

**SAVE HEALTH CARE JOBS**

**PROTECT HEALTH CARE SERVICES**

# **2010-2011 STATE BUDGET PROPOSAL**

## **OVERVIEW AND KEY MESSAGES**



Healthcare Association  
of New York State

**HEALTH CARE LEADERSHIP ADVOCACY DAY**

**March 3, 2010**

**Empire State Plaza Convention Center**

# HEALTH CARE LEADERSHIP ADVOCACY DAY

March 3, 2010

## TODAY'S PROGRAM

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**8 a.m. – Noon**

### **REGISTRATION**

**8:30 a.m. – Noon**

### **INDIVIDUAL/GROUP MEETINGS WITH LEGISLATORS**

**12:15 – 2:30 p.m.**

### **LEADERSHIP ADVOCACY LUNCHEON/SPEAKERS**

*Opening Remarks:*

**DANIEL SISTO, HANYS' President**

**JOSEPH QUAGLIATA, HANYS' Board of Trustees Chairman  
President and Chief Executive Officer,  
South Nassau Communities Hospital**

**SARAH SCHERMERHORN, HTNYS' Governing Board Chair  
Treasurer, Ellis Medicine**

### **HEAR FROM YOUR STATE LEADERS**

# WHAT'S AT STAKE

## FACILITY-SPECIFIC ECONOMIC IMPACT

(Locate the impact to your individual facility on the tables provided and share these numbers with your Legislators.)

### JOBS YOUR FACILITY PROVIDES:

### ECONOMIC BENEFIT PROVIDED TO YOUR COMMUNITY:

\$

### IMPACT TO YOUR FACILITY OF PROPOSED 2010-2011 BUDGET:

(\$ )

## MESSAGE POINTS

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- Due to the cumulative impact of six prior budget actions over the last two years, many facilities have already been forced to cut jobs, eliminate services, and negotiate higher rates from private insurers. Additional taxes and cuts will mean more of the same.
- In the last ten years alone, 51 nursing homes and 29 hospitals have closed in New York State, resulting in thousands of lost jobs and eliminating access to critical health care services.
- Facilities across New York are reaching a financial tipping point, imperiling the entire health care delivery system.
- St. Vincent's Midtown Hospital, Caritas Health Care, and several other recent closures are the tip of the iceberg. These events should be perceived as a "canary in the coal mine," a warning of things to come for New York's health care safety net.
- Health care providers employ hundreds of thousands of New Yorkers and pump billions of dollars into the state's economy.

- Health care providers are the anchors and economic engines of our communities.
- We remain dedicated to our mission to improve the health of all New Yorkers; however, it is unreasonable to expect providers to assume full responsibility for maintaining the health care safety net.

### YOUR FACILITY-SPECIFIC WORKSHEET

**Additional Services and Benefits:**

*Please describe important services you provide in your community. Examples include community cancer screenings, dental vans, blood drives, heart health clinics, maternity classes, etc.*

**Actions Taken to Cope:**

*Discuss any strategies your facility has been forced to implement to cope with repeated, disruptive annual and mid-year budget actions, including: job cuts; eliminated positions; hiring freezes; wage freezes; scaled back or eliminated health care services; eliminated community services and outreach programs; postponed, scaled back, or eliminated capital expansion projects; or delayed, scaled back, or eliminated introduction of new services.*

**Actions I Will Have to Take:**

*List jobs, services, or projects that may be affected by provider taxes and budget cuts. Explain that this is the choice you will be forced to make. If your facility is not planning to cut jobs or services, please highlight new services or capital projects you would like to start but are unable to. Example: "I'd like to add a new cancer treatment center that would treat 2,000 patients each year, bring 30 jobs to our community, and add \$5 million to the local economy. These taxes and cuts make it impossible."*

# IMPACT OF HEALTH CARE PROVIDER TAXES AND CUTS

**STATEWIDE IMPACT OF LAST SIX BUDGET ACTIONS:  
(\$4,400,000,000)**

**STATEWIDE IMPACT OF PROPOSED 2010-2011 BUDGET:  
(\$891,000,000)**

## **SUMMARY MESSAGE POINTS**

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- The Governor's proposals compound the losses of six prior budget actions since 2008 that disproportionately affected hospitals, nursing homes, and home care providers.
- A tax on hospitals, nursing homes, and home care providers is a tax; it cannot be camouflaged by calling it an assessment. Taxes on non-profit and public providers should be opposed.
- A \$187 million cut to the indigent care pool is a 20% cut to the poorest and neediest communities at a time when hospital uncompensated care is increasing as the weak economy leaves more people uninsured—this funding needs to be restored.
- The proposal to penalize hospitals for potentially preventable readmissions is based on an undeveloped methodology and would not take into account the unique difficulties associated with serving behavioral health/substance abuse populations. This proposal is premature, and a clinically sound, more targeted proposal needs to be developed for future implementation.

