



November 10, 2008

Skyline news

Reporting on New York's Health Care News

Democrats Make Gains in Washington, Albany

The Democratic Party made important gains in the 2008 elections both in Washington and Albany, with the election of Senator Barack Obama (D-IL) as President; the addition of approximately 20 Democrats to the U.S. House of Representatives and at least six Democrats to the U.S. Senate; and the addition of at least two Democrats to the New York State Senate, giving the Democrats a majority of 32-30, the first time they have had a Senate majority in more than 40 years. The Democrats also added to their already formidable majority in the New York State Assembly, increasing their number to 109 Assembly members out of a total of 150.

In Washington, speculation has already turned to potential health care appointees in the future Obama Administration. For Secretary of Health and Human Services, the rumor mill has produced a variety of potential nominees, including former Senate Leader Tom Daschle (D-SD); former Vermont Governor and Democratic National Committee Chairman Howard Dean, M.D.; Senator Hillary Rodham Clinton (D-NY); Kansas Governor Kathleen Sebelius (D); former Congressman Harold Ford, Jr. (D-TN); former Oregon Governor John Kitzhaber, M.D. (D); and Congresswoman Rosa DeLauro (D-CT), among others.

On November 5, 28 Senate Democrats gathered in Albany and reaffirmed their support for Senate Minority Leader Malcolm Smith (D-Queens) and pledged their support for him when the new Legislature convenes in January. However, four Senate Democrats did

not attend the meeting, and there has been considerable speculation that they have held some discussions with Senate Republicans in an effort by Senate Republicans to elect a Republican Majority Leader in January, despite the Democrats' two-seat advantage. In the meantime, lawmakers are preparing for a November 18 Special Economic Session

of the State Legislature, called by Governor David Paterson to close an estimated \$1.5 billion deficit for the current fiscal year. Because the legislators elected on November 5 will not be sworn into office until January, the current Senate and Assembly will still be in place for the Special Session, with Senator Dean Skelos (R-Nassau) as the Senate Majority Leader. ■

Governor Paterson Testifies Before Congress, Urges Stimulus

On October 29, New York Governor David Paterson testified before the House Ways & Means Committee on the need for and components of an economic recovery package. While Congress has yet to commit to taking up a second economic stimulus package during an expected lame duck session starting on November 17, there is mounting pressure on lawmakers to reach an agreement and pass a sizable relief package before the end of the year.

In his testimony, Governor Paterson asked Congress for "direct and immediate fiscal relief" for states. Specifically, the Governor urged the inclusion of a temporary increase of the Medicaid matching rate, known as FMAP, for "emergency block grant funding." In his oral testimony before the Congressional panel, he asked for a 5% FMAP increase over the next two years, which would yield billions in critical savings to New York State—the need for which

was clear when Paterson announced that the State faces a \$47 billion deficit over the next three years.

The Governor also urged the inclusion of a moratorium on the proposed Medicaid outpatient regulation, which was issued in final form by the Centers for Medicare & Medicaid Services (CMS) on November 6. The proposed rule's impact to New York State and its providers had been estimated at roughly half a billion dollars annually once implemented. Additionally, the Governor asked that the stimulus include infrastructure funding for "shovel ready" transportation and water improvement projects, as well as an extension of emergency unemployment compensation benefits and unemployment insurance. Lastly, the Governor urged a temporary boost in funding for the State's food stamp program.

At issue for lawmakers is whether to come

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Governor Paterson Projects \$14 Billion Deficit

On October 28, New York Governor David Paterson announced that his Division of the Budget (DOB) estimates \$14 billion in State budget deficits from now through the next fiscal year, which ends on March 31, 2010. Specifically, DOB reported that the current year deficit is \$1.5 billion (though the Governor stated that could worsen between now and the end of the fiscal year on March 31, 2009) and that the projected deficit for 2009–10 is \$12.5 billion, or more than 22% of current State spending. The Governor stated that this is the largest dollar

