

G R E A T E R
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H O S P I T A L
A S S O C I A T I O N

Joint Legislative Hearing on the
2013-14 Proposed Health Care Budget

The Impact of the Proposed
Budget on the Health Care
Community

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January 30, 2013

Presentation Outline

- 1) Success of the Medicaid Redesign Team
- 2) Hospital Financial Woes Continue
- 3) Impact of Federal Budget Cuts
- 4) Impact of the Executive Budget
- 5) Recommendations

The Governor's Budget Continues the Work of the MRT

The Medicaid Redesign Team effort has been a model for the nation

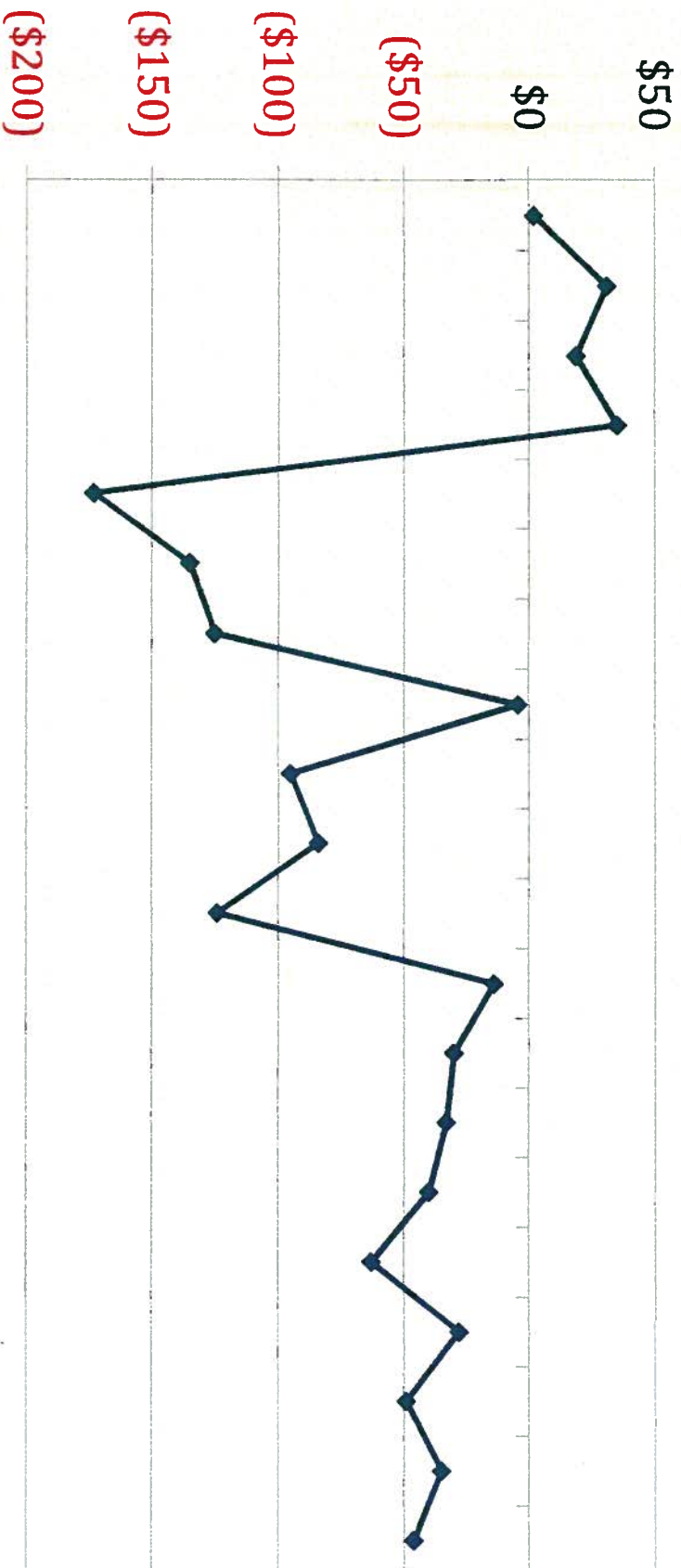
Public-private partnership to improve quality, enhance efficiency—and save money for the State of New York

- Population management and care coordination is the only way to truly reduce costs and enhance quality in the long term

Working together, we have stayed within the Medicaid global cap for 16 months straight, despite enrollment growth

Spending has remained under the Global Cap...

