



STAT News

Published bi-monthly by the Suburban Hospital Alliance of New York State, LLC, a consortium of 51 not-for-profit and public hospitals advocating for better health care policy for all those living and working in the nine counties north and east of New York City. **February 8, 2013**

STATE UPDATE: Observation Services Law Clears Final Hurdle

On February 4, 2013, the New York State Senate passed the necessary chapter amendments to the final observation services bill that was negotiated with the governor's office and the legislature this past fall. The Assembly passed the amendments in late January. Because the original bill, which the governor signed last October, resulted in negotiated changes, it had to undergo another procedural vote in both chambers. The Suburban Hospital Alliance had fought aggressively for this bill's passage and thanks the health committee chairs – Senator Kemp Hannon and Assembly Richard Gottfried – for their leadership and attention to this matter. The amended observation services law aligns state and federal rules about observation care. A state maximum of 24 hours on observation status as opposed to federal regulations allowing 48 hours and placement of observation beds, either in a discrete unit under the ER's supervision or in scatter-bed fashion as clinically appropriate, were the main discrepancies. This final amended bill allows hospitals to decide where to place observation beds and requires the State Department of Health to develop new regulations on the timeframe for providing observation care, replacing the 24-hour maximum set forth in the January 2012 regulations. Although not the 48-hour standard that the Suburban Alliance sought, the legislation calls for the new regulations to be consistent with Medicare, unless the Commissioner of Health believes a different standard is necessary to “protect and promote patient care and safety.”

Because of the misalignment that existed between the federal and state rules – a much narrower window of time in New York State – many hospitals were hesitant to use observation status and instead admitted patients to inpatient status, even though observation care may have been the more clinically appropriate designation. The short inpatient stays trigger federal coding/payment audits, as the Centers for Medicare and Medicaid Services (CMS) is increasingly questioning the need for inpatient care when outpatient care is more affordable. These audits have resulted in a further restricted cash flow, an additional administrative cost burden, and more encumbrances on staff at New York's hospitals.

FEDERAL UPDATE: Sequester Deadline Draws Close

The Obama administration is hoping its call for a short-term plan for spending cuts and tax revenue will buy it and Congress some time, as the two sides work out a longer term debt-ceiling deal aimed at reducing the total federal deficit by \$4 trillion over a decade. Since 2011, Congress and the White House have agreed on about \$2.6 trillion in cuts and higher taxes. As part of the deficit reduction deal reached back in the summer of 2011, when the nation was on the brink of default, about \$1 trillion in cuts to defense and domestic spending were tied to a “sequester” – a trigger that would automatically enact these cuts unless Congress found a better solution by a prescribed deadline. The year-end fiscal crisis deal of 2012 delayed this deadline from January 1 to March 1, 2013. Now, the nation once again faces automatic sequestration cuts that economists agree will cause job losses and short-circuit the recovering economy. For the Medicare program, the cut is two-percent - \$629 million (2013 – 2021) to hospitals in the nine New York counties represented by the Suburban Hospital Alliance. Obama is not placing a time span or dollar amount on the short-term plan, but deficit reductions of about \$85 billion would stave off the “sequester” until the start of the next federal fiscal year. **Permission to reprint articles granted. Attribution to this publication required.*

Medicare sequester cuts mean hospitals in suburban counties outside the metro area will absorb a staggering \$629 million in new cuts (2013 – 2021) starting March 1, 2013.

Hudson Valley Office
400 Stony Brook Court
Newburgh, NY 12550
(845) 562-7520
www.normet.org



Long Island Office
1383 Veterans Memorial Hwy, Ste 26
Hauppauge, NY 11788
(631) 435-3000
www.nshc.org