Stimulus *continued*

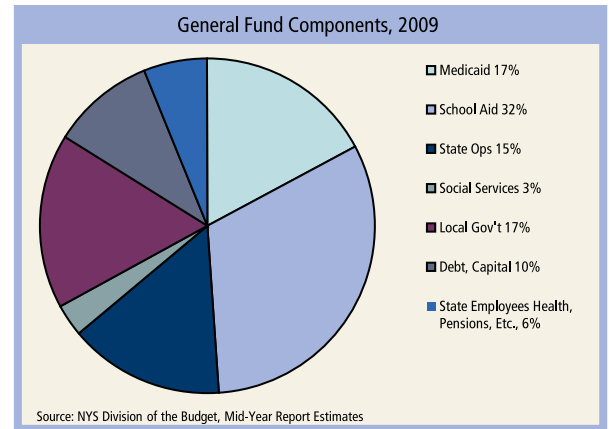
back in mid-November to take up a stimulus, or wait until the 111th Session of Congress convenes in January when Democratic gains following the election—particularly in the Senate—are expected to ease the passage of such a measure. The White House has been cool to the idea of a second stimulus for months, but has been softening its stance in the last few weeks provided the package includes policies that are “good ideas...that actually stimulate the economy.” Notably, Federal Reserve Chairman Ben Bernanke in a House budget hearing stated his support for a stimulus package given the continuing decline of the U.S. economy, and House Speaker Nancy Pelosi (D-CA) called again for passage of a package when Congress is scheduled to return to Washington the week of November 17. The size of the relief package is also an issue, with economists backing a substantially larger relief measure (in the range of \$150-\$450 billion) than the \$50-\$60 billion previously discussed.

GNYHA will continue to aggressively advocate with Governor Paterson’s Washington office, as well as with our other State partners, for both a temporary FMAP increase and a moratorium on the outpatient regulation. GNYHA also continues to push for a temporary moratorium on capital indirect medical education (IME) cuts that CMS implemented on October 1, 2008, and is working to ensure that these critical components are included in any final stimulus package. ■

amount deficit ever recorded, though the deficit for State fiscal year 2003–04, caused by the recession following the September 11, 2001, terrorist attacks, was higher in percentage terms (28% of State spending).

DOB projects that Medicaid spending will increase \$1.8 billion next year. Nearly half of the increase is attributable to several non-economic factors, including the fact that there is an extra, or “53rd week” of Medicaid payments in fiscal year 2009–10, the continuing shift of Medicaid costs from the county to the State, and decreased revenue transferred from other accounts. The remaining half of the increase comes from DOB’s projection that Medicaid and Family Health Plus enrollment will increase due to the economic downturn and utilization, in turn, will increase. A small portion of the increase is attributable to inflation in Medicaid payments to providers, which DOB estimates to be 3% in the next fiscal year.

Special Session: The Governor has asked the State Legislature to return for a second Special Economic Session on November 18 to find \$2 billion in savings for this fiscal year and to get a head start on next year’s budget. Governor Paterson announced that he will release his budget proposal for the next fiscal year one month earlier than usual, on December 16, in order to get the budget debate going and to



show the capital markets that New York is prepared to deal with its budget woes in a timely and responsible manner. GNYHA is deeply concerned about the impact of additional budget cuts on the already financially challenged hospital and nursing home communities, and has called upon the Governor and State Legislature to take a balanced approach to deficit reduction—an approach that treats all portions of the State budget equally, that includes new revenues, use of rainy day funds, and includes provisions to help providers reduce their costs, including significant medical malpractice insurance reforms.

Emergency Membership Meeting: To brief GNYHA members on the State budget situation, GNYHA is holding an emergency membership meeting in New York City on November 13, 2008. The meeting is open to GNYHA members only; to register, call 212-246-7100. ■

CMS Postpones RAC National Rollout

On November 3, the Centers for Medicare & Medicaid Services (CMS) announced it is postponing the national rollout of the Medicare Recovery Audit Contractor (RAC) program. Due to a “RAC protest and stay of performance,” CMS has placed the program on hold until further notice. Accordingly, all outreach sessions scheduled to begin this month in the first “round” of RAC states have been cancelled.

RAC reviews were expected to begin in early 2009 in New York and Rhode Island and in August 2009 or later in New Jersey and Connecticut. CMS will publish more information on the RAC delay on its Web site, www.cms.hhs.gov/rac. GNYHA will continue to work with its members to ensure RAC readiness, including offering access to GNYHA’s RAC Tracking Tool (GNYHATracker™). For more information, contact Stewart Presser at GNYHA. ■

GNYHA/UHF Perinatal Collaborative Celebrates Anniversary, Trains Nearly 1,500 OB Staff

October marked the one-year anniversary of the GNYHA/United Hospital Fund (UHF) Perinatal Safety Collaborative, in which 37 hospitals across the New York region are participating. The program is open to any GNYHA member that provides obstetrical services. To create the infrastructure necessary for quality and patient safety improvement on the labor and delivery (L&D) unit, the Perinatal Safety Collaborative builds on the concepts of teamwork and effective communication as critical factors that can affect maternal and newborn outcomes. Hospitals participating in the Collaborative have the unique opportunity to participate in GNYHA/UHF-sponsored perinatal safety training, which integrates a patient-centered team approach into the management of labor. Effective use of electronic fetal monitoring (EFM) is central to this approach, and a significant portion of the training is devoted to situational awareness in EFM and indications for clinical intervention based on EFM interpretation. Since the kick-off of the Collaborative last year, GNYHA and UHF have hosted 10 training programs and have trained more than 1,450 perinatal staff, including physicians, nurses, midwives, and physician assistants from 35 hospitals. Last week, Stony Brook University Hospital, Lenox Hill Hospital, and Flushing Medical Center hosted the most recent round of trainings.