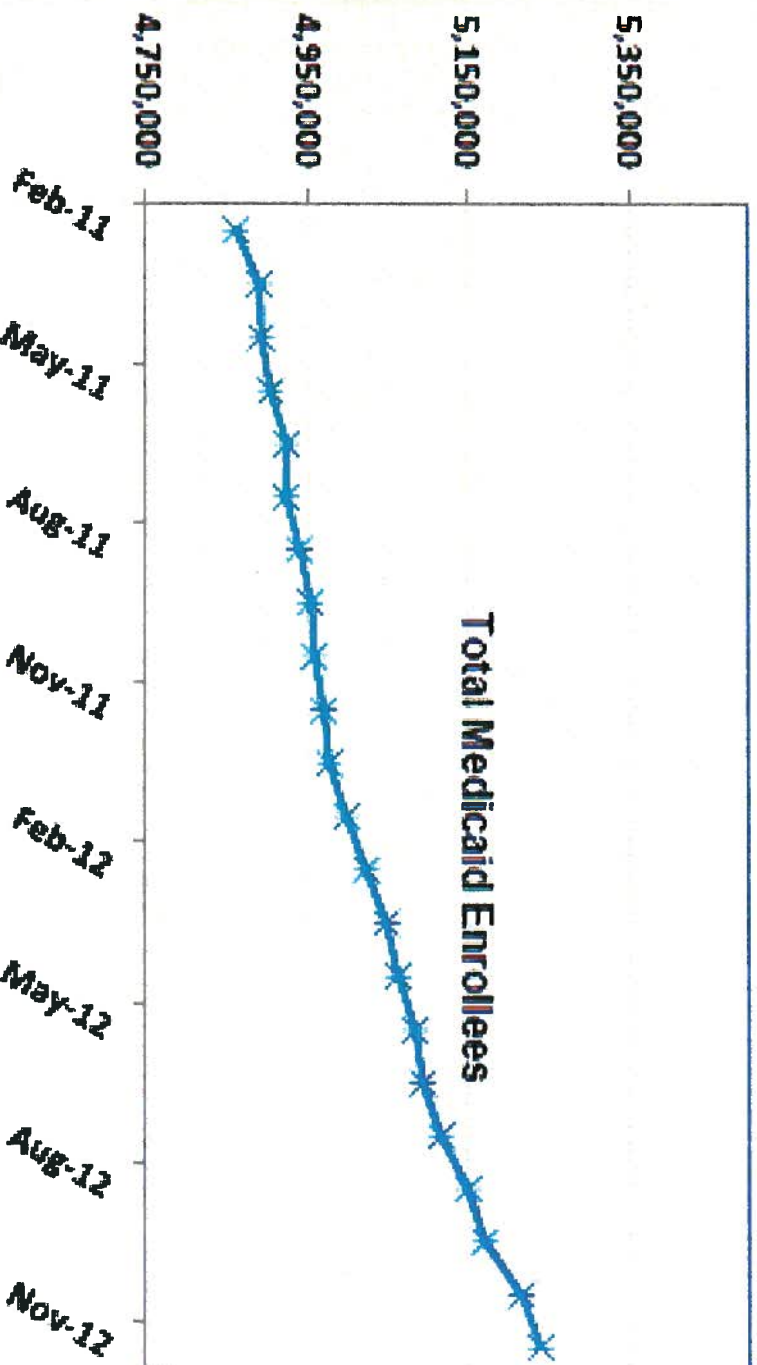
Monthly Cap Variance



Source: NYS Department of Health, Monthly Global Cap Reports, April 2011-November 2012

Despite the fact that enrollment has grown almost 350,000 since the start of the MRT

