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# Skyline news

REPORTING ON NEW YORK'S HEALTH CARE NEWS

## GNYHA Testimony on Proposed NYS Budget Urges Legislature to “Put Patients First”

On Feb. 13, 2007, GNYHA President Kenneth Raske testified on the Executive Budget Proposal for 2007–08 before the NYS Senate Finance and Assembly Ways and Means Committees. Mr. Raske asserted GNYHA’s belief that New York’s health care system is in need of reform—noting the Association’s past support of reform measures that have since been enacted—but emphasized that such reform must “put patients first” by

addressing all of the issues that shape and mold our health care system—private payer wealth, pharmaceutical and medical device costs, and the spiraling costs of malpractice coverage, to name a few—and not just target the institutions and their staffs who actually deliver patient care.

Mr. Raske then laid out the major reasons why GNYHA believes the NYS Legislature should categorically reject the \$1.2 billion in health care cuts in the proposed

budget (see related story, page 2). First, he noted the devastating impact that the proposals would have in combination with the \$1.2 billion in cuts to New York’s hospitals proposed by President Bush (see story below).

Next, he pointed out that the Executive’s proposals fly in the face of the Berger Commission recommendations, which, given their extreme complexity, will require adequate funding, possible new legislation, and deft handling to implement. The Governor’s proposed cuts, he said, would defeat the possibility of rational and man-

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## President’s Proposed Medicare and Medicaid Cuts Threaten Hospitals With Billions of Dollars in Losses

President George W. Bush’s proposed budget calling for over \$100 billion in cuts to the Medicare and Medicaid programs will, if enacted, cost New York’s hospitals more than \$7 billion in losses over the next five years (2008–12). The President has proposed cutting inflationary updates for providers across the board, with cuts to New York inpatient hospital payments comprising about \$55 million in 2008 alone. Unlike his previous budgets, the President has targeted teaching hospitals through two proposals that, if enacted, would decimate those institutions in NYS. Following is a summary of the President’s proposals.

**Medicaid GME:** The Federal government

would no longer provide Federal financial support for Medicaid graduate medical education (GME). The Administration has stated that paying for GME is not a “primary purpose of the Medicaid program.” It is unclear whether NYS would continue to pay hospitals the State share of Medicaid GME. The Centers for Medicare & Medicaid Services plans to implement this policy using its regulatory authority (versus legislation) and has cited the lack of a statutory requirement mandating Federal participation as the justification to proceed.

**Hospital IME for Medicare Advantage Beneficiaries:** The Administration has proposed that Medicare no longer pay hospitals for

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### Union Delegates Discuss Proposed Health Care Cuts

GNYHA President Kenneth E. Raske addressing the attendees at an 1199 SEIU United Healthcare Workers East delegates meeting on February 12. 1199 President Dennis Rivera is seated. Mr. Raske discussed the recent proposed State and Federal health care cuts and why they must be opposed.

## PUT PATIENTS FIRST: STOP THE CUTS

In response to the enormous budget cuts proposed by Gov. Eliot Spitzer in his 2007–08 Executive Budget, GNYHA and 1199 SEIU United Healthcare Workers East, through the Healthcare Education Project (HEP), have launched an aggressive defense of the health care industry. The HEP campaign, “Put Patients First: Stop the Cuts,” is advocating for comprehensive health care reform, not extreme funding cuts that put patients and providers at risk. As part of this campaign, GNYHA has been sending facts to the Legislature and the media to set the health care record straight, including reasons why the Legislature should reject the Governor’s proposed health care cuts.

### REASON 1

#### **The Governor wants to cut 10 times more from health care programs than he proposes to spend on so-called reforms.**

Gov. Spitzer proposes \$1.2 billion in State savings through health care funding cuts in order to reinvest in health care programs by shifting funding from “institutions” to patients. The Governor’s \$1.2 billion in cuts will starve New York’s financially strapped hospitals and nursing homes—New York’s safety net—and put patients at risk, with very little of this money actually being reinvested in patient care: the Governor’s budget spends only \$10.6 million—less than 1% of the proposed cut—to expand coverage for New York’s uninsured children. Even when all of the Governor’s proposed new “investments” in health care are combined, total new spending adds up to only \$132.7 million.