- Nursing home rebasing should be allowed to continue. Regional pricing would significantly hurt many nursing homes, particularly public nursing homes, hospital-based nursing homes, and other large and small safety net providers. The proposed 11-month delay in regional pricing is insufficient; regional pricing should be put off indefinitely.
- Efforts should be undertaken to thoughtfully implement care coordination policies in home care settings.
- It is premature to redesign home care reimbursement to a prospective payment system (PPS).
- Any enhanced Federal Medical Assistance Percentage (FMAP) funds should be used to offset health care provider taxes and cuts.

## LEGISLATIVE ACTION NEEDED

- Dedicate a portion of the \$1.5 billion in anticipated new federal FMAP funding to eliminate health care cuts and provider taxes.
  - President Obama's budget includes extending enhanced FMAP funding to states. It will provide \$1.06 billion in state fiscal year (SFY) 2010-2011 to New York.
  - Last week, federal Health and Human Services (HHS) Secretary Kathleen Sebelius announced additional federal relief for states by reducing the amount states would otherwise have to pay to Medicare. This will provide \$407.8 million in SFY 2010-2011 to New York.
- Reject proposed gross receipts tax (GRT) increases.
- Reject proposed indigent care cuts.
- Reaffirm the commitment to the New York City Health and Hospitals Corporation (NYC HHC) for at least the current level of Disproportionate Share Hospital (DSH) indigent care funding.
- Establish a workgroup to develop a clinically sound, more targeted readmissions proposal for future implementation.
- Continue nursing home rebasing; delay regional pricing indefinitely, and restore legislative authority over future changes.
- Defer action on the proposed home care PPS reimbursement change.
- Improve care coordination in community-based settings.
- Develop and implement real reforms that improve the delivery of care and reduce costs.

# ENHANCED FMAP

## LEGISLATIVE ACTION NEEDED

- Dedicate a portion of the \$1.5 billion in anticipated new federal FMAP funding to eliminate health care provider taxes and cuts.

## MESSAGE POINTS

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- Dedicate a portion of the \$1.5 billion in anticipated new federal FMAP funding to eliminate health care cuts and provider taxes.
  - President Obama's budget includes extending enhanced FMAP funding to states. It will provide \$1.06 billion to New York in SFY 2010-2011.
  - Last week, federal HHS Secretary Sebelius announced additional federal relief for states by reducing the amount states would otherwise have to pay to Medicare. This will provide \$407.8 million in SFY 2010-2011 to New York.
- These federal health care funds—totaling \$1.5 billion—should be used to offset the Governor's proposed taxes and cuts to hospitals, nursing homes, and home care providers.

# HOSPITAL IMPACT OF PROPOSED TAXES AND CUTS

**STATEWIDE HOSPITAL IMPACT OF LAST SIX BUDGET ACTIONS:  
\$2,100,000,000**

**Your hospital-specific impact of  
proposed 2010-2011 budget:**

## **LEGISLATIVE ACTION NEEDED**

- Reject all indigent care cuts.
- Reject the GRT increase.
- Establish a workgroup to develop a clinically sound, more targeted readmissions proposal for future implementation.
- Restore the trend factor.

## **MESSAGE POINTS**

- The Governor's current proposal is compounded by the cumulative impact of six prior state budget actions since April 2008.
- Legislators must look at the state budget in the context of the federal budget—health reform notwithstanding, the federal government is likely to target reductions through cuts to Medicare and Medicaid.
- Health care providers have already contributed more than any other sector; additional taxes and cuts will have negative, real-life implications for communities around the state.
- The additional burden of these latest taxes and cuts will force hospitals to eliminate more jobs and services, or seek higher reimbursement from private insurers, who will, in turn, shift the costs to consumers and businesses.
- FMAP funds must reach their intended target and be used to fully eliminate health care cuts and provider taxes.