Medicaid Enrollment

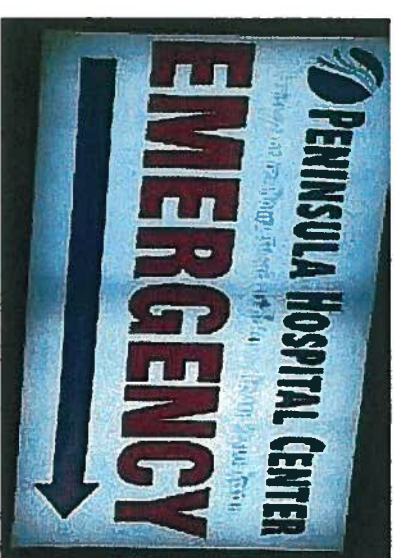


Source: NY's DOH/OHIP Medicaid Enrollment Database
 *Most current four months counts are adjusted by lag factors (3.23%, 1.12%, 0.43% and 0.15%, respectively)

But hospitals are challenged: two more hospitals have closed since last year's budget hearing

Peninsula Hospital closing after long stay in critical condition

--*New York Daily News, March 26, 2012*



Sheehan Hospital sold on auction block

--*WIVB News, November 29, 2012*



These join 29 other hospitals shuttered since 2000...

Many more are cutting staff, while some even declare bankruptcy

Six City Hospitals in Critical Condition

--*New York Post*, 9/5/2011

Westchester Medical Center Lays Off 125
Employees

--*Becker's Hospital Review*, 8/8/2012

Sound Shore, Mount Vernon Hospitals in New
York Lay Off 80 Employees