Rave Reviews: To date, staff participating in the training consistently have evaluated it as “excellent,” reporting that their hospitals have begun to incorporate into daily practice the new skills and communication strategies learned at the sessions. Trainers Michael Leonard, M.D., Physician Leader of Patient Safety at Kaiser Permanente, and Michael Fox, R.N., Director of the Perinatal Resource Group—both international experts in crew resource management and perinatal safety—are a huge part of the program’s success. Both trainers utilize an interactive case study approach that engages the audience and results in “just in time” learning on how to interpret EFM strips by means of an electronic audience response system. Each session begins

with a discussion of basic principles of EFM interpretation and teaches the essentials of crew resource management (team training and communication), demonstrating how these two skill sets can be implemented effectively on the L&D unit.

Moving Forward: As next steps, GNYHA and UHF will help participating hospitals adopt standardized communication strategies, along with EFM certification criteria. In the future, the Collaborative will incorporate a perinatal safety “bundle” approach to care that will incorporate both clinical and safety

processes to help effectively standardize care across the region. To enhance communication and learning among collaborating hospitals, GNYHA/UHF will continue to host monthly conference calls that focus on various topics, including the importance of a culture of safety, management of obese patients, SBAR communication, and conducting rapid response practice drills. For more information about the Collaborative, please contact Lorraine Ryan or Terri Straub at GNYHA or visit the Web site at <http://www.gnyha.org/4378/Default.aspx>. ■

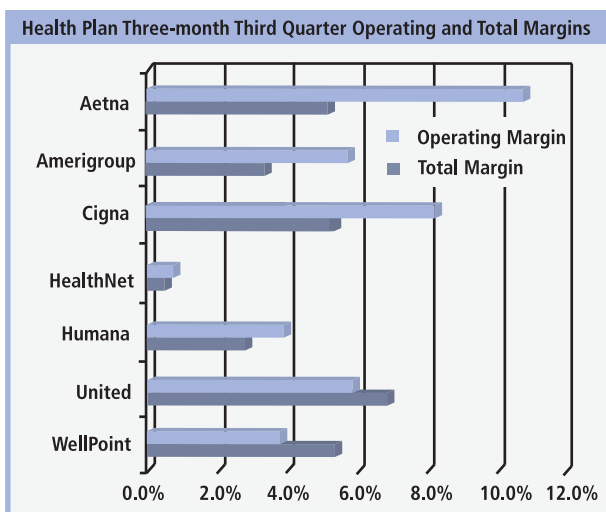
Health Plans Perform Well Nationally Despite Economic Woes

The three-month third quarter financial results of publicly traded national health plans show strong performance and returns despite the national economic downturn. Plans included in the analysis are Aetna, Amerigroup, Cigna, Health Net, Humana, UnitedHealth Group and WellPoint. Operating margins averaged 5.9%, down from 8.7% in prior year third quarter. Aetna reported an 11% operating margin, the largest of the group. Some plans’ investment portfolios were impacted with losses from market failures related to employee pension funds, Lehman Brothers, AIG, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Association (Freddie Mac), but overall investment losses were not much of a factor as total margins (including taxes and investment losses) remained strong, averaging 5.1%, down from 6.7% in the prior year.

Medical cost ratios (MCR) remained fairly steady in aggregate, with a 90 basis point increase from prior year to 81.1%, driven

by the increase in MCR from United (79.5% to 81.7%) and WellPoint (81.8% to 82.5%). Most plans reported an MCR between 80–83%, with Health Net posting the highest at 88%.

All plans expect further realized investment losses in the fourth quarter 2008, but expect earnings to be unaffected. Looking to 2009, Aetna, Amerigroup, and Humana expect good growth in both enrollment and earnings; Cigna, Health Net, and United have projected flat outlooks for 2009; WellPoint did not provide an outlook. ■



DOH Holds Forums on HIV/AIDS Mandatory Managed Care

In preparation for implementation of mandatory managed care enrollment for Medicaid beneficiaries with HIV/AIDS, the New York State Department of Health (DOH) held two listening forums on October 29 and 30, 2008. DOH currently is completing an application to the Centers for Medicare & Medicaid Services (CMS) for a waiver amendment to approve the enrollment requirement.

