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Skyline news

Reporting on New York's Health Care News

Governor Spitzer Releases Budget Proposal

On Jan. 22, New York Governor Eliot Spitzer released his budget proposal for State fiscal year (SFY) 2008–09, which begins on Apr. 1, 2008. Due to a projected \$4.4 billion budget shortfall

for the coming fiscal year, the budget contains a number of proposals to decrease State spending, including an estimated \$1 billion reduction for health care programs like Medicaid. Unlike last year, this year's budget

looks to all sectors of the health care community—hospitals, nursing homes, home health care providers, payers, and pharmaceutical companies—to share the burden of

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Proposed Executive Budget Would Cut \$300 Million from NYS's Long Term Care Providers

New York Governor Eliot Spitzer's proposed budget, which he released on Jan. 22, contains cuts to nursing homes and home health care providers totaling approximately \$300 million. While roughly 33% less than the total savings sought from long term care (LTC) providers in last year's initial budget proposal, the proposed LTC reductions represent a significant concern to providers when layered on top of several cost-savings actions that were set in motion last year. Also, unlike last year's budget plan, this year's proposal includes \$82 million in cuts to home health care providers, much of which will fall hardest on home health providers in the New York metropolitan area.

Nursing Homes: The budget would implement provisions totaling \$202 million in nursing home cuts, including a 25% reduction in the 2008 Medicaid inflation update, or "trend factor," for nursing homes (State share savings, \$16 million; impact on providers, including matching Federal dollars, \$32 million), as well as a reconfiguration of nursing home rebasing funding that would eliminate rebasing amounts for calendar year 2007 and would reduce slightly the amounts to be allo-

cated between Jan. 1, 2008, and Mar. 31, 2009 (State share savings, \$85 million; impact on providers, \$170 million). The proposed budget also reflects State savings resulting from the implementation of the Berger Commission recommendations for LTC restructuring (State share savings, \$10 million).

Home Health: The budget's proposed home health cuts include a 25% reduction in the

trend factor for home health agencies and personal care providers (State share savings, \$10 million; provider impact, including matching Federal dollars, \$20 million); lowering the cap on administrative and general costs for certain Certified Home Health Agencies (CHHAs) and Long Term Home Health Care Programs (LTHHCPS) to 20%, as well as lowering by 10 percentage points the current ceiling on CHHA rates and establishing 2005 as the base year for calculating CHHA rates (combined State share savings,

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Health Care Community Braces for Drastic Cuts in President's Budget

Today, President George W. Bush will release the last budget proposal of his presidency. The proposal will be for Federal fiscal year 2009, which begins on Oct. 1, 2008. It is widely expected that the President's proposed budget, as in last year's proposal, will contain deep cuts in Medicare and Medicaid—including significant cuts in Medicare payments to hospitals, with major cuts to teaching and safety net hospitals in particular. Those cuts, if proposed, would come on top of hundreds of millions of dol-

lars in Medicaid cuts proposed by the President last year and contained in regulations issued by the Centers for Medicare & Medicaid Services, including regulations to eliminate Federal Medicaid funding for graduate medical education costs and to drastically cut payments to states for care for the uninsured in public hospitals and nursing homes. Congress has held these regulations at bay temporarily by passing a moratorium on implementing them for one year. The moratorium

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Governor Spitzer Releases Budget Proposal *continued from page 1*

budget reductions, rather than relying disproportionately on hospitals and nursing homes to shoulder the brunt of the cuts.

