



February 8, 2010

Skyline news

Reporting on New York's Health Care News

President Issues FY 2011 Budget

Last week, President Barack Obama issued his budget, which outlined the Administration's priorities for the upcoming 2011 Federal fiscal year. As the budget was finalized weeks ago in the midst of health reform's final negotiations (before Massachusetts Republican Scott Brown was elected to fill the late Ted Kennedy's U.S. Senate seat, which ended the Democrat's filibuster-proof, 60-seat majority and significantly shifted political momentum), it was expected that Medicare and Medicaid cuts would not be included—and they were not. Although next steps on health reform legislation remain up in the air, the President's budget did underscore the Administration's commitment to expanding coverage, implementing delivery system changes, and reducing overall costs, but included relatively few provisions affecting hospitals. The provisions are as follows:

- **Deficit Reduction Commission** The budget affirms the President's commitment

to establishing a bipartisan fiscal commission that would be tasked with balancing the budget (excluding interest payments on the debt) by 2015. If broad health reform isn't enacted, it is expected that such a commission's recommendations will focus heavily on the government's largest entitlement programs (i.e., Medicare, Medicaid, and Social Security).

- **FMAP** The budget provides an additional \$25.5 billion to extend for six months the temporary increase to the Federal Medical Assistance Percentage (FMAP) that last year's stimulus package provided. This provision has been included in the House-passed health reform and jobs bills, and is expected to be included in the Senate jobs bill. Senate Majority Leader Harry Reid (D-NV) is set to unveil the jobs bill soon with the hope of Senate passage by the President's Day recess, which starts February 13. It is expected that New York State would receive about \$3 billion of these funds, of which \$1.5 billion would accrue to the State's benefit during the upcoming 2010–11 State fiscal year.
- **Fraud Prevention** The budget provides an increase of \$250 million (for a total of \$561 million in discretionary funding, in addition to the \$1.2 billion in mandatory spending) to strengthen program integrity efforts, with an emphasis on fighting health care fraud in the field. The proposals include increasing Medicaid audits, strengthening program oversight through claims scrutiny, and consolidat-

ing medical review into fewer Medicare Administrative Contractors.

- **Health Information Technology** The budget provides an increase of \$17 million (for a total of \$78 million) for the Office of the National Coordinator for Health Information Technology to ad-

Save the Date

Please reserve the following dates for the GNYHA Annual Meeting and the GNYHA Annual Reception and Awards Ceremony

2010 Annual Meeting
Tuesday, April 20, 2010

2010 Annual Reception and Awards Ceremony
Thursday, May 27, 2010

vance its health information technology (HIT) efforts. There is also a \$4 million increase (for a total of \$32 million) for HIT research within the Agency for Health Research and Quality (AHRQ) to develop and disseminate evidence-based tools to inform stakeholders about how HIT improves quality, safety, and efficiency.

- **Access to Capital** The budget calls for the "Build America Bonds" program to be made permanent, and would expand it (starting in 2011) beyond municipalities to include non-profit hospitals and

continued on page 3

GNYHA President Kenneth Raske explains the Executive Budget at a joint GNYHA/HANYS briefing



Dartmouth Revises Geographic Variation Analysis

Taking its cue from the Medicare Payment Advisory Commission (MedPAC), The Dartmouth Institute has revised its methodology for analyzing geographic variation in Medicare spending per beneficiary. The new approach dramati-

cally changes the Institute's prior assessment that high health service utilization in the metropolitan New York area is the cause of the higher-than-average spending on beneficiaries living in this area. Dartmouth now concurs with findings by MedPAC and GNYHA that

health care utilization in the metropolitan area is below national norms. Its new findings were reported in the paper, "Prices Don't Drive Regional Medicare Spending Variations," which was published January 28, 2010, in the on-line edition of *Health Affairs*.

The paper's title refers to Dartmouth's finding that standardizing Medicare payments by adjustments for regional differences in input prices alone reduces geographic variation, but not significantly. What does significantly reduce variation in Medicare spending per beneficiary is excluding graduate medical education and disproportionate share hospital payments. Excluding these policy payments and standardizing by the hospital wage index and other price adjustments dramatically reduces Medicare spending per beneficiary in all four Hospital Referral Regions (HRRs) in the metropolitan New York area. In fact, the four HRRs in the New York

area are among the 10 regions with the largest downward adjustments in spending per beneficiary, as shown in the accompanying table.