# GROSS RECEIPTS TAX INCREASE

## LEGISLATIVE ACTION NEEDED

- Reject the GRT increase.

## MESSAGE POINTS

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- The Governor's proposal more than doubles the GRT on hospitals and significantly increases the tax on nursing homes and home care providers at a time when they are already struggling to remain afloat.
- A tax on hospitals and other providers is a tax; it cannot be camouflaged by calling it an assessment.
- The additional tax burden will force providers to negotiate higher reimbursement from private insurers, who will, in turn, pass on the costs to consumers and businesses. The business community is increasingly recognizing this cost-shift to the private sector.
- We oppose taxes on not-for-profit health care providers, which will further weaken the already fragile health care safety net, particularly at a time when providers have little or no access to capital, uncompensated care costs are skyrocketing, reimbursement rates are falling, and the federal government is requiring investment in health information technology and other aspects of health care reform.

# INDIGENT CARE CUTS

## LEGISLATIVE ACTION NEEDED

- Reject all indigent care cuts.
- Reaffirm the commitment to the NYC HHC for at least the current level of indigent care funding (DSH).

## MESSAGE POINTS

- With the economic recession resulting in record levels of unemployment, now is not the time to cut indigent care funding and further weaken the already fragile health care safety net for New York's most vulnerable populations.
- This cut would undermine already fragile urban safety net hospitals and would substantially reduce support for rural hospitals to assure access to care in rural areas.
- This cut serves no policy goal. In fact, in recent statements on federal health reform proposals, the Governor has opposed reductions in Medicaid funding for indigent care (DSH payments).
- There is a hidden cut in indigent care (DSH) funding potentially worth hundreds of millions of dollars to the NYC HHC—a public provider of an extraordinary volume of uncompensated care to low income, uninsured populations.
- We remain dedicated to our mission to improve the health of all New Yorkers; however, it is unreasonable to expect providers to assume full responsibility for maintaining the health care safety net.

# READMISSIONS POLICY

## LEGISLATIVE ACTION NEEDED

- Establish a workgroup to develop a clinically sound, more targeted proposal for future implementation.

## MESSAGE POINTS

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- The proposal to penalize hospitals for potentially preventable readmissions is based on an undeveloped methodology that fails to account for clinical principles.
- It does not account for the unique difficulties associated with serving behavioral health/substance abuse populations, which account for more than 80% of the target population.

# NURSING HOME IMPACT OF PROPOSED TAXES AND CUTS

**STATEWIDE NURSING HOME IMPACT OF LAST FIVE  
BUDGET ACTIONS: \$1,592,000,000**

**Your facility-specific impact of  
proposed 2010-2011 budget:**

## **LEGISLATIVE ACTION NEEDED**

- Continue nursing home rebasing; delay regional pricing indefinitely and restore legislative authority over future changes.
- Reject the GRT increase.
- Restore bed-hold payments.
- Reject limits on rate appeals.
- Restore the trend factor.

## **MESSAGE POINTS**

- As currently conceived, regional pricing is entirely redistributive—it does nothing to deal with the state's fiscal problems.
- Regional pricing would significantly hurt public nursing homes, hospital-based nursing homes, and other large and small safety net providers.

# HOME CARE PROVIDER IMPACT OF PROPOSED TAXES AND CUTS

**STATEWIDE HOME CARE PROVIDER IMPACT OF LAST FIVE  
BUDGET ACTIONS: \$684,000,000**

**Your facility-specific impact of  
proposed 2010-2011 budget:**

## **LEGISLATIVE ACTION NEEDED**

- Reject the GRT increase.
- Encourage efforts to enhance care coordination in community-based settings.
- Reject the proposal to establish a PPS reimbursement model in two years and use the time to develop a more appropriate proposal that preserves legislative authority.
- Restore the trend factor.

## **MESSAGE POINTS**

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- Thoughtfully implement care coordination policies for high-cost populations to ensure appropriate care in community-based settings.
- The Home Care Reimbursement Workgroup should continue its deliberations as far-reaching issues remain outstanding in the state's proposal to change from a fee-for-service structure to a PPS for home care.

# MULTIPLIER EFFECT OF MEDICAID CUTS

## LEGISLATIVE ACTION NEEDED

- Reject Medicaid cuts.
- Dedicate a portion of the \$1.5 billion in anticipated new federal FMAP funding to eliminate health care cuts and provider taxes.

