollars into the State. Indeed, New York in recent years has shifted much "State-only" spending into the Medicaid column, so that the Federal government would help finance what used to be funded solely by the State. Thus, State Medicaid spending draws Federal investment to New York and State funding cuts to Medicaid lead to lower Federal investment in NYS's health care system.

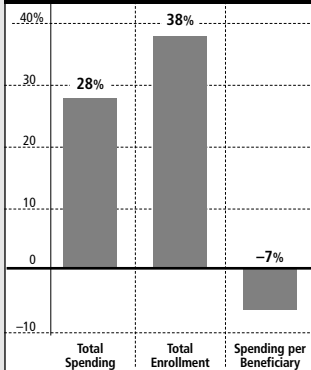
FACT 7

The State has already taken a major step toward providing property tax relief by enacting a local cap on Medicaid spending. The State has capped county spending growth on Medicaid at 3.5%, with further reductions in future years. Local spending on Medicaid in 2005–06 was \$3.7 billion—and now, by State law, will not grow by more than approximately 3.0% per year, well in line with inflation. Thus, Medicaid will no longer fuel growth in local property taxes.

FACT 8

Hospitals in New York lose more than \$2 billion per year providing services to Medicaid patients. New York has expanded its Medicaid coverage to adults and children, decreased the proportion of uninsured, and actually reduced Medicaid spending per person, in part by cutting payments to providers. Hospitals in New York actually lose \$2.2 billion per year due to inadequate Medicaid payments,¹⁰ placing financial stress on hospitals and creating an economic imperative for providers to try to obtain higher payments from commercial payers to make up for Medicaid shortfalls. Real reform must focus on seizing opportunities to improve care for Medicaid clients and save money through better case management. ■

Medicaid Spending and Enrollment Growth, 2000–04



Note: Percents above are adjusted for change in Consumer Price Index (inflation). Source: Center for Medicare & Medicaid Services, *Medicaid Statistical Information System Report*.

NOTES & REFERENCES

1. According to a Global Strategy Group statewide poll in October 2006, only 36% supported cutting Medicaid to increase education spending, while 53% opposed and 24% "strongly opposed."

2. NYS Division of the Budget (DOB), *2006–07 Financial Plan Mid-Year Update* (October 30, 2006).

3. Center for Medicare & Medicaid Services (CMS), *Medicaid Statistical Information System (MSIS) Report*. Figures adjusted by the consumer price index. Figures are for 2000–04, the latest available.

4. Fiscal Policy Institute, *Fiscal Policy Notes: New York Makes Real Progress on Health Care Coverage* (September 2006).

5. CMS, *MSIS Report*.

6. *Ibid.*

7. NYS DOB, *2006–07 Financial Plan Mid-Year Update*. New York's total budget is a combination of State tax revenues and funding from other sources, primarily the Federal government. The "General Fund" includes spending from State tax revenues and does not include Federal spending; thus, this is the amount of Medicaid spend-

ing financed solely through State tax revenues. When it sets its budget, New York understandably focuses on its "General Fund," or State-only, portion, as the Governor did in his speech, because this is what State taxes are actually paying for.

The \$9.2 billion does not include spending through the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities, which is not reported separately; however, the vast majority of spending is through DOH. Even if these expenditures were added to the

Medicaid column, education spending would far exceed Medicaid spending.

8. This does not include spending on the STAR property tax relief program, designed to reduce the cost of local spending on education.

9. NYS DOB, *2006–07 Financial Plan Mid-Year Update*.

10. Urban Institute, *Caring for the Uninsured in New York: What Does it Cost, Who Pays, and What Would Full Coverage Add to Health Care Spending?* (October 2006).

include ensuring that the State maintains its commitment to providing funding for hospitals and health centers to help defray the costs of providing services for the State's 2.6 million uninsured residents, and does not divert such funding unless and until a universal coverage proposal that guarantees coverage for all is phased in fully.

Medicaid Reform: GNYHA is committed to reforming and strengthening New York's Medicaid program. The State must focus reform efforts where spending is increasing and where reform has not focused in the past—namely, on providing better, more efficient care for chronically ill, severely mentally ill, aged, blind, and disabled beneficiaries, who constitute 23% of the Medicaid population but make up 73% of the State's Medicaid spending. Better care management and case management for those populations could, over time, yield much better health care for them and cost savings for the State.