--*Becker's Hospital Review*, 8/17/2012

Hospital Announces Layoffs

--*WAMC Radio*, 11/7/2012

Crouse Hospital Announces Another Round of Layoffs

--*Central NY YNN*, 11/8/2012

Interfaith Medical Center files for bankruptcy protection

--*WABC News*, 12/3/2012

Glens Falls Hospital announces layoffs

--*Post Star*, 11/13/2012

Ogdensburg hospital announces layoffs

--*Watertown Daily Times*, 12/4/2012

Adirondack Health Adds to String of Hospital Layoffs

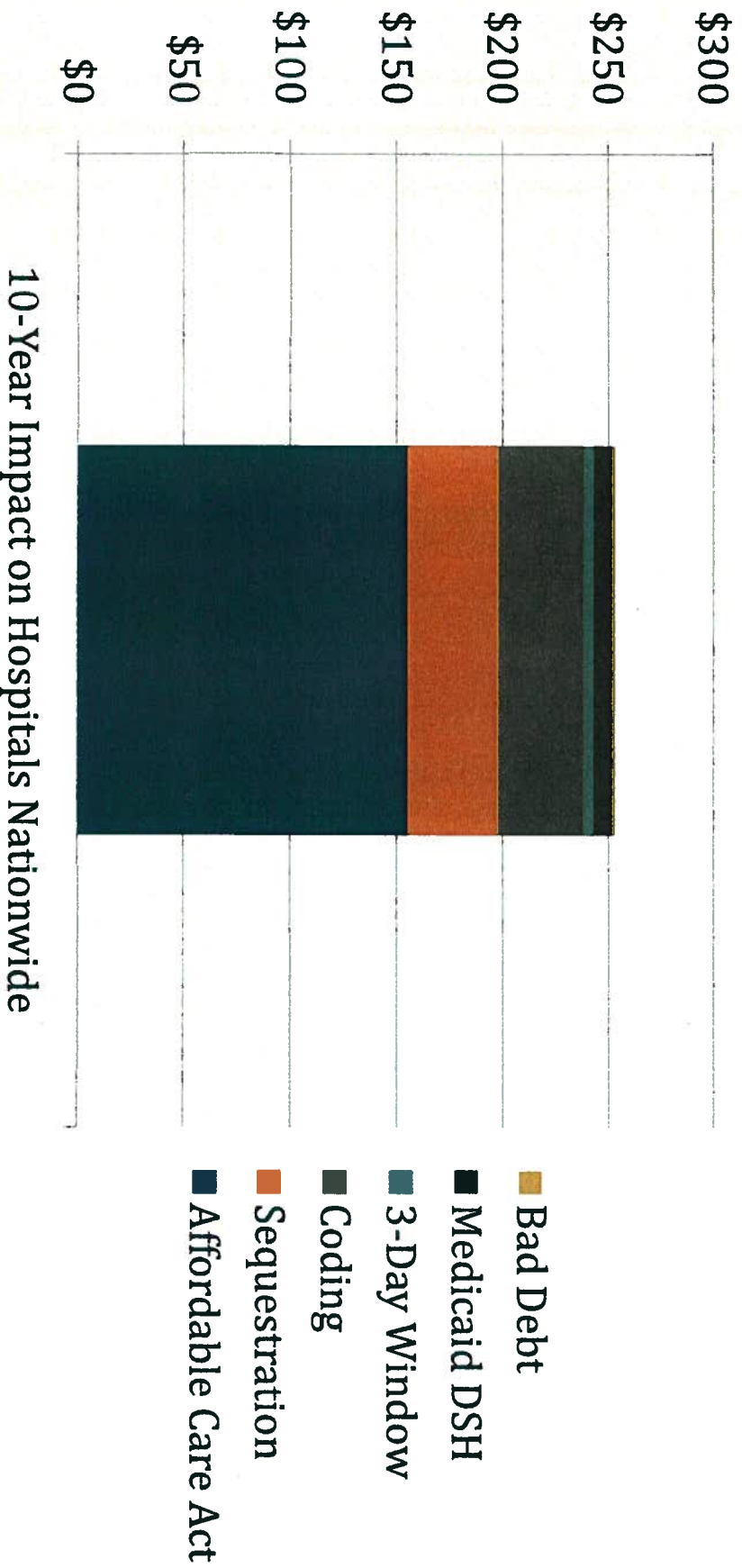
--*North Country Public Radio*, 12/10/2012

Audit Finds SUNY Downstate in Dire Fiscal Straits

--*New York Times*, 1/17/2013



The Federal Government has enacted \$250 billion in hospital cuts since 2010



Source: American Hospital Association

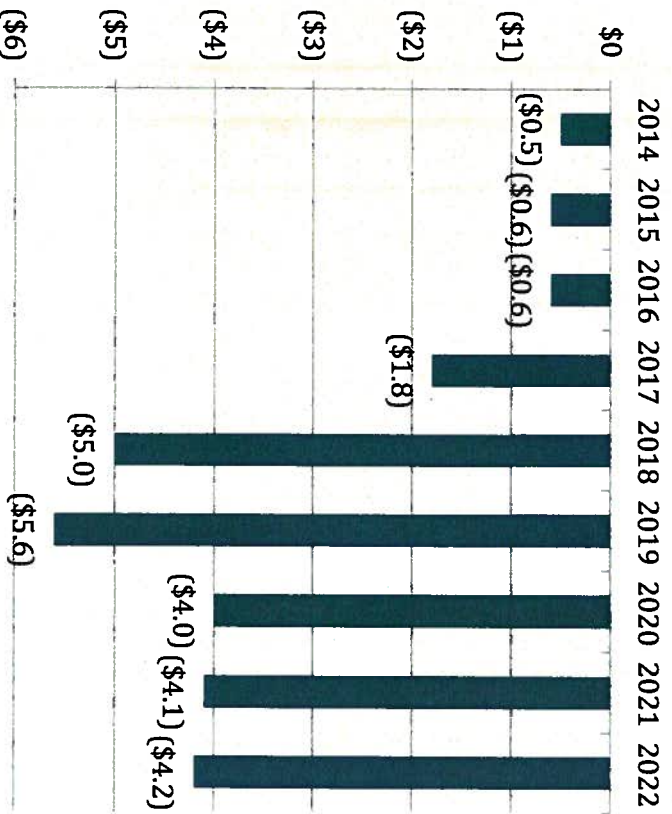
And major Federal cuts kick in later this year

