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Joint Legislative Hearing
February 8, 2012

GREATER NEW YORK HOSPITAL ASSOCIATION

The 2012-13 Executive Budget, Health and Medicaid

Testimony of Kenneth E. Raske
President
Greater New York Hospital Association

Backdrop: Hospital Revenues are Declining

Cuts from Washington

- $155 billion in hospital cuts contained in the health reform law, $13 billion for NYS hospitals
- 2% across-the-board Medicare cut to take effect in January 2013 and every year thereafter through 2021
- More cuts on the table to pay for physician "fix" starting March 1
- President's 2013 budget expected to target teaching hospitals and Medicaid

Private insurers employing more abusive tactics to avoid paying their bills

GNYHA

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The Governor's Budget Continues the Work of the MRT

- The Medicaid Redesign Team effort has been a model for the nation
- Public-private partnership to improve quality, enhance efficiency—and save money for the State of New York
- The Executive budget continues the work of the MRT

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Medicaid Global Cap Continues

Applies to DOH Medicaid Spending Only

4% increase based on the ten-year rolling average of the medical component of the CPI

Permanent feature, passed in last year's budget

Executive Budget extends the ability of the Department of Health to take mid-year actions to remain within the global cap

Through March 31, 2014 (authorization currently expires on March 31, 2013)

Executive Budget phases-in State takeover of local Medicaid cost growth

Over 3 years (the global cap is adjusted for this)

So far this year, spending has remained within the global cap

Medicaid Hospital Cuts Continue Through 2012-13

Continuation of 2011-12 cuts

Elimination of trend factor	2% across-the-board cut	$51M reduction for PPRs and PPCs*

* Potentially preventable readmissions and complications.

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Some Cuts Should be Restored if Spending Remains Under the Cap

- GNYHA supports a "pop-up" in reimbursement rates if spending is substantially under the cap in 2012-13
- Increase rates to align spending with the cap
- Could be achieved through a reduction in the 2% cut or through a trend factor restoration
- Since the Executive Budget assumes spending at the cap, this proposal would be budget-neutral

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Select MRT Recommendations

Payment Reform

- Bad debt and charity care workgroup to make recommendations
- $100M safety-net pool for Medicaid rate enhancements
  - **Essential Community Provider Network (proposals due Feb. 7)**
    - Short-term rate adjustments to achieve a merger, consolidation, or closure
  - **Vital Access Providers (new program)**
    - Ongoing Medicaid rate enhancements needed for financial viability or to preserve access to services not otherwise available

Basic Benefit Review: Focus on Quality

- Eliminate coverage for elective C-sections and inductions performed < 39 wks.
- Limit coverage of angioplasty to patients viewed as appropriate candidates based on nationally recognized guidelines

Select MRT Recommendations (cont.)

Health Disparities

- Reimbursement for cost of language translation services ($2.7M)

Supportive Housing

- $75 M investment in SFY 2012-13
- Reinvest savings from facility closures/ downsizings

Workforce Flexibility

- Primary Care Service Corps
  - Loan repayment program for practitioners practicing in underserved areas of the State
  - Capped at $32,000/year

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Removal of Hospital Management: Executive Budget Provisions

DOH Commissioner *shall* appoint a **temporary operator** when there is a **statement of deficiencies** *and* he/she determines THAT:

There are "**significant management failures**" including *but not limited to*:

- administrative, operational, or clinical deficiencies *or*
- financial instability

THAT:

Seriously endanger the **life, health or safety of patients** *OR* jeopardize **existing or continued access** to **necessary services** within the community

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Removal of Board Members

DOH Commissioner may suspend, limit operating certificates without a hearing ***if***:

- DOH has commenced revocation, suspension, limitation, annulment of op. cert. due to repeated violations of law, rules, or regulations ***or***:
- Any member of the board has been indicted on felony charges ***or***:
- The AG has taken action to remove a board member

DOH Commissioner may limit the operating certificate to **exclude** the board member(s) in question, i.e., operating certificate would apply only **to the rest of the board members.**

If too few board members remain (<3), the operating certificate is to be suspended, unless suspension would harm access, in which case DOH shall appoint **temporary** board members.

Notification of Board Changes

Requirement that hospitals notify DOH of changes in directors 120 days prior to effective date

"...to determine whether [DOH] should bar the change in directors."

GNYHA Concerns

We would like to work with the Executive and Legislature to narrow the language on removal of management and board members

Must be limited to most egregious situations and where the State must step in to bail out a failing, but necessary institution

SUNY Hospitals

SUNY hospitals have higher-than-average costs because of the costs of State collective bargaining agreements

- **SUNY study indicates that the fringe benefits cost differential is approximately 17%**

The State has traditionally provided subsidies to help the hospitals afford this differential

Last year, the Executive budget proposal zeroed out subsidies for SUNY hospitals

- **Thanks to the Legislature, half of the cut was restored, or $60 million**

This year, the Executive budget continues the $60 million subsidy—roughly half the SUNY request of $115 million

GNYHA asks the Legislature to fund the SUNY hospitals at $115 million

Mitigate Cost Drivers

Certificate of Need reform

- Legislature took a good first step last year
  - New law streamlines the process
- Next step: eliminate CON requirements for construction
  - Keep in place for new services, new providers

Medical malpractice

- Creation of the medical indemnity fund last year was a great step forward
- Legislature should consider broadening eligibility for the fund
- Legislature should not pass bills that increase medical malpractice insurance costs