HOSPITALS

Trend Factor
The final agreement incorporates a 75% restoration of the 2.5% Medicaid trend factor for both hospitals and nursing homes, a total restoration of more than $280 million.

Gross Receipts Tax
The budget fully eliminates the 0.35% hospital gross receipts tax, effective April 1, 2007. To help finance this provision, the budget agreement also eliminates the 2005 workforce funding add-on.

2002 Hospital Workforce Recruitment and Retention
The final budget accepts the Governor’s proposed $36.8 million cut and adopts a redistribution methodology as follows: for voluntary hospitals, a blended methodology of 50% Medicaid discharges adjusted for case mix and 50% based on the current formula; for public hospitals, funding is distributed based on the current formula. These changes are effective July 1, 2007. The agreement includes provisions in the event that federal financial participation is not available; these provisions would involve consultation with the State Legislature.

New Funding for Non-New York City (NYC) Voluntary Hospitals and Non-HHC Public Hospitals
To help mitigate the effects of the workforce funding reduction and redistribution proposed by the Governor, the final budget agreement includes a new $48 million Priority Restoration Pool: $42 million for voluntary hospitals outside NYC, and $6 million for public hospitals not operated by the City of New York. This provision is effective July 1, 2007. To be eligible for such funds, non-NYC voluntary hospitals and non-NYC Health and Hospitals Corporation (HHC) public hospitals must demonstrate a Medicaid inpatient volume of at least 17.5%. Distributions would be made on a per-Medicaid discharge basis. Non-NYC voluntary hospitals with Medicaid volumes in excess of 35% continue to participate in the existing Priority Restoration Pool.

Graduate Medical Education (GME)
The final budget includes two GME-related components: (1) reducing Medicaid spending for those hospitals whose GME current costs have decreased compared to the value in the rates (originally estimated to be $82.7 million, now worth $44 million); and (2) an across-the-board cut of $24 million in the Health Care Reform Act (HCRA) GME pool.

Over the course of negotiations, the estimated value of the GME cut continued to decrease. Although originally valued at $82.7 million, the resulting value was reduced to $44 million. This significant reduction was due to HANYS’ staff analysis and member input that identified methodological and hospital-specific issues with the original proposal. As HANYS noted
previously, this value may be reduced even further as the Department of Health (DOH) addresses hospital-specific issues.

**New Funding for New York City Hospitals**
To help mitigate the effects of GME reductions and other cuts and to help cover the cost of translation services, $38 million in new, annualized funding is provided for NYC-based voluntary hospitals. Funds will be allocated proportionally based on general clinic Medicaid visits (50%) and Medicaid inpatient discharges (50%). This funding is effective July 1, 2007. Effective April 1, 2008, up to 30% of this funding will be allocated to help meet the costs of translation services, based on a methodology reflecting the number of languages for which each hospital must provide translation services.

**Existing Voluntary Priority Distribution Pool**
The final budget agreement also increases the existing $48 million voluntary hospital Priority Distribution Pool to $60 million. Consistent with the Governor’s original proposal, eligibility would be based on a Medicaid inpatient discharge percentage of at least 35%—rebased using 2004 Institutional Cost Report data. However, $6 million will be set aside for voluntary hospitals that previously qualified under this distribution pool but no longer meet the eligibility criteria.

**New Funding for Long Island Hospitals**
To help address an imbalance in the impact of the overall budget changes, $5 million in new funding is allocated for all Long Island hospitals, to be distributed based on 2004 Medicaid inpatient discharges.

**Rural Hospital Supplement Rate Adjustment**
The budget continues $7 million for inpatient rate adjustment to rural hospitals.

**DRG Re-weighting**
The budget requires the development of a budget-neutral Diagnosis Related Group (DRG) re-weighting plan by DOH in consultation with hospital representatives. DOH is required to release the data and documentation on which the re-weighting is based to the hospital field by June 1, 2007, which is seven months before the January 1, 2008 implementation date. If DOH does not meet this deadline, the implementation date is pushed back to April 1, 2008. DOH is required to consult with the hospital community and develop an appropriate phase-in period, no longer than three years, based on a review of the impact of DRG changes. The budget also provides for rebasing of the weighting factors for each DRG to occur at least every four years.

**Indigent Care**
The Commissioner of Health is required to evaluate the type and amount of services provided, and the costs incurred by hospitals, in relation to the receipt of indigent care funds. This evaluation would be done in consultation with the Senate and Assembly Health Committee chairs. In completing this evaluation, the Commissioner must establish a technical advisory committee, including public and health care representatives, and conduct public hearings. A report including findings and recommendations is required by mid-December 2007—in time for consideration as part of the renewal of HCRA in April 2008.
NURSING HOMES

Trend Factor
The final agreement incorporates a 75% restoration of the 2.5% nursing home Medicaid trend factor, worth more than $124.5 million to nursing homes throughout New York State. Pediatric nursing homes are exempt from the 25% trend factor cut that remains.