- Sequestration cuts begin April 1, 2013
- *2% cut in Medicare payments every year for 9 years*
- “Fiscal Cliff Cuts:” \$1.3 billion in New York State
- *Further 2.4% cut in Medicare rates for 4 years*
- Medicare and Medicaid Disproportionate Share Hospital (DSH) cuts start in October
- *These will hit safety net providers particularly hard*

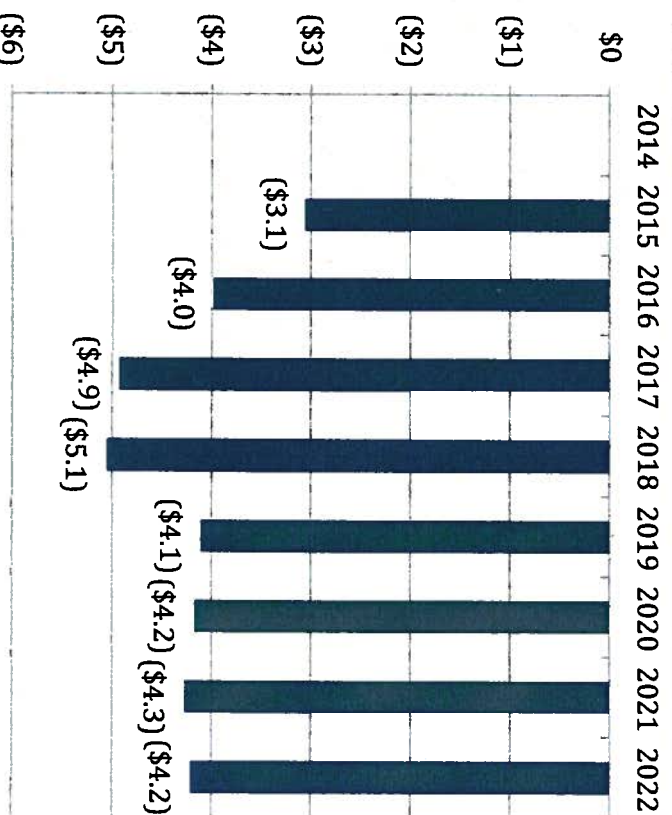
In addition to ongoing cuts in Medicare inflation updates under the Affordable Care Act:

Medicare and Medicaid DSH Cuts (\$ in Billions)