HMO and Insurance Reform: GNYHA's priorities for 2007 include ensuring that HMOs and health insurers pay for medically necessary care for their enrollees. Insurers routinely deny payment for care even when they have specifically pre-authorized the services in question. Such denials must be stopped. Patients and providers should be assured that a pre-authorization for a medically necessary service constitutes a guarantee of payment. In addition, the State should enhance its oversight of health plan business practices, and streamline and standardize health plan payment practices. The State should also require health plans to return the enormous profits they have enjoyed—including over \$4 billion in unnecessary reserves that they have built up over the last five years—to the health care community and to help provide health insurance for the uninsured.

Reducing the Costs of Drugs and Devices: NYS could reduce the cost of prescription drugs for New Yorkers by instituting a new program of managing prescription drugs for all State pharmaceutical programs. This could be achieved by gaining a waiver from the Federal Medicaid "best price" requirement, which keeps New York from negotiating lower prices because its price discounts

are automatically given to the other 49 state Medicaid programs, thus encouraging drug makers to refuse to give New York better prices. The State should contract with a not-for-profit pharmacy benefit manager to manage State formularies and negotiations with prescription drug manufacturers, thus much more aggressively pursuing drug discounts on behalf of New York's taxpayers. With regard to device costs, NYS should prohibit device manufacturers from forcing providers to sign price confidentiality agreements that inhibit hospitals and other Medicaid contractors from comparing prices and getting better value for their device purchases. The State should also require device manufacturers that sell their products in NYS to report the average price charged for each device and the average cost of each.

Quality Improvement, Medical Liability Insurance Reform: GNYHA's 2007 priorities include enhancing quality and reducing medical liability insurance costs—which skyrocketed 147% for hospitals in the last five years—by enacting a State quality improvement program in which hospitals and physicians would engage in aggressive quality and patient safety activities. In return, participants in the State's quality improvement program would be entitled to protection against frivolous lawsuits and reduce their malpractice insurance costs. In this way, the State could improve quality and reduce costs while correcting a system that is driving many health care providers out of NYS because of high medical malpractice insurance premium costs.

For GNYHA's full NYS legislative agenda, contact Bridgette Roberts at GNYHA. ■

Governor Spitzer Calls for Health Care Reform and Cost Containment in State of the State Address *continued from page 1*

to the millions of New Yorkers who rely on us for their health care. The actions we take will not be arbitrary, but in furtherance of a comprehensive strategy to restructure our health care system."

He also emphasized the need to "aggressively fight Medicaid fraud through a State False Claims Act and a Martin Act for Health Care," which he intends to propose this year.

"The savings from reform," the Governor said, "will not just be reinvested in other priorities such as education and property tax cuts. Savings will also be spent on the kind of health care investments that make good moral and economic sense." He stated his plan for a budget that will guarantee access to health insurance for New York's 500,000 uninsured children and will further cut the number of uninsured adults. "Using a new streamlined enrollment process that guards against fraud," he said, "we will enroll the 900,000 uninsured Medicaid-eligible adults."

"Expanding access to health care," the Governor said, "will reduce State spending significantly in the long run, because seeing a primary care doctor costs far less than providing charity care for the same patient in an emergency room and it leads to far better care."

The Governor also stated his intent to

"invest in better management of high-cost cases involving patients with multiple chronic illnesses," noting the "relatively small number of cases that make up a disproportionately high cost to the system."

GNYHA's Response: On Jan. 4, the GNYHA/1199 SEIU Healthcare Education Project released a statement in response to Gov. Spitzer's comments about expenditures on the State's Medicaid program. Excerpts from that statement appear on page 2 of this issue.

Despite its concerns about the Governor's comments, GNYHA believes that it is important to work with the new Administration and the Legislature on reform proposals that can help make New York's health care system better and more efficient. To that end, the Healthcare Education Project will issue a series of proposals this week that should serve as an excellent foundation for the Governor's stated reform goals, proposals that will save the State precious tax dollars and improve its health care system without destabilizing it. It is essential that New Yorkers have access to high-quality health care services and that those services not be undermined by "fiscal reform." As always, GNYHA will do everything in its power to protect its members from new reimbursement rate cuts. ■

GNYHA Members Take Lead in Profiling Critical Care in New York Region

This past fall, GNYHA and the United Hospital Fund (UHF) launched a Critical Care Leadership Network (CCLN) in response to GNYHA members' request for a forum to discuss issues related to critical care. Through those discussions, the CCLN aims to illuminate opportunities for sharing critical care protocols and best practices, and to address issues related to critical care staffing models. It brings together representatives from member hospitals who are leaders in critical care medicine, surgery, executive leadership, and nursing. The CCLN's primary goal is to optimize the region's critical care services by sharing and standardizing the implementation of evidence-based practices to improve patient outcomes.