### REASON 2

#### **The Governor’s budget slashes funding for New York’s community providers while leaving billions of dollars in excess profits for HMOs untouched.**

New York’s hospitals have lost money for seven years running, with many health care institutions facing closings and bankruptcies while insurance companies have amassed unprecedented levels of profits and reserves—**\$4.3 billion in the last five years alone.** Yet Gov. Spitzer’s budget does not address those and other abusive HMO practices. The “freezes” in the Governor’s budget on Medicaid managed care and Child Health Plus premiums primarily hit health plans run by not-for-profit and public hospitals—not the huge insurance companies that should be asked to help pay for health care reform—which is completely inconsistent with “putting patients first.”

### REASON 3

#### **President Bush’s proposed budget cuts \$1.2 billion from New York’s hospitals, nursing homes, and home care agencies.**

Rather than pursuing even more cuts, Gov. Spitzer should join with the New York Congressional Delegation and protect New Yorkers from Bush’s budget proposal, which singles out New York’s public hospitals, teaching hospitals, and community and rural hospitals. Gov. Spitzer’s cuts will cost New York hospitals \$500 million per year. Added to the President’s cuts, the total swells to \$1.6 billion—a devastating blow by any measure. In light of President Bush’s “all-out assault” (in the words of Senator Chuck Schumer) on New York’s health care system, the Governor and the Legislature must protect New Yorkers by amending the proposed Executive budget to reflect new realities.

### REASON 4

#### **Gov. Spitzer sends \$1.2 billion back to Washington, funding that New York needs to “put patients first.”**

Gov. Spitzer’s proposed Medicaid cuts would shift funding from New York’s patients and communities back to Washington, DC. Medicaid spending triggers a huge Federal investment in NYS. For every dollar New Yorkers spend on Medicaid, the Federal government contributes another dollar to New York’s health care system, making Medicaid one of the few NYS programs that leverages significant Federal spending and brings Federal dollars into the State—particularly into low-income communities. By reducing State Medicaid spending by \$1.2 billion, the Governor is essentially asking the State Legislature to write a check for \$1.2 billion—to George W. Bush.

### REASON 5

#### **Gov. Spitzer’s cuts deeply compromise the enormous amount of primary care that hospitals provide to New York’s families and communities.**

Combined with President Bush’s proposed budget cuts, New York health care institutions stand to lose \$2.4 billion in crucial funding. These very institutions provide 46 million outpatient and emergency room visits each year, of which more than 14 million primary care visits are provided to adults and children alike—meaning that, in community after community and family after family, hospitals are “the family doctor.” As it already stands, hospitals lose \$1.8 billion every year caring for the uninsured and \$2.2 billion caring for Medicaid patients because payments do not come close to covering the cost of services provided.

*GNYHA is committed to working with the Legislature to help reduce costs and enhance quality without destabilizing New York’s health care system through unnecessary and unwarranted cuts to hospitals and nursing homes. GNYHA, in partnership with 1199 SEIU through the Healthcare Education Project, will aggressively fight these cuts on behalf of New York’s hospitals, nursing homes, and patients. To read the full set of “reasons” for rejecting Gov. Spitzer’s proposed budget, to learn more about the impact of the Governor’s proposed cuts on New York’s health care community, and to access information for writing to your legislators, visit the GNYHA Web site, [www.gnyha.org](http://www.gnyha.org). ■*

