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*Proud to serve New York State's  
Not-For-Profit Hospitals, Health Systems,  
and Continuing Care Providers*

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October 7, 2009

Honorable Charles Rangel  
United States House of Representatives  
2354 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Rangel:

We are members of the Board of Trustees of the Healthcare Association of New York State (HANYs), representing more than 550 not-for-profit and public health care providers in the state. A cornerstone of HANYs' mission is securing health care coverage for all. We write to express our support for comprehensive health care reform that expands insurance coverage and institutes insurance marketplace and delivery system reform to improve the provision and quality of health care for all.

HANYs' members across New York State, from the largest academic medical centers to the smallest Critical Access Hospitals in remote locations, have long been grateful for the leadership the New York State Congressional Delegation. You have worked tirelessly and in a bipartisan fashion to protect New York's hospitals, health systems, continuing care providers, and the patients they serve. We trust you to deliver comprehensive reform legislation that will enable HANYs' members to successfully implement health care reform, with the resources and policies in place to ensure that all New Yorkers have access to a strong health care delivery system.

HANYs stands behind the spirit of shared responsibility in the agreement the American Hospital Association (AHA), Catholic Health Association (CHA), and the Federation of American Hospitals (FAH) made with the White House and Senate Finance Committee Chairman Max Baucus to establish hospitals' contribution to the overall cost of securing universal health care coverage. We urge the Delegation to continue your strong support for New York hospitals, health systems, and continuing care providers to ensure that the Medicare and Medicaid cuts are not excessive.

Given the fragile financial condition of New York hospitals and health systems, where hospital bottom line margins are -6.6%, aggressive payment reductions would impede the successful implementation of health care reform for our state.

The AHA/CHA/FAH agreement with the White House and Chairman Baucus caps hospitals' contribution to health care reform at \$155 billion nationally, or approximately \$12.9 billion to New York hospitals over ten years. That agreement also links provider contributions to triggers—coverage expansion must be achieved before reductions are imposed. That is an important linkage to preserve.

New York's hospitals are among the most financially weak in the nation and lack operating margins or balance sheet reserves to adjust to significant across-the-board or targeted reductions.

Some of the proposed payment reductions are known and quantifiable (e.g., Medicare marketbasket offsets). Others, such as Disproportionate Share Hospital (DSH) cuts or geographic variation adjustments, will depend on details yet to be decided or studies yet to be conducted. For example, it will be critical to safeguard hospital DSH payments to cover the costs of caring for populations not eligible for expanded coverage or who fall through the inevitable cracks, and to help compensate for payer shortfalls, including Medicaid. Your help is essential in ensuring that these provisions are properly crafted to protect vital services for these populations in our communities.

While providing insurance coverage to currently uninsured people should generate some new revenue for hospitals in some communities, it could take years to achieve greatly increased coverage. Meanwhile, some cuts would begin right away. HANYS is urging the New York State Congressional Delegation to work to reduce the level of reductions at stake for hospitals and continuing care providers.

Further, in both chambers, massive reductions are under consideration for skilled nursing facilities and home health agencies. The magnitude of the cuts, relative to the size of these provider sectors, would create a crisis in New York for patients seeking quality post-acute care.

In recent months, HANYS and our members have communicated to you and your staff the perspective of New York hospitals, health systems, and continuing care providers on the many provider-related reform provisions under consideration. As members of HANYS' Board of Trustees, we formally submit to you our positions on many of these critical issues below, all of which are outlined in more detail in the attached document.

### **Health System Savings Proposals**

**Annual Medicare Marketbasket Updates.** *We urge the Delegation to limit the magnitude of Medicare marketbasket cuts to hospitals and continuing care providers over the ten-year budget window, ensuring that the provision reducing payments explicitly sunsets at the close of that window. Any marketbasket cuts tied to productivity increases should go into effect only if benchmarks for projected coverage increases and health insurance administrative simplification reform are reached.*

**DSH Payments.** *We urge the Delegation to ensure that Medicare or Medicaid DSH payments are fully protected until real coverage expansion takes hold and health insurance administrative simplification benchmarks are reached. The level of the reductions must preserve DSH payments in a matter consistent with the continuing responsibility of hospitals, including safety net hospitals, to serve ALL uninsured and underinsured patients in their communities, including continuing to recognize the cost of Medicaid payment shortfalls.*

### **Medicare Delivery System Reform**

**Value-Based Purchasing.** *We support including in health reform a well designed and budget-neutral value-based purchasing provision that would reward providers for both attainment of a quality goal and improvements made to achieve that goal. We urge that readmissions provisions refrain from reducing hospital payments when hospitals show either improvement in reducing readmission rates or in achieving readmission rates below any targeted level.*

**Reducing Hospital Readmissions.** *We support including in health reform a well designed and narrow readmissions policy focused on generally recognized preventable and related readmissions, appropriately modified by both a clinical and a socio-economic risk adjuster.*