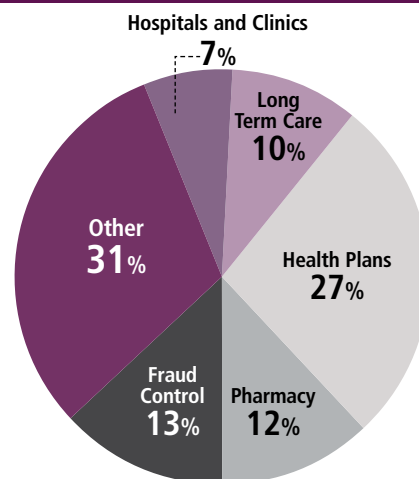
Nevertheless, several of the savings proposals present great cause for concern. In a statement released the day the budget was announced, the Healthcare Education Project (HEP)—a joint project of GNYHA and 1199 SEIU United Healthcare Workers East—expressed support for some aspects of the budget, including a critical expansion of health insurance for uninsured children, but also expressed concern about cuts to hospitals, nursing homes, home health care providers, and the New Yorkers they serve. HEP also urged the Governor to finalize a medical malpractice relief proposal to help reduce costs for hospitals and physicians. (See the separate story on page 1 for details about the nursing home and home health care cuts.)

Hospitals—Medicaid: The Governor’s hospital proposals are extremely complex, mixing major reimbursement reforms with straight Medicaid reimbursement rate cuts, including a 25% cut in the Medicaid inflation, or “trend factor,” update; a major cut in funding for Medicaid inpatient detox services, which will cost hospitals providing such services \$70 million in the next State fiscal year; the phased elimination of workforce recruitment and retention funding for public hospitals, costing such hospitals \$12 million in the next year; and a cut in outpatient specialty mental health rates for nine hospitals across the State, which will cost those institutions \$4.2 million annually.

The most complicated reform in the budget is an update of the year that NYS uses to determine the costs on which Medicaid inpatient rates of payment are based. Specifically, the Governor proposes updating the “base year” costs used to determine Medicaid inpatient rates from 1981 to 2005. The new rates, based on 2005 costs, would be phased in over four years, starting with 25% of the rate on July 1, 2008. The remaining 75% would be based on the current methodology, using 1981 costs and current law adjustments. The updating of the base year—which the hospital community supports in concept—raises many

issues, including the impact of phasing out funding for workforce recruitment and retention, changing the way teaching hospitals are reimbursed for graduate medical education (GME) costs, and eliminating special adjustments that hospitals have been granted over time. In addition, the State would move away from paying hospitals a rate based upon a combination of their own costs and the average costs of their “peer group” (for example, academic medical centers, major public hospitals, downstate non-teaching hospitals, and so forth) to a methodology that would recognize the average costs of the peer group only. The State estimates that updating the base year would reduce Medicaid inpatient payments for hospitals by \$104 million in the coming

Health Care Savings in Proposed NYS Executive Budget, by Sector, SFY 2008–09



Source: GNYHA analysis of Executive Budget provisions.

fiscal year, and some \$600 million annually when fully phased in.

The Governor proposes re-investing some savings back into the health care community by fundamentally restructuring payments for outpatient services. This would be achieved by changing outpatient payments—which for most hospitals are capped at \$67.50 per visit—to a new methodology known as “ambulatory payment groupings” (APGs), which place different weights on different outpatient procedures based on diagnosis and relative resource consumption. When fully phased in, the State projects spending on hospital

outpatient services will increase by \$420 million annually, with \$120 million in increased spending in the coming fiscal year. (Under the Governor’s proposal, the APG methodology would be phased in over four years for general clinic services, and fully implemented on July 1, 2008, for ambulatory surgery services and on Jan. 1, 2009, for emergency services.) Given the complexities of the inpatient rebasing proposal, and the new, as yet unfinalized APG methodology, it is impossible to determine the impact of the Governor’s budget proposal on individual hospitals at this time.

GME, Bad Debt: The Governor also proposes shifting funding away from the main, formula-driven GME pool for teaching hospitals, and using the “shifted” funds—\$15.6 million in 2008, with much larger shifts in 2009 and 2010—to fund other workforce initiatives, including loan forgiveness for physicians, practice support for physicians in underserved areas, a diversity program sponsored by the Associated Medical Schools of New York, and other initiatives. In addition, the budget would require teaching hospitals, in 2009, to submit detailed GME budgets to the State and would implement new standards for outpatient clinics in teaching hospitals to encourage continuity of care.