Medicaid DSH

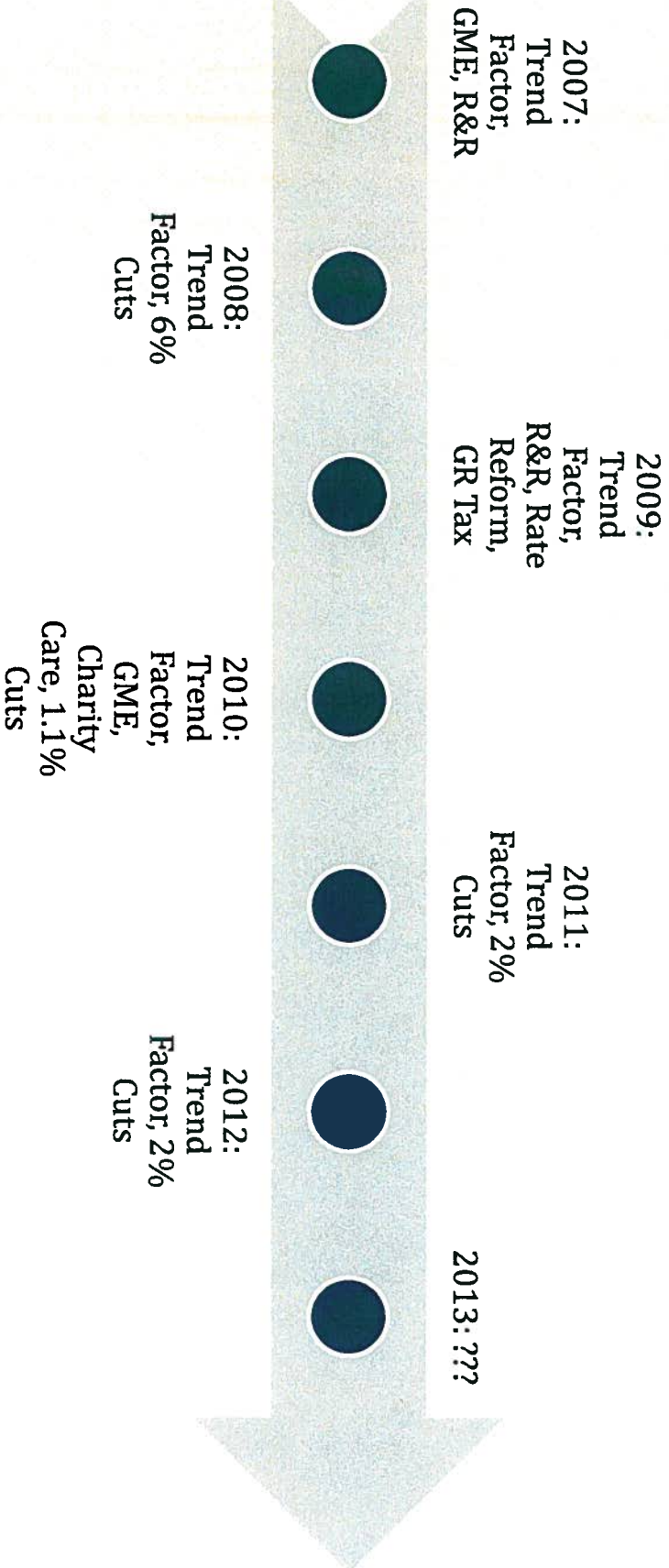


Medicare DSH



Source: Medicare savings are GNYHA estimates based on Congressional Budget Office estimates of the decline in the non-elderly uninsured rate; Medicaid cuts are specified in statute.

State Cuts Have Taken a Toll As Well



And the Executive Budget proposes extending expiring cuts and taxes

Permanently eliminates provider trend factors (inflation updates)

Extends for 2 years 2% Medicaid payment cuts (hospitals, home health)