**Bundling, Accountable Care Organizations, and Medical Home Models.** *We support the concept of payment bundling, accountable care organizations, and medical home models and the goal behind each to incentivize providers to act in concert to coordinate patient care, creating efficiencies, and improved care delivery for patients. We believe strongly that Congress should ensure that any acute/post-acute care bundle be broadened to include physicians—without which the goal of the policy cannot be met. Congress should also incorporate anti-trust protections for providers seeking to work together to better align payment incentives.*

### **Medicare Graduate Medical Education**

**Redistribution of Unused Graduate Medical Education (GME) Slots.** *Increased Medicare support for training medical residents is critical, as the physician shortage in New York and throughout the nation persists and is projected to worsen. We support the redistribution of currently unused medical resident slots along with increasing the number of slots Medicare supports by 15%. In the reallocation of these slots, preference should be given to institutions currently training physicians in excess of their Medicare GME cap.*

**Greater Flexibility for Residency Training Programs.** *We support modernization of GME training language to allow Medicare support for the training of residents in non-hospital settings.*

### **Geographic Variation in Health Spending**

**Institute of Medicine (IOM) Value Index Study.** *We support a comprehensive and thorough analysis by IOM of the causes of geographic variation with an appropriate charge by Congress,*

*including cost influencing factors that should be considered. We strongly urge Congress to retain its full authority to determine the nature of Medicare spending, and whether to adopt in whole or in part recommendations for addressing any inappropriate variations.*

**The Medicare Wage Index for Hospitals.** *We support allowing hospitals in areas with low wage indexes the opportunity to receive higher wage index adjustments, while holding all other hospitals harmless through the permanent infusion of funding into the Medicare wage index system.*

#### **New Federal Medicare Payment Commission**

*We unequivocally oppose proposals under consideration that would create a new federal entity with the authority to set Medicare payment levels. It is imperative that Congress maintain its role in determining overall funding for health services and in framing conditions for reform. Congress cannot allow an entity that is largely unaccountable to the American people to have virtually unlimited authority in determining how the health care system is funded.*

#### **Coverage Expansion**

**Options of a Public Plan or Consumer-owned and Consumer-oriented Plans (Cooperatives).** *We urge Congress to ensure that any public plan or cooperative options allow providers to negotiate reimbursement rates with the plan administrator. If Congress establishes a public plan option, we urge it be implemented in targeted geographic areas only after insurance market reform and administrative simplification fail to achieve coverage increase benchmarks.*

**Medicaid Expansion.** *We support health reform provisions to expand Medicaid coverage. However, the increased federal funding should take into account states that have already increased their eligibility standards to the specified levels so that additional federal Medicaid funding should be available to all states that meet the specified levels, no matter when the expansion was implemented.*

#### **Insurance Market Reform**

*We support the insurance market reform aimed at instilling fairness for patients in the health insurance marketplace while reducing costs and relieving the vast administrative burden currently facing providers. We urge Congress to include additional provisions that would standardize the collection and reporting of quality data for both public and private payers.*

#### **Tax-exempt Hospital Status**

*We support flexibility in how not-for-profit hospitals and health systems report community benefit to best suit the realities and disparities of need within varying communities. We also oppose the establishment of an arbitrary percentage of revenue as the level of charitable patient care that must be delivered to allow a hospital to retain its tax-exempt status.*

**Medical Liability Insurance**

*We encourage Congress to take a more aggressive stance to address the burdens associated with the current medical liability system. We urge the adoption of a medical indemnity fund, which would provide an alternative financing mechanism for specific, high-cost cases involving neurological impairment, and a mechanism to reduce the cost of insurance for physicians. In addition, administrative compensation systems, medical courts, and the promotion of a “sorry works” program to encourage physicians to be candid with patients without fear of reprisals, should be actively pursued. Finally, we urge Congress to consider the establishment of caps on non-economic (pain and suffering) damages.*

**Health Information Technology (HIT)**

*We urge Congress to include in health reform provisions to increase funding to states for grant and loan pools, enabling hospitals to access up-front capital to procure HIT systems that will be considered “certified” and used in a meaningful way. We also urge that Congress make providers throughout the continuum of care eligible for HIT incentive payments, to better serve the goal of widespread HIT adoption and use, and facilitate care coordination and quality improvement.*

As you continue to make history by developing comprehensive health care reform, we thank you again for your steadfast support for HANYS’ member hospitals, health systems, and continuing care providers throughout New York State and the provision of care they provide to all New Yorkers regardless of citizenship status or ability to pay. We look forward to working with you as the health reform legislative process continues.

For more information about the positions we outline in the attached document, contact Susan Van Meter, HANYS’ Vice President, Federal Relations, at (202) 488-1272 or at [svanmete@hanys.org](mailto:svanmete@hanys.org).

On behalf of HANYS’ Board of Trustees, by its unanimous consent:



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