The Governor’s budget also calls for a major change in the methodology used to distribute bad debt and charity care funding, or Indigent Care Pool funding, to hospitals, with a phase-in beginning on Jan. 1, 2009. The new methodology would, in general, collapse several of the current voluntary hospital pools into one pool (a separate pool would remain for public hospitals) and then divide funding between costs of care for fully uninsured individuals (85%) and bad debt costs (15%). Funding would be further restricted over time to costs incurred caring for individuals eligible for each hospital’s financial assistance policy, and the new methodology would be based on units of service provided, using Medicaid rates as a proxy for costs. Significant data constraints preclude a determination of the impact on hospitals at this time, which, when combined with other major changes in the budget, creates considerable financial uncertainty for hospitals trying to understand the impact of the Governor’s proposed changes. ■

Proposed Executive Budget: NYS's Long Term Care Providers *continued from page 1*

25 million; provider impact, including matching Federal dollars, \$50 million); and establishment of a three-year Personal Care Demonstration Project in NYC to test the effectiveness of a new entity to oversee utilization of personal care services (State share savings, \$6 million; provider impact, including matching Federal dollars, \$12 million).

Other Long Term Care Provisions: The proposed budget would also limit premium increases for managed long term care programs to 50% of the otherwise applicable premium increase; subject Adult Day Health Care (ADHC) programs to a 25% trend factor reduction; establish a demonstration program, using non-Medicaid funds, to test the delivery of blended medical and social-model adult day health care services for persons whose clinical profile falls between that of typical medical or social ADHC program registrants; and create a new Home Care Technical Advisory Council to advise the NYS Department of Health on developing an updated home health reimbursement system.

Continuing Care Leadership Coalition: CCLC is deeply concerned about the cumulative effect of this budget's LTC provisions, the payment reductions set in motion by last year's budget agreement, and the Federal government's failure to approve funding for LTC reimbursement reform, and has been working actively to document and mobilize public support for maintaining a strong investment in LTC services. CCLC is also working to quantify the effect of these actions on its members in order to communicate effectively with legislators about the need to restore essential funding for the LTC community. ■

GNHYHA Launches Children's Health Workgroup

GNYHA has launched its first workgroup on issues related to children's special health care needs and the health care facilities that provide such care. The group's 13 inaugural members represent the entire continuum of children's health care in New York, from acute care hospitals to long term care and rehabilitation facilities to institutions that offer very specialized services, such as care for children with HIV/AIDS. GNYHA has also created a standing position on the Section for the National Association of Children's Hospitals and Related Institutions, the national trade association for children's health care institutions. Through this collaborative effort, GNYHA will enhance the ability of New York's children's health care providers

to advance access and quality of care, promote financial sustainability, and influence public policymakers in Albany and Washington.

The workgroup's founding members are Blythedale Children's Hospital, Elizabeth Seton Pediatric Center, Incarnation Children's Center, Kingsbrook Jewish Medical Center, LIJ-Schneider Children's Hospital, Maimonides Infants and Children's Hospital of Brooklyn, Maria Fareri Children's Hospital at Westchester Medical Center, Morgan Stanley Children's Hospital at NewYork-Presbyterian Hospital, NYU Department of Pediatrics, The Children's Hospital at Montefiore, St. Mary's Hospital for Children, Winthrop-University Hospital, and Women's and Children's Hospital of Buffalo (Kaleida Health). ■

Legislative Digest

In recent weeks, the New York State Assembly has taken action on the following health-related pieces of legislation:

Interviewing Plaintiff's Physician in a Medical Malpractice Suit: The NYS Assembly referred A.8691-A/S.5256-A to the floor for vote. The proposed bill prohibits a party in a medical malpractice lawsuit from informally interviewing a plaintiff's treating physician or physicians. GNYHA strongly opposes the proposed bill because it will increase medical malpractice costs at a time when the State is looking for ways to decrease costs and it seeks to reverse a recent ruling that upheld the principal that the informal discovery of information can serve litigants and the entire justice system by uncovering relevant facts. • **Adverse Error Disclosure:** The NYS Assembly Health Committee approved A.3790, which requires health care providers to disclose errors in diagnosis, treatment, or other services that the provider knows have substantial harm or significant risk of substantial harm. GNYHA supports the intent of the legislation but opposes this bill because it is duplicative of current law. • **Confidentiality Protection for Peer Review:** The NYS Assembly Health Committee approved A.6723/S.4642 to extend confidentiality protections related to discovery of testimony and/or statements made by any person in attendance at any type of peer review committee meeting or deliberation. GNYHA supports the proposed bill because it would ensure that any health care professional involved in an incident, who is or may be a party to a lawsuit in the future, can participate in a thorough examination and discussion of the incident for improvement purposes without the fear of jeopardizing the confidentiality protections provided for in NYS laws. • **Nursing Care Quality Protection Act:** The NYS Assembly referred A.5196/S.1267 to the floor for vote, which requires public reporting of information about nurse staffing levels. GNYHA opposes this proposed bill because the justification for it is already addressed in current State statute and a direct relationship between staffing patterns and patient outcomes has not been established. • **Consecutive Work Hours for Nurses:** The NYS Assembly Labor Committee approved A.1898-B/S.6342, which would limit the number of consecutive hours and total weekly work hours that a hospital or other health care employer could require a registered professional nurse or licensed practical nurse to remain on duty. GNYHA strongly opposes the proposed bill because it would eliminate the flexibility needed to provide for the safe care of acutely ill patients with changing needs. ■

Dr. Barbara Barlow to Receive Rudin Prize

Barbara Barlow, M.D., Director of Surgery at Harlem Hospital Center and Professor of Surgery in Epidemiology at Columbia University Mailman School of Public Health, will be awarded the Lewis and Jack Rudin New York Prize for Medicine and Health on Feb. 19 at the New York Academy of Medicine. At the event, Dr. Barlow will also deliver a lecture, "The Journey to Injury-

Free," about her groundbreaking work in reducing injuries to children through education, construction of safe play areas, and the development and support of safe supervised activities with adult mentors. Dr. Barlow's work at Harlem Hospital Center has been recognized by the Robert Wood Johnson Foundation, which established the national Injury-Free Coalition for Kids, a program that brings

together pediatric trauma centers around the country to adopt Dr. Barlow's work. To register for the event, log on to www.nyam.org/rudin.

The Lewis and Jack Rudin New York Prize for Medicine and Health was established to provide a forum for a distinguished member of the metropolitan New York community to receive recognition from colleagues and the public at large. It is co-sponsored by GNYHA and the Academy, and is supported by the May and Samuel Rudin Family Foundation. ■

GNYHA's First "Leadership Development" Class Graduates

The first class in GNYHA's *Leadership Development in Re-engineering Health Care Systems for Quality Outcomes* program graduated on Jan. 23. As part of its commitment to advancing the field of quality and patient safety, GNYHA worked with Baruch College to develop a program that integrates engineering skills with redesigning health care systems. The goal was to highlight the relationship between system re-engineering and improving quality, patient safety, workflow, and, ultimately, patient outcomes.

Twenty-five students graduated from the 16-week program, which included case studies in system failure and success, the application of engineering concepts and data to improve systems, workflow and systems to improve outcomes, presentation techniques, and the impact of regulation on quality improvement programs. In one class, for example, students used simulations and role-playing to learn how to minimize wait time in the emergency room (ER) while managing their own patient care unit or department. The students learned that change can occur by sharing information and improving communication. More important, the class underscored the fact that each department or patient care unit has a major role in moving the patient safely from the ER to the inpatient bed, and in patient safety in general.