## CMS Proposes Alternative Cost Methodology for Residents in Nonhospital Settings

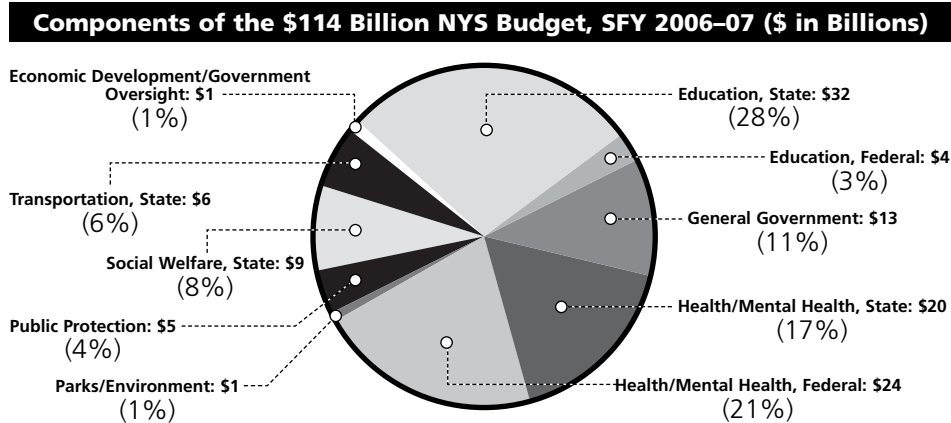
The Centers for Medicare & Medicaid Services (CMS) published a proposed rule change on Feb. 1, 2007, that would modify the methodology by which teaching hospitals may determine whether they can count residents training in nonhospital settings for Medicare direct graduate medical education (GME) and indirect medical education (IME) reimbursement. Comments are due to CMS by Mar. 26, 2007.

CMS regulations permit teaching hospitals to count the time physician residents spend in nonhospital settings for both Medicare direct GME and IME reimbursement if, among other requirements, the hospital incurs “all or substantially all” of the direct costs associated with the nonhospital training and compensates the nonhospital setting that amount. Otherwise, the nonhospital training time would be disallowed, reducing the hospital’s resident count and Medicare GME reimbursement. The direct costs associated with the nonhospital training are considered to be the resident’s salary and fringes, any travel and lodging costs, and any costs incurred by the teaching physicians that are not otherwise related to patient care services. CMS’s proposed alternative methodology will essentially allow the use of certain proxies in place of performing time studies and gathering individual supervising physician salary data. Teaching hospitals would be permitted to use this methodology in lieu of performing more complicated nonhospital setting-specific studies. The methodology will use the resident’s salary and fringes, the number of hours the nonhospital setting is open each week, and the national average physician salary data by specialty to assess costs, as well as certain proxies to complete the calculation. The hospital will have to demonstrate that it is incurring at least 90% of the direct costs associated with the resident’s training in the nonhospital setting in order to claim the training time for Medicare direct GME and IME reimbursement. ■

ageable implementation of the Commission’s recommendations.

Turning to the State’s fiscal health, Mr. Raske observed that the Executive’s proposed cuts to health care are difficult to justify in light of the Division of the Budget’s (DOB’s) underestimate of tax revenue in almost every nonrecessionary year in the past 25 years. GNYHA’s submitted written testimony notes that the DOB recently revised its estimate of NYS’s current-year budget surplus from \$1.1 billion to \$1.5 billion, along with a concomitant decrease in the projected deficit from \$2.4 billion to \$1.6 billion. The DOB’s own assessment of its forecast performance, in fact, showed that tax receipts were higher than forecasted in 9 of the past 11 years, with the underestimate exceeding \$1 billion in six of those years and exceeding \$2 billion in two of those years. In its written testimony, GNYHA cites the finding by Edward M. Cupoli, Ph.D., that, “revenue forecasters tend to be low when the economy is expanding and high when the economy is contracting,” and that errors in tax forecasts could mean a minimum of \$1.1–\$3.2 billion in additional revenue for the State. Also noted in GNYHA’s written testimony is Dr. Cupoli’s belief that the Executive will have likely under-forecast tax receipts for State fiscal year 2007–08.

Regarding the Executive’s assertion that Medicaid spending is “out of control,” Mr. Raske clarified that growth in total expenditures over the past several years has been driven by enrollment expansions—expansions that have made NYS the leader in reducing its number of uninsured resi-



dents—but that spending per beneficiary has actually declined by 7%. In addition, as noted in the written testimony, 73% of Medicaid spending goes to just 23% of Medicaid enrollees who are blind, disabled, and aged. “Weakening the providers who actually serve them,” the testimony states, “through arbitrary payment cuts is counter-productive and does not get at real program needs.” Moreover, also as noted in the written testimony, State spending on health care is not the largest component of the budget: State health care spending represents only \$20 billion, or 17%, of the \$114 billion SFY 2006–07 budget (see chart above). The largest component of the budget, by far, is State spending on education. While health care and education both leverage Federal dollars, health care leverages far more, bringing in \$24 billion compared with education’s \$4 billion. Thus, the Medicaid program frees up State tax revenue for education and other important purposes by leveraging Federal money.