Previously, Dartmouth attributed all regional variation in Medicare spending per beneficiary to differences in utilization and practice patterns. Therefore, its policy recommendations during the national health reform debate centered on payment changes to reduce utilization, including bundled payments and Accountable Care Organizations. Dartmouth's praise for health care organizations that employ their physicians, such as the Mayo Clinic, was the basis for demands by such organizations for higher payments as rewards for greater efficiency. Dartmouth now appreciates that payments for missions that complement patient care also contribute to spending variation. Therefore, one of the conclusions in the new paper is that greater focus on variation in payments adjustment as policy payments, as well as utilization, would "help improve the efficiency and equity of the Medicare program." Therefore, GNYHA anticipates future papers from Dartmouth on Medicare payments for graduate medical education, indigent care, and access to rural providers. ■

Ten Regions with the Largest Decrease in Medicare Spending Per Beneficiary When Variation in Payment Rates Is Excluded to Distill Variation Based Solely on Utilization

Hospital Referral Region (HRR)	Overall Medicare Spending Per Beneficiary		Percent Reduction in Spending Per Beneficiary Values Indicate HRR Was Among 10 with Largest Decrease				
	Unadjusted	Adjusted	Overall	Hospital Inpatient	Hospital Outpatient	Physicians	SNF & Hospice
1. NY–Bronx	\$12,004	\$8,653	-28%	-36%	-17%	-12%	-
2. NY–Manhattan	\$11,744	\$8,861	-25%	-33%	-17%	-13%	-25%
3. CA–Alameda Co.	\$9,251	\$7,094	-23%	-27%	-24%	-16%	-21%
4. CA–San Francisco	\$8,140	\$6,278	-23%	-27%	-22%	-16%	-
5. CA–San Mateo Co.	\$7,878	\$6,104	-23%	-25%	-23%	-20%	-
6. CA–San Jose	\$8,211	\$6,372	-22%	-26%	-22%	-18%	-
7. CA–Contra Costa Co.	\$9,394	\$7,504	-20%	-22%	-20%	-17%	-23%
8. NY–East Long Island	\$10,608	\$8,740	-18%	-	-17%	-12%	-23%
9. AK–Anchorage	\$7,280	\$6,062	-17%	-24%	-	-	-
10. NY–White Plains	\$9,791	\$8,222	-16%	-	-	-	-

Notes: The "Bronx" HRR includes the Bronx and New Rochelle; the "Manhattan" HRR includes Long Beach, Brooklyn, Staten Island, Manhattan, and Long Island City; the "East Long Island" HRR includes Long Island and the rest of Queens; and the "White Plains" HRR includes the rest of Westchester.

Pilot Shows Care Transition Improvements

The Continuing Care Leadership Coalition (CCLC), GNYHA's affiliated long term care provider organization, hosted a discussion February 3 on the lessons learned from INTERACT, a national collaborative focused on reducing unnecessary hospitalizations. INTERACT has standardized tools, including a transfer checklist to assist nursing homes in communicating with emergency room personnel, an Situation-Background-Assessment-Recommendation (S-BAR) form to assist nurses in communicating with other clinicians, an early warning tool for frontline staff, and a series of care pathways to support to clinicians on certain diagnoses.

The initial INTERACT study by the Centers for Medicare & Medicaid Services (CMS) demonstrated a 50% reduction in the overall frequency of unnecessary hospitalizations, as

well as the potential for significant Medicare savings. From July to December 2009, the INTERACT Collaborative implemented a set of evidence-based tools in a pilot group of nursing homes in New York, Massachusetts, and Florida. CCLC assisted the INTERACT team by recruiting interested nursing homes and providing educational sessions for downstate facilities.

During the discussion, CCLC members who participated in INTERACT found that the program was useful in reducing unnecessary hospitalizations and helping providers understand that complex issue. Successful implementation did require a culture change, and keys to success included a motivated champion, executive-level support, frontline nursing buy-in, and good coordination with the primary hospital's emergency room. To learn more and download the tools, please visit the INTERACT Web site, <http://interact.geriou.org/>. ■

Governor's Budget Proposal Expands Doctors Across New York

The State fiscal year (SFY) 2010–11 Executive budget proposal includes a provision that would add additional physicians to be supported under the Doctors Across New York (DANY) program. Under DANY, which was originally autho-

rized as part of the SFY 2008–09 Budget Agreement, physicians are eligible for loan repayment and practice support if the physician agrees to serve in a rural or inner-city underserved area of New York. The funding for both programs is earmarked so one-third is used for New York City and two-thirds must be used for the rest of the State.