At the forums, providers and patient advocates urged DOH to conduct extensive, concentrated outreach efforts to all providers, Medicaid recipients, and other community-based organizations well in advance of implementation. Forum participants advised DOH to give all parties involved in the care of Medicaid beneficiaries with HIV/AIDS time to coordinate provider participation and plan selection to avoid interruption of services and to preserve continuity of care—a plan that could help avoid the relatively high auto-assignment rates experienced with New York's implementation of mandatory enrollment of the SSI population.

Since beneficiaries will be able to enroll in mainstream managed care plans in addition to HIV Special Needs Plans (SNPs), forum attendees requested that DOH develop a system to ensure that proper care standards for this population are followed and that necessary services are not inappropriately denied. Forum participants also voiced concerns about the absence of any HIV/SNPs or Designated AIDS Centers (DACs) in Staten Island and related health care access problems.

DOH requested information about any existing, successful provider programs for coordinating treatment of HIV/AIDS patients that may be used as "best practices" and possibly replicated on a large scale. DOH also expressed willingness to train any interested group on the mandatory initiative.

Once DOH submits the waiver application, CMS has 120 days to act, thereby making implementation of mandatory managed care enrollment for Medicaid beneficiaries with HIV/AIDS unlikely to take effect until March or April 2009. ■

GNYHA SERVICES NOVEMBER WEBINARS

This fall, GNYHA Services, Inc. will hold an informational series about suppliers with which we have agreements for products or services are intended to address members' needs. If you have questions or need further information, please contact Barbara A. Green at GNYHA Ventures, Inc.

Versus Technology, Inc.

Date: Tuesday, November 11, 2008

Time: 10:00 a.m. to 11:00 a.m.

This technology company will discuss its tracking solution, VISion™, a real-time location information and tracking system that combines infrared (IR) and radio frequency identification (RFID) to more precisely track assets, patients and staff throughout health care facilities. ■

United Outreach Solutions

Date: Wednesday, November 12, 2008

Time: 2:00 p.m. to 3:00 p.m.

This company will discuss how it develops, launches, implements, and manages laboratory outreach programs for hospitals, providing clinical laboratory testing services to hospital-affiliated physicians, in order to generate significant new revenue for institutions through enhanced utilization of laboratory services. ■

Craneware, Inc.

Date: Tuesday, November 18, 2008

Time: 10:00 a.m. to 11:00 a.m.

This provider of revenue cycle management tools will discuss software that enables hospitals to realize substantial increases in revenue and reduce payment denials and delays by maintaining accurate and up-to-date Charge Description Master (CDM) files. Craneware's tools are used by nearly 20 GNYHA member hospitals and hospital systems and over 900 hospitals nationally. ■

GNYHA BOARD MEETS

The GNYHA Board of Governors met on November 6, 2008, and took the following actions:

- heard a status report of the capital markets from Andrew Garvey, head of Capital Markets at Cain Brothers, who reviewed the crisis in the financial services industry, and its implications for the municipal bond market on which not-for-profit and public institutions depend for capital financing;
- received a post-election briefing, including the Democratic Party gains in the U.S. Senate and House, Democratic gains in the New York and New Jersey Congressional delegations, and the potential for a lame duck session of Congress the week of November 17;
- listened to a report on the New York State Budget, for which the Governor has estimated a \$1.5 billion deficit for the remainder of the 2008-09 fiscal year and a \$12.5 billion deficit for the 2009-10 fiscal year—the largest deficit in dollar terms in State history. The Board was also reminded about the Special Economic Session of the State Legislature, to be held on November 18, during which the Governor has asked the Legislature to cut the current year budget by \$2 billion;
- learned about GNYHA's payer reform priorities, which have the goal of including meaningful payer reforms in the next Executive budget;
- was asked for feedback on GNYHA's medical malpractice insurance cost relief and tort reform activities;
- heard an outline of GNYHA's workplan for issues relating to the State Office of the Medicaid Inspector General (OMIG); and
- received an update on the State's rebasing proposal, including that GNYHA, HANYS, and the Iroquois Healthcare Alliance sent a joint letter to the State's Technical Advisory Committee (TAC) calling for the extension of the TAC and its research function for one more year before enacting rebasing.

Although the GNYHA Board will meet again on December 11, Mr. Raske reminded Board members that GNYHA will host an Emergency Membership Meeting on Thursday, November 13, 2008, and encouraged Board members and their staffs to attend. ■

DOH Announces ECRIP Awards

On November 7, the New York State Department of Health announced the 70 new projects selected to receive funding under the Empire Clinical Research Investigator Program (ECRIP). Each of the 38 teaching institutions awarded funding for these projects will receive \$75,000 per year for one or two years. ECRIP is authorized as part of the State graduate medical education incentive pool program. ■