



Healthcare Association  
of New York State

FOR IMMEDIATE RELEASE  
March 10, 2009

FOR MORE INFORMATION  
WILLIAM VAN SLYKE  
(518) 431-7770

**HANYS' REPORT HIGHLIGHTS CRITICAL NEED FOR PRIMARY CARE; SHOWS  
HOSPITALS AS LEADERS IN PROVIDING PREVENTIVE CARE SERVICES**

**REFUTES STATE'S PLAN TO CUT INPATIENT CARE TO FUND OUTPATIENT GAINS**

**Both Inpatient and Outpatient Care are Underfunded by the State and Deserve  
Infusion from Medicaid Stimulus Package**

ALBANY, N.Y. — Continuing its more-than-decade-long call for increased funding for primary care services, HANYS today issued a report highlighting both the critical need for primary care services and hospitals' longstanding efforts to support the spectrum of primary care providers, including physicians, community-based clinics, and hospital outpatient services.

New York's hospitals are major providers of primary care, handling more than 44 million outpatient encounters every year, compared to 2.6 million inpatient hospital admissions.

The report, *Expanding Access, Improving Outcomes: The Essential Role of Primary Care*, follows a proposal by the Paterson Administration to increase primary care funding by dramatically cutting essential hospital inpatient care. *Expanding Access* is available at <http://www.hanys.org> under "Reports."

"HANYS welcomes the recent support of state policymakers for enhancing primary care," said Association President Daniel Sisto. "After 17 years of frozen Medicaid rates for our clinics and emergency rooms, we supported the Spitzer and Paterson Administration's 2007 positive response to our continuing call for investing in primary care. We also support Governor Paterson's proposal for additional primary care funding as part of this year's budget.

"What we do not support, however, is taking money from the acute care (inpatient) services we provide today to finance these primary care needs, especially now, when billions of dollars in Medicaid funding is available from Washington D.C.," Mr. Sisto said.

"HANYS agrees that investing in primary care should reduce hospitalizations in future years, saving Medicaid funds. We object to the Paterson Administration's plan to reduce payment for current patient services to fund primary care, while using the new federal Medicaid money for other, non-health care purposes.

"The Governor and his representatives repeatedly refer to their plan as an 'investment.' However, given that most hospitals will see an overall reduction in Medicaid funding as a result of the entire budget proposal, that term is misused and simply not true," Mr. Sisto said.

"It is not an investment, but a manipulation to tell freestanding clinics and physicians that the only way they can get the funds they desperately need is to applaud cuts to hospitals. In fact, this blatant attempt

to divide those of us who provide primary care by pretending the existing hospital system can fund everyone's needs is little more than a shell game."

### **Major Findings of *Expanding Access, Improving Outcomes***

#### **A Growing Need for Primary Care and Primary Care Practitioners**

More than 4.4 million of New York's citizens rely on the Medicaid program for their health services. The current economic recession will force those numbers to grow. In fact, New York State projects growth in coverage and enrollment in the 2009-2010 fiscal year will create a 4.6% increase in costs to the Medicaid system.

#### **Hospitals are Major Providers of Outpatient/Primary Care**

Hospitals are major providers of outpatient care in New York State. The volume of hospital outpatient visits outweighs inpatient admissions nearly 17-fold. Hospitals in under-served urban and rural areas of the state are often the only source of primary care to the communities they serve. These hospitals are the hubs for health care services and form the safety net for those communities. Although in many cases those hospitals are the sole providers of care for Medicaid beneficiaries and uninsured patients, they face the toughest challenges in recruiting practitioners.

#### **Cuts to Hospital Reimbursement Undermine Primary Care**

Governor Paterson proposes to cut hospital inpatient reimbursement and shift only a portion of those funds to pay for outpatient services. Hospitals have been forced for many years to subsidize outpatient service losses by taking revenue from more lucrative service areas and funneling it into outpatient services. By reducing inpatient reimbursement, the Governor's proposed budget would significantly reduce the total amount of funds available to support outpatient services, resulting in the curtailment, not expansion, of outpatient services.

Moreover, the Governor's proposal assumes that investment in outpatient care will reduce the need for inpatient care. However, it will take years for this to occur. The level of inpatient services must be maintained to meet current needs, and primary care practitioners must be developed, recruited, and retained.

#### **Funding is Now Available to Properly Fund Inpatient and Outpatient Care**

The increase in Medicaid funds from Washington must be used to offset the Governor's proposed Medicaid cuts and taxes on health care providers and to make the needed investments in the health care system. The amount of federal relief available is many times the amount needed to reject all of the Governor's proposed cuts, taxes, and redistributions of funding on health care providers. To improve access to primary care in New York, the state must take advantage of the opportunity provided by the federal Medicaid stimulus funding. These federal funds should be used to continue to support those efforts and to provide adequate reimbursement needed to properly reform outpatient service payment to allow it to thrive and grow to meet increasing primary care needs.

### **Findings of Other Recent Reports and Analyses**

#### **Hospital Finances Have Crashed with the Economy**

According to a statewide financial performance survey by HANYS and Greater New York Hospital Association (GNYHA), the average total margin for New York hospitals in 2008 was -2.2%, a staggering decline of more than six percentage points from the same facilities in 2007.

The survey results are available in a March 3 press release on HANYS' Web site at [http://www.hanys.org/communications/pr/all\\_press\\_releases.cfm](http://www.hanys.org/communications/pr/all_press_releases.cfm).

## **State Policy, Not Provider Costs, Account for the Bulk of Medicaid Spending Increases**

Another recent HANYS report, *A Closer Look at New York State's Medicaid Program: Patients, Providers, and Policy Choices*, refutes misconceptions about Medicaid and offers a comparison between New York's program and other states. *A Closer Look* is available at <http://www.hanys.org>.

The report also debunks a common misconception, showing that government policy, far more than provider costs, drives Medicaid spending increases. In fact, just 2.1% of a projected 21% Medicaid spending increase for 2009 stems from provider costs. The biggest driver was government decisions and actions. According to the state's own analysis, the bulk of the cost increase can be attributed to the following:

- 2.7% is due to the state takeover of county Medicaid expenditures;
- 4.6% is due to Medicaid enrollment increases, driven in large part by the state's laudably aggressive Medicaid enrollment activities;
- 7.4% is due to a simple timing issue created by a calendar fluke and does not represent an actual increase in spending—Medicaid pays providers on the same day each week and that day occurs 53 times instead of 52 times in 2009; and
- 4.1% is attributed to utilization—the increase in the amount of health services the average individual Medicaid recipient is expected to receive (utilization actually decreased each of the last four years, so this Division of Budget projection may be inflated).

*The Healthcare Association of New York State (HANYS) is the only statewide hospital and continuing care association in New York State, representing more than 550 non-profit and public hospitals, nursing homes, home care agencies, and other health care organizations.*