The loan repayment program provides eligible physicians with up to \$150,000 in return for five years of service. The practice support program provides eligible physicians with up to \$100,000 for two years of start-up costs. A physician may participate in both programs.

The SFY 2010–11 budget proposal includes an additional \$2.5 million for up to 50 additional physicians to participate in practice support, and \$1 million for up to 50 additional physicians to participate in loan repayment. The budget proposal also includes a provision authorizing the use of \$3.8 million in SFY 2011–12 to support the latter years of the original cohort of physicians participating in DANY. ■

2010 BIG APPLE HEALTH CARE CULINARY CHALLENGE



This week, four GNYHA members are scheduled to compete in the 2010 Big Apple Health Care Culinary Challenge. Chefs from **Memorial Sloan Kettering Cancer Center**, **Kingsbrook Jewish Medical Center**, **NewYork–Presbyterian Hospital/Weill Cornell Medical Center** and **NYU Langone Medical Center** will face off in an *Iron Chef*-style challenge, with ingredients donated by US Food Service.

The event will be Thursday at NewYork–Presbyterian Hospital/Weill Cornell Medical Center at 565 East 68th Street in the Garden Café. It starts at 5:00 p.m. with a “mocktail” hour, with the cooking competition to begin at 6:00 p.m. Admission is free to all Healthcare Food Administrators Association members. Admission for non-members is \$25. ■

Budget *continued*

universities. In general terms, the bonds issued under the program must be taxable, but the Federal government would subsidize part of the interest payment.

- **Physician Payments** The budget includes an adjustment totaling \$371 billion over ten years, which assumes that Medicare physician payments will be frozen at their current levels. However, the budget states, “This adjustment does not signal a specific Administration policy,” but rather reflects how Congress will likely handle the issue based on past years.
- **Health Workforce** The budget provides an increase of \$33 million (for a total of \$995 million) to address the shortage of health care providers in underserved areas (including loan repayment for physicians, nurses, and dentists who practice in medically underserved areas and for nursing school expansions).
- **Comparative Effectiveness** The budget provides an increase of \$208 million (for a

total of \$479 million) to support research on health care cost, quality, effectiveness, and efficiency on six Administration priority areas: “prevention and care management, improving patient safety, achieving greater health value, improving health care through HIT, conducting patient-centered health research, and cross-cutting research on health cost, quality, and outcomes.”

- **NIH** The budget increases funding by \$1 billion (for a total of \$32.2 billion) for the National Institutes of Health.

Earmark Reform The President has outlined core principles for reforming the process that include: projects must have a legitimate public purpose and be subject to public scrutiny; members of Congress must publicly disclose their earmark requests; and any earmark for for-profit companies should be subjected to the same competitive bidding requirements as other Federal contracts. The President will also work with Congress to reduce the overall amount of earmarks, what the budget calls “overuse and abuse.” ■

New York Deficit Worsens

Last week, New York Governor David Paterson announced that the State’s budget deficit for the 2010–11 State fiscal year is projected to increase by an additional \$750 million. That increase is due primarily to lower-than-expected income tax revenues and an increase in the Medicaid caseload, resulting in increased State spending. The projected deficit is now \$8.2 billion, up from \$7.4 billion when the Governor released his Executive Budget on January 19.

However, some in Albany believe the State’s deficit projection will be even higher than Paterson’s latest projection. Statements from New York State Comptroller Thomas Dinapoli, Senate Democratic Conference Leader John Sampson, and Assembly Speaker Sheldon Silver, indicate that they have surmised next year’s projected State deficit will be larger due to much lower-than-expected revenue estimates than what the Governor put forth.