The CCLN Steering Committee is working on an aggressive timeline to develop a standard ICU survey tool that will be used to capture a profile of the region's critical care

units over a 24-hour period. The CCLN tested this tool at four of the participating hospitals on December 18, 2006, and is close to finalizing both the survey instrument and methodology for administering the survey. GNYHA anticipates that the survey will be rolled out to all member hospitals during winter 2007.

The data collected from this study will give hospitals, GNYHA, and UHF insight into important critical care issues including optimal ICU staffing models, palliative care issues, the need for physician extenders (physician assistants and advance practice nurses who assist physicians in delivering patient care) in the ICU, and, in general, establishing standardized protocols and training for the ICU setting. In order for the data to be meaningful, the study will require a large number of participants, with a diverse range of ICU case mixes and sizes. GNYHA and members of

the CCLN Steering Committee will be contacting hospital and critical care leadership at member hospitals to urge their participation in this study.

The CCLN is the third in a series of partnerships that GNYHA and UHF have led. The other collaborative efforts include the Central Line-Associated Bloodstream Infections (CLABs) Collaborative to eliminate CLABs in ICUs and the Rapid Response System (RRS) Collaborative to develop RRSs in hospitals; information about those initiatives can be viewed on the "Joint Effort New York" (JENY) Web site at <http://jeny.ipro.org>. Information about the 24-Hour ICU Survey, as well as all critical care initiatives, will also be posted to the JENY Web site as they develop.

In the meantime, please contact Terri Straub or Zeynep Sumer at GNYHA if you are interested in participating in the 24-Hour ICU Survey. ■

110th Congress Sworn In *continued from page 1*

party leaders were officially elected to their new roles. Presenting an ambitious agenda, House and Senate Democrats announced their opening priorities, with health care issues topping the list.

Both Senate and House leadership have proposed their legislative agenda and called for a new direction through their "Six for '06" initiative, which aims to consider priority issues in the new Congress that were held over from last year. As part of the agenda, Democrats have stated their intention to significantly alter the Medicare prescription drug program by allowing the Secretary of the U.S. Department of Health and Human Services to negotiate lower drug prices and by "ending wasteful giveaways to drug companies and HMOs." Additionally, Democrats aim to promote stem cell research by expanding the amount of Federal funding available.

In particular, Democratic leadership in the House has committed to addressing such legislation in the first 100 hours of the 110th Congress. Other non-health care issues will also be addressed at the start of the new session including ethics and lob-

bying reforms, minimum wage increase, and the reinstatement of financing rules, which are often referred to as "pay as you go" and which would require any new spending to be paid for by offsets to other programs.

It is expected that the State Children's Health Insurance Program, whose authorization is due to expire at the end of the Federal fiscal year, will be reauthorized in the first half of 2007 since more than a dozen states are facing budgetary shortfalls in later months. Additionally, both Democrats and Republicans have expressed an interest in

moving health information technology legislation forward; each chamber passed a bill last session, but House and Senate Republicans never reached a consensus on the legislation. Both parties have also signaled an interest in increasing the oversight of the Administration's prescription drug benefit program and making incremental statutory changes to it.

Of note, the New York delegation will now be joined by four new Democratic members, including Representatives Yvette Clarke (Brooklyn), John Hall (Southeastern NY), Kirsten Gillibrand (Eastern NY), and Michael Arcuri (Central NY). ■

AROUND

Joe Baker has been named Assistant Deputy Secretary for Health and Human Services at the NYS Department of Health (DOH). Most recently, Mr. Baker was the Health Care Bureau Chief in the Office of the NYS Attorney General's office. From 1994-2001, he was Executive Vice President of the Medicare Rights Center, and before that he was Associate Director of Legal Services for the Gay Men's Health Crisis. • **Deborah Bachrach** has been named Deputy Commissioner of Health, in charge of DOH's new Office of Health Insurance Programs, which is charged with administering the Medicaid, Family Health Plus, Child Health Plus, and EPIC programs. She will also be the State's Medicaid Director. Most recently, Ms. Bachrach was a partner at Manatt, Phelps & Phillips, LLSC, where she worked with, among others, New York's financially distressed hospitals. Prior to that, she was Vice President of External Affairs at St. Luke's-Roosevelt Hospital Center. ■