Finally, Mr. Raske cited the continued

precarious financial condition of New York’s hospitals as an imperative for rejecting the Executive’s health care cuts.

**Real Reform:** Through the Healthcare Education Project, GNYHA and 1199 SEIU United Healthcare Workers East have submitted a detailed set of proposals to the Governor and the State Legislature entitled, *Shared Sacrifice: A Prescription for Comprehensive Health Care Reform in New York State*. Mr. Raske noted in his testimony that, unlike the Governor’s proposals, the proposals detailed in *Shared Sacrifice* would truly reform the Medicaid program; provide health insurance coverage for all New Yorkers; take on the sectors of the health care system making huge profits at the expense of New York’s health care, including the HMOs, drug companies, and medical device manufacturers; and address skyrocketing medical malpractice insurance premiums. The full proposal can be found at [www.stopthecuts.org](http://www.stopthecuts.org) and on GNYHA’s Web site, [www.gnyha.org](http://www.gnyha.org), where the full testimony can also be accessed. ■

**UPCOMING GNYHA MEMBER BRIEFING**

**Increasing Blood Collections**

**Date:** Monday, March 5, 2007 • **Time:** 3:00 p.m.–5:00 p.m. • **Location:** GNYHA Conference Center, 555 West 57th Street, 15th Floor

This briefing will provide information to assist members in undertaking successful campaigns to increase blood collections in their institutions. Representatives from the New York Blood Center, NewYork-Presbyterian Healthcare System, and the North Shore–Long Island Jewish Health System will present information about best practices that they have utilized to increase donations during their blood donor campaigns. Information will be presented on successful blood drives for both members that collect blood on their own and those that rely on third-party suppliers. For more information, contact Doris Varlese at [varlese@gnyha.org](mailto:varlese@gnyha.org); to register, contact Laurie Sangirardi at [sangirardi@gnyha.org](mailto:sangirardi@gnyha.org). ■

**SAVE THE DATES!**

Thursday, April 19, 2007 (morning):  
**GNYHA Annual Meeting**  
 Thursday, May 31, 2007 (evening):  
**GNYHA Annual Reception and Awards Ceremony**

Details will be sent to all GNYHA members at a later date.

# President's Proposed Medicare and Medicaid Cuts

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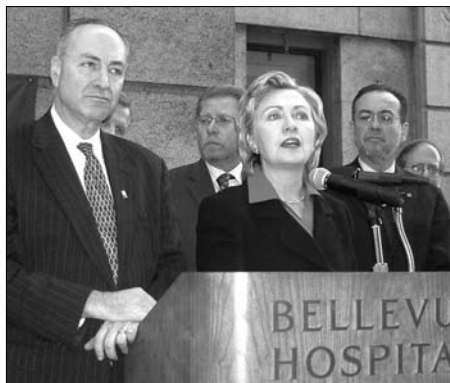
indirect medical education (IME) for beneficiaries enrolled in Medicare's private managed care program (Medicare Advantage), asserting that those plans already build such a payment into their rates and that, therefore, a separate payment to hospitals from Medicare is "duplicative." In essence, this proposal, if enacted, would force hospitals to wrest IME payments from Medicare Advantage plans through negotiations.

## Inpatient and Outpatient Hospital Updates:

The Administration proposes to reduce the hospital inpatient and outpatient market basket updates by 0.65% each in fiscal year (FY) 2008 and every year thereafter.

**Medicare Bad Debt Payments:** Currently, Medicare reimburses hospitals and skilled nursing facilities (SNFs) a percentage of their unpaid beneficiary co-payments and deductibles. Hospitals have been reimbursed at a rate of 70% and, as a result of the 2006 Deficit Reduction Act, SNFs also receive this reimbursement rate. The Administration proposes to phase out those payments for all providers over four years.

**Home Health and SNF Updates:** The President proposes to freeze all payments to home health providers at 2007 levels for a period of five years (2008–12). Starting in 2013 and annually thereafter, the home health market basket would be reduced by 0.65%. All payments to SNFs would be frozen at 2007 levels for 2008 and reduced by 0.65% thereafter.