Details on how the Governor will address the increased State deficit will be announced in his constitutionally required “21-day amendments” to the Executive Budget on Tuesday. ■

MedPAC Votes on Payment Recommendations

The Medicare Payment Advisory Commission (MedPAC) met recently to vote on a set of FY 2011 recommendations to include in its annual report to Congress in March. The Commissioners made two specific recommendations concerning hospitals. They recommend Congress increase inpatient and outpatient payment rates by the full market basket, though concurrent with the implementation of a quality incentive program. MedPAC also recommends that Congress should require the Secretary to fully offset increases in inpatient payments due to hospitals' coding and documentation improvements under Medicare severity diagnosis-related groups. MedPAC recommends that the Secretary implement these offsets by reducing inpatient payment rates by the same percentage (though MedPAC specifies the reduction

shouldn't exceed 2 percentage points) starting in 2011 through 2013.

MedPAC recommends the following payment updates to other Medicare providers: 0% update for skilled nursing facilities, inpatient rehabilitation facilities, and long term care hospitals; the hospital market basket update less the Commission's adjustment for productivity growth for hospice providers; the end-stage renal disease market basket update less the Commission's adjustment for productivity growth for dialysis providers; 1% for physicians; and 0.6% for ambulatory surgical centers (concurrent them submitting cost and quality data).

For home health providers, MedPAC recommends a 0% update, but directed the Secretary to rebase their payment rates. In response to concerns that home health pro-

viders might provide "lower quality of care in response to rebasing," MedPAC recommends that the Secretary consider several approaches, including the use of risk corridors and blended payments. MedPAC also recommends that the Secretary identify types of patients who are likely to receive the greatest clinical benefit from home health services and develop appropriate quality measures. Lastly, the Commission recommended that Congress should direct the Secretary to review home health agencies that "exhibit unusual patterns of claims for payment" in an effort to target high-risk areas. ■

In Memoriam: Dr. Burton Grebin

Dr. Burton Grebin, who led St. Mary's Healthcare System for Children for 36 years, died January 24 after a heart attack. As president and chief executive officer of St. Mary's Healthcare System for Children, Dr. Grebin, 68, took a 40-bed center for children and developed it into an entire health care system that serves more than 4,000 children each day. His achievements at St. Mary's include creating the city's first Traumatic Brain Injury and Coma Recovery Program, establishing the state's first home care program for children with HIV/AIDS and their families; and creating the country's first palliative care program for children.

Dr. Grebin grew up in Queens and attended New York Medical College. His residency was at Columbia Presbyterian Medical Center. His career with St. Mary's started in 1975, when he became medical director there. In 1982 he became executive director, and went on to be appointed president and chief executive officer in 1991. A former GNYHA Board member, Dr. Grebin was a true leader whose devotion to children in need and their families redefined compassionate care. His vision, talent, and kindness earned him the respect and admiration of countless peers both in New York and nationally. GNYHA offers condolences to his family, friends, and colleagues. ■

GNYHA MEMBER BRIEFING

NYS Medicaid Ambulatory Patient Groups (APGs) Briefing

Date: Thursday, February 11, 2010

Time: 10:00 a.m.–12:00 noon

Location: GNYHA Conference Center

GNYHA will host a briefing at which the 3M Company will present on recent changes to the New York State Medicaid Ambulatory Patient Groups (APGs) used for outpatient reimbursement. To register for the program, contact Anita Wall at wall@gnyha.org. ■

GNYHA BOARD MEETS

The GNYHA Board of Governors met February 4, 2010, and took the following actions:

- heard a presentation about the impact of the health care cuts and taxes included in the Governor's proposed SFY 2010–11 Executive Budget. In particular, the Board discussed the fact that the estimated deficit for the next fiscal year has grown by \$750 million to \$8.2 billion since the Governor proposed his budget (see story page 3).
- received an update on CMS' proposed rule on "meaningful use" of HIT, including GNYHA's concerns that the criteria are too ambitious in the given adoption timeframe, and that the definitions of "hospital" and "eligible physicians" are too narrow and would disadvantage multi-campus hospital systems and physicians who practice in hospital clinics. GNYHA discussed its ongoing advocacy with CMS and Congress on these issues.
- heard an overview of GNYHA Ventures and its subsidiary companies, including the addition of comprehensive spending management services (focusing on the entire hospital budget, not just supply chain) and the increased diversification of Ventures' group purchasing contracts.
- received an update on Haitian earthquake relief efforts, specifically legal and regulatory issues surrounding the transport of Haitian patients to the U.S. for medical care, which the U.S. Department of Defense is coordinating.

The next meeting of the GNYHA Board is scheduled for March 4, 2010. ■