Nursing Home Case Mix Adjustment
The final budget agreement delays adoption of the Medicaid-only case mix adjustment until April 1, 2009. For the 2007-2008 and 2008-2009 state fiscal years, nursing home reimbursement will continue to be based on the “whole-house” case mix.

2002 Nursing Home Workforce Recruitment and Retention
The final budget agreement provides for an initial annualized reduction of $44 million and a three-year phase-out of nursing home workforce recruitment and retention funds—beginning July 1, 2007. The distribution methodology will be based on a blend of Medicaid revenue (50%) and salary costs (50%). Use of this funding methodology is subject to federal approval.

Quality Improvement Grants
The budget provides for partial restoration (worth $32.5 million) of the nursing home quality improvement grants.

Nursing Home Reimbursement Reform Workgroup
The reimbursement reform workgroup is instructed to add to its list of issues an analysis of the rationale for the Medicaid-only case mix adjustment and options for Medicare maximization, among other things.

HEAL-NY/F-SHRP Set-Aside
A $30 million set-aside from Health Care Efficiency and Affordability Law for New Yorkers (HEAL-NY)/Federal-State Health Reform Partnership (F-SHRP) funding was authorized for nursing home restructuring/rightsizing initiatives. This provision would allow DOH to award grants without competitive bids.

Nursing Home Gross Receipts Tax
The 6% nursing home gross receipts tax will be continued through 2011.

ACCESS AND COVERAGE

The final budget increases income eligibility under Child Health Plus (CHP) to 400% of the federal poverty level. The budget also includes measures to simplify and streamline the enrollment and recertification processes for public coverage programs such as Medicaid, CHP, and Family Health Plus.
The Commissioner of Health is directed to establish a premium assistance program for family coverage under a group health plan or any health insurance policy that includes coverage of an eligible child.

The definition of dependent child is amended to allow family health insurance policies the option to cover unmarried children up to the age of 25.

**OTHER CONTINUING CARE PROVISIONS**

*Palliative Care*
Grant funding of $4.6 million is dedicated to palliative care training programs for medical schools and residency programs.

*Chronic Care Case Management*
The budget adopts the Governor’s proposal for chronic illness demonstration projects. The objective of the demonstrations is to provide for effective case management of Medicaid beneficiaries with co-morbidities.

*Telehealth*
The final budget allocates $5 million for the Commissioner of Health to develop, by October 1, 2007, a Medicaid reimbursement rate for telehealth services delivered by home health providers.

*Managed Long-Term Care*
The final budget authorizes the designation of additional managed long-term care demonstrations and removes the cap on the number of chronically ill individuals that can be enrolled.

*Assisted Living Program Beds*
The Commissioner of Health is authorized to add 1,500 assisted-living program beds.

*New York Connects: Choices for Long-term Care*
The Commissioner of Health is directed to establish the *NY Connects* initiative to provide consumers, caregivers, and families with comprehensive information and assistance on long-term care services.

*Coordinating Council for Alzheimer’s and Dementia Services*
The Coordinating Council will review specific agency initiatives for their impact on services related to the care of people with dementia and their families, and foster discussions leading to the development of a comprehensive state policy on the delivery of services for people with Alzheimer’s disease and dementia.

*Old Medicaid Cuts*
All old Medicaid cuts were extended through March 31, 2009.
ADDITIONAL SIGNIFICANT BUDGET PROVISIONS

HIP Conversion
The 2007-2008 budget agreement allows for the conversion of HIP Health Plan New York to a for-profit company. The proceeds of the for-profit conversion will be distributed as follows: 10% to the New York State Health Foundation and the remaining 90% to Health Care Reform Act (HCRA) pools.

Stem Cell Research
The amount of $500 million will be dedicated to stem cell research. This funding, derived from the proceeds of the for-profit conversion of HIP, will be appropriated in annual amounts of $50 million for 10 years.

New York False Claims Act
The final budget agreement includes a general, non-health care specific False Claims Act with qui tam provisions. The Act closely mirrors the Federal False Claims Act, which is necessary in order for the state to be eligible to receive additional federal funding. Pursuant to the federal Deficit Reduction Act of 2005, any state that enacts a federally-approved false claims act is eligible to receive additional federal dollars to be used for purposes related to mitigating fraud and abuse. HANYS will provide a more comprehensive member communication discussing the details of the False Claims Act. The budget does not include a Martin Act for health care, but legislators may return to the issue later during the legislative session.

Excess Medical Malpractice
The budget agreement also extends the excess medical malpractice program through June 30, 2008.

Quality/Health Insurance Mandate Committee
The final budget establishes a New York State Health Care Quality and Cost Containment Commission within the Insurance Department to study the impact on health insurance costs of proposed legislation that would mandate that certain health benefits be offered by health insurance policies. The commission will investigate the current practices of health plans with regard to a proposed mandated benefit, as well as the potential premium impact of implementing a mandated benefit. Public hearings will be held to obtain input from the health care industry, among others.