## MESSAGE POINTS

- The Governor's proposals compound the impact of six prior budget actions and would add nearly \$1 billion (provider impact) to the already \$1.8 billion per year in previously enacted taxes and cuts to hospitals, nursing homes, and home care providers.
- For every dollar the state saves by cutting Medicaid funding, providers must give up more than two.
- Increased federal funding is sufficient to prevent damaging state taxes and budget cuts.

### Impact on Providers (Fully implemented):

	<u>Provider Impact</u>
Hospitals	\$539,000,000
Nursing Homes	\$256,000,000
Home Care	<u>\$179,000,000</u>
Total	\$974,000,000

# MEDICAID SPENDING GROWTH

## Average Annual Spending Growth from 2000 to 2008:

Statewide	6.4%
Hospitals	4.3%
Nursing Homes	4.0%

## LEGISLATIVE ACTION NEEDED

- Develop long-term solutions to more effectively manage care and spending for high-cost beneficiaries.

## MESSAGE POINTS

- Increases in Medicaid spending are driven largely by significant growth of Medicaid utilization and enrollment, and less by Medicaid reimbursement rates.
- Commendable policy decisions to cover the uninsured cause New York's Medicaid expenditures to be higher than other states.
- One in five New Yorkers is covered by Medicaid, Child Health Plus, or Family Health Plus; 40% more than the national average.
- A relatively small group of high-cost beneficiaries is responsible for the majority of Medicaid expenditures.

<u>Category</u>	<u>Beneficiary Population</u>	<u>Expenditures</u>
Long-term care	400,000	\$23B
High-cost	450,000	\$9B
Low-cost	4,000,000	\$7B

# TREND FACTOR CUT

## LEGISLATIVE ACTION NEEDED

- Fully restore the 2010 trend factor.

## MESSAGE POINTS

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- Each year the trend factor is eliminated, reimbursement loses ground to inflation.
- The last full trend factor adjustment was in 2005.
- Health care providers have very little control of major cost drivers—e.g., labor, supplies, and insurance—which are closely linked to inflation.

# SMARTER REVENUE OPTIONS

## MESSAGE POINTS

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- Use a portion of enhanced FMAP funding to fully eliminate health care cuts and provider taxes.
- We oppose taxes on not-for-profit health care providers, which will further weaken the already fragile health care safety net, particularly at a time when providers have little or no access to capital, uncompensated care costs are skyrocketing, reimbursement rates are falling, and the federal government is requiring investment in health information technology and other aspects of health care reform.
- Excise taxes on tobacco and sweetened beverages would improve public health and reduce long-term health care expenditures.
- If a tax is deemed necessary, expand Health Care Reform Act (HCRA) surcharges on health insurers that diverted billions in profits to out-of-state corporate parents last year in the midst of New York State's budget crisis.

## **LEGISLATIVE ACTION NEEDED**

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This is a revenue-driven deficit; therefore the Legislature should:

- Dedicate a portion of the \$1.5 billion in anticipated new federal FMAP funding to eliminate health care cuts and provider taxes.
  - President Obama's budget includes extending enhanced FMAP funding to states. This will provide \$1.06 billion to New York in SFY 2010-2011.
  - Last week, federal HHS Secretary Sebelius announced additional federal relief for states by reducing the amount states would otherwise have to pay to Medicare. This will provide \$407.8 million to New York in SFY 2010-2011.
- Authorize an excise tax on tobacco and sweetened beverages, to generate \$650 million in SFY 2010-2011 and \$1.175 billion in SFY 2011-2012.
- Expand HCRA surcharges on health insurers.
- Impose a HCRA surcharge on select services covered by third-party payers in physician offices.

# REAL REFORM

## MESSAGE POINTS

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- New York State has an opportunity to truly reform health care to improve the delivery of care and reduce costs.
- To date, many of the state's reform efforts have been complex, overly disruptive, and costly. Hundreds of millions of dollars have been redistributed among hospitals as a result of inpatient, outpatient, and indigent care payment "reforms" in the past two years.

## LEGISLATIVE ACTION NEEDED

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- Develop and implement REAL reform with measurable results:
  - Meaningful Certificate of Need reform
  - Medical malpractice reform
  - Better models of care
  - Ease regulatory burden on health care providers
  - More reasonable Office of the Medicaid Inspector General protocols
  - Managed care reform
  - Strategies to address workforce shortages
  - Access to capital
  - Clinical integration
  - Chronic care management and coordination