Senators Chuck Schumer and Hillary Rodham Clinton at a press conference on the President's proposed Medicare and Medicaid cuts, held at Bellevue Hospital Center on February 5. GNYHA President Kenneth E. Raske and NYC Health and Hospitals Corporation President Alan Aviles are pictured behind the two senators.

## NYS and National Impact of President's Proposed Medicare and Medicaid Cuts

PROPOSAL	Five-Year Impact in \$ Millions	
	NYS	U.S. <sup>b</sup>
Eliminate Federal Funds for Medicaid GME	\$3,026	n/a
Eliminate hospital IME for beneficiaries in MA plans <sup>a</sup>	\$1,169	\$3,813
Cut the inpatient hospital update	\$890	\$10,558
Cut the outpatient hospital update	\$185	\$2,780
Phase out of Medicare bad debt payments	\$135	\$5,882
Cut the home health & SNF updates	\$103	\$1,408
Cut the IRF provider update	\$114	\$1,630
Eliminate Medicare payments for "never events"	\$15	\$190 <sup>c</sup>

Note: The estimates given in this table are ordered by magnitude and represent cuts over a five-year budget window.  
<sup>a</sup>MA = Medicare Advantage, Medicare's private managed care program.  
<sup>b</sup>The national estimates are based on the American Hospital Association's analysis.  
<sup>c</sup>This national number reflects the total "savings" for this proposal as reflected in the President's budget.

**IRF Provider Update:** All 2008 payments to inpatient rehabilitation facility (IRF) providers would be frozen at the 2007 level. Starting in 2009 and annually thereafter, the IRF update would be reduced by 0.65%.

**Medicare Payments for "Never Events":** Medicare would be prohibited from paying for preventable adverse events (so-called never events) and future full hospital inpatient updates would be tied to the reporting of those events.

**Provider Payments and Excess Medicare Spending:** In an effort to strengthen a provision of the Medicare Modernization Act of 2003, the Administration proposes sequestering 0.4% of all Medicare provider payments when the share of Medicare expenditures funded through general revenue is projected to exceed 45% in seven years, with the sequester order increasing each year by 0.4% until the general revenue fund is brought back to 45%. This proposal would mandate significant additional cuts not only in inpatient and outpatient hospital payments, but for all other providers in the Medicare program.

**Other Proposals:** The President would reauthorize the State Children's Health Insurance Program (SCHIP), which is set to expire on Sept. 30, 2007, for five more years; would "refocus" SCHIP on low-income children below 200% of the Federal poverty level (FPL); and would provide about \$5 billion for additional allotment funds. States that currently cover children above this threshold (like New York and New Jersey), and that provided coverage to this population before SCHIP's implementation, could use up to 20% of available SCHIP allotments for FY 2006 and 2007 as Medicaid matching funds

to cover individuals who are not eligible for SCHIP but who are under the age of 19 and whose family income exceeds 150% of FPL. This proposal falls far short of the SCHIP reauthorization package and likely expansion that will move through the Congress this spring. The President's budget also calls for the establishment of budget-neutral incentives for "high-quality" hospitals and the creation of minimum benchmarks for "low-quality" hospitals as part of the hospital-based value purchasing program (pay-for-performance), already under development, which was mandated to begin in 2009 under the Deficit Reduction Act of 2005. Finally, the Administration recently proposed a regulation that would significantly reduce Federal Medicaid funding for public hospitals. If implemented as planned on Sept. 1, 2007, the NYC Health and Hospitals Corporation would face a cut of roughly \$350 million annually and NYS would face losses of hundreds of millions of dollars.

**Next Steps:** While GNYHA believes that lawmakers will not accept the President's health care proposals in their entirety, the 110th Congress is operating under "pay-as-you-go" rules, which require that any new spending must be offset with program cuts and/or tax increases. Since many Democratic leaders are reluctant to increase taxes, they may look to Medicare and Medicaid to find savings to fund program reauthorizations and expansions, payment adjustments, or any new legislation that isn't budget-neutral—at a time when the President is committed to balancing the budget by 2012. GNYHA will aggressively advocate against all of these proposals and will do everything it can to stop these cuts. ■