Goals and Curriculum: GNYHA had asked Baruch to develop the program in response to members' concerns about the need for all hospital professionals to be educated in driving organizational and systems change. Over the past year and a half, GNYHA staff have worked with members to identify the challenges faced by health care systems with

regard to quality, patient safety, and system redesign; the related educational needs of their staff; and the core course requirements for meeting those needs. Graduates of the program gain the skills needed to address such concerns, including the collection, interpretation, and presentation of data; process redesign; team structuring; and strategies to

communicate and sustain improvements. The graduates are expected to implement a capstone project at their respective hospitals and to have an expanded role in infusing a culture of quality throughout their organizations.

If you have any suggestions or questions about the program, please contact Terri Straub at GNYHA. ■

State Requests Grant Applications for Two New Rounds of HEAL NY Awards

On Jan. 29, the NYS Department of Health (DOH) and the Dormitory Authority of the State of New York released two requests for grant applications (RGAs) for funding under Phases 6 and 7 of the Healthcare Efficiency and Affordability Law for New Yorkers (HEAL NY) program. Applicants can obtain a copy of the RGAs at www.health.state.ny.us/funding.

Phase 6 of HEAL NY is intended to develop new primary care capacity to increase access to care and to enhance the quality and effectiveness of existing services. Applicants may apply for funding to support the establishment or construction of new primary care clinics, or for one or more enhancements. Applications are due Apr. 17, 2008.

Up to \$100 million is available under Phase 6. Up to \$20 million will be made available for small projects of up to \$500,000, and the balance will be for projects in six regions of NYS; these project requests may not exceed \$5 million. Hospitals, diagnostic and treatment centers, and governmental public health departments are eligible to apply.

DOH applicant conferences will be held in

Albany on Feb. 4, 10:00 a.m.–12:00 noon, and in NYC on Feb. 8, 10:00 a.m.–12:00 noon. Register at healnyprimarycare@health.state.ny.us.

The RGA for Phase 7 is intended to further support the priorities and goals of the Berger Commission. It is available to help facilities eliminate excess capacity and create greater efficiencies; meet the needs of patients affected by Commission mandates; expand services in continuing care facilities; and reduce excess inpatient capacity in favor of ambulatory and community-based care. Funds can be used for construction, renovation, equipment and information technology, and costs that support these goals.

Up to \$150 million is available under Phase 7, with funding divided among six regions, including \$63 million for NYC, \$22 million for Long Island, and \$17.6 million for the Hudson Valley. Project requests may not exceed \$20 million. Hospitals, nursing homes, and other providers are eligible to apply.

DOH applicant conferences will be held in Albany on Feb. 4, 2:00–4:00 p.m., and in NYC on Feb. 8, 2:00–4:00 p.m. Register at healnyphase7@health.state.ny.us. ■

Health Care Community Braces for Drastic Cuts in President's Budget *continued from page 1*

expires on May 25, 2008. Meanwhile, President Bush called for reining in Medicare and Medicaid spending in his final State of the Union Address on Jan. 28.

Economic Stimulus: Last week, the House passed legislation designed to stimulate the nation's faltering economy, with the Senate expected to follow suit. Despite strong support from GNYHA, the American Hospital

Association, the Healthcare Association of New York State, and the nation's governors, the legislation did not include any Medicaid provisions. Lawmakers had considered including a temporary increase in the Federal Medicaid matching rate for states—which would have increased Federal funding for Medicaid at a time when most states are considering deep Medicaid cuts, and extending the moratorium on the Medicaid regulations

mentioned above, as well as others. GNYHA will continue to work with the New York delegation—in particular, House Ways and Means Chairman Charles Rangel, House Energy and Commerce member Eliot Engel (who has sponsored legislation to extend the moratorium), Congressman Peter King (who is working on legislation to increase the Medicaid matching rate), and Senate Finance Committee member Charles Schumer—as Congress continues to debate Medicare and Medicaid legislation in the months to come. ■