Permanently extends the 0.8% nursing home tax increase

- *All of these expire on March 31, 2013 under current law*

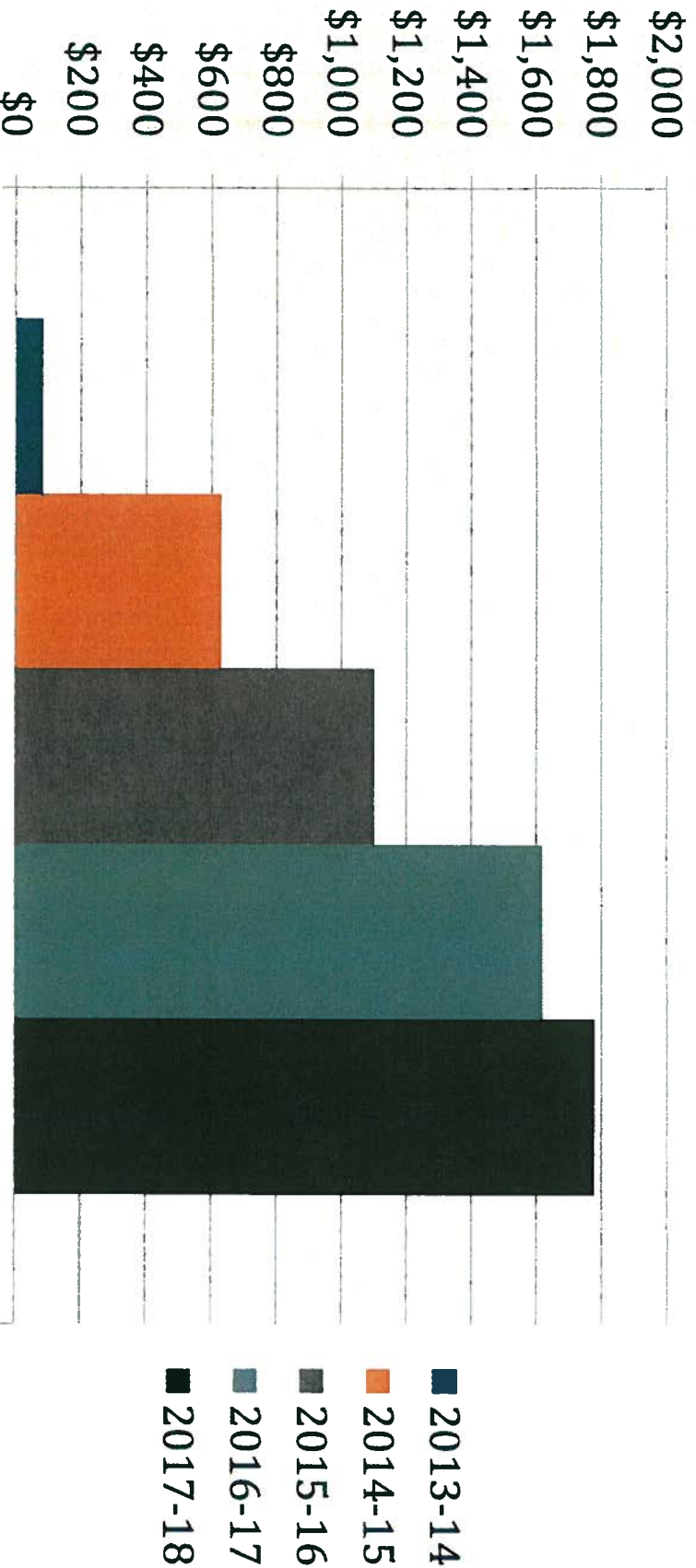
Why cut struggling providers when new Federal money is coming in?

Affordable Care Act (ACA) provisions will lower State Medicaid spending starting January 1, 2014

- Enhanced Federal matching rates for many current enrollees
- *State spending will be substituted for Federal spending*
- Transfer of many Family Health Plus, Healthy NY enrollees to Health Insurance Exchange
- *Exchange coverage subsidies are 100% Federally funded*
- DOB estimates \$83 m in “benefit” from January 1, 2014 – March 31, 2014
- *Executive Budget dedicates \$43 m of this “benefit” to help stay within the Medicaid global cap*
- *Remainder (\$40 m) goes to public health programs—outside of the Medicaid program*

New Federal dollars should stay in the Medicaid Program

(\$ in millions)



Net State Budget Benefit of ACA (DOB Estimates)

Money should be used to recognize unreimbursed costs from the past, restore the proposed 2% cuts, provide trend factors or other payments to ensure actuarial soundness, and increase funding for Vital Access Providers

Executive Budget Also Reforms the Charity Care Pool

The ACA targets Medicaid DSH cuts more heavily on some states

- Including states that do not adequately target Medicaid DSH funds toward high Medicaid, uninsured hospitals
 - *This analysis will be conducted excluding reimbursements for bad debt*
- Our current charity care pool reimburses for bad debt
- The Executive proposes a reform that eliminates bad debt from the calculation
- Critically, it provides a 3-year “stop loss” provision so hospital losses due to redistributions are less devastating
- ***A 3-year “stop loss” provision, as proposed by the Executive, is critical given all of the other cuts slamming the hospitals***
- ***Anything less will seriously destabilize many hospitals***

Conclusion and Recommendations

Hospitals are struggling across the State

New Federal funds from the Affordable Care Act should be dedicated to investments in the health care provider community and to improving Medicaid payment rates

- Recognize unreimbursed costs from the past
- Provide trend factor updates for providers or other payments to ensure the actuarial soundness of payment rates, including for providers operating in a managed care environment
- Restore the proposed 2% cuts, eliminate continuation of nursing home tax increase
- Create additional funding for Vital Access Providers

Charity Care reform must include a limitation on losses due to redistributions, or the redistributions, on top of Federal funding cuts, will be devastating