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FEDERAL UPDATE: Hospitals Pushed to Edge of the “Cliff”

As the 112th Congress closed on January 1, 2013 its final order of business was passage of the American Taxpayer Relief Act. This legislation prevented a full fall over the “fiscal cliff.” However, the budget deal did not address the automatic two-percent sequestration cuts to Medicare provider payments. Instead, Congress will debate sequestration in two months when it also tackles the need to raise the debt ceiling. Following on the heels of these two contentious issues is the expiration of the current continuing resolution – the legislation that authorized funding of the government until March 27, 2013. There is a voracious appetite for deficit reduction and spending cuts in Washington, leaving Medicare and Medicaid likely targets.

The “fiscal cliff” fix permanently extended the Bush-era tax cuts for individuals earning less than \$400,000 annually (\$450,000 for couples), postponed the 26.5 percent Medicare reimbursement cut to physicians for one year, and extended long-term unemployment benefits for one year. Numerous other expiring provisions in Medicare and tax law were enacted.

Hospitals were not spared from all cuts and will absorb about \$30 billion to offset the cost of the physician reimbursement fix. About \$24 billion of the cut will come from reinstatement of the Medicare inpatient coding offset. The federal government’s rule making body for health care, the Centers for Medicare and Medicaid Services (CMS), had long held that hospitals’ coding for severity of illness was not appropriately reflective of patients’ acuity and moved to adjust/recoup payments to hospitals. However, as more patients are treated in outpatient settings those left for inpatient care are the more complex patients and the severely ill whose care is more costly and complicated. CMS recently relaxed its view about such coding; Congress, with passage of the American Taxpayer Relief Act, essentially dismissed that view.

Additional funding for the “doc fix” comes from the addition of one more year in disproportionate share cuts (DSH) to hospitals. The Affordable Care Act (ACA) calls for DSH reductions for 10 years but Congress extended the cuts through 2021 last year; this legislation extends the cuts to 2022. DSH payments are made to hospitals to partially subsidize the cost of caring for the indigent and uninsured.

STATE UPDATE: Disaster Aid in Peril; Congress Delays Action

Much to the dismay of all New Yorkers, the members of the 112th Congress closed session on Tuesday, January 1, 2013 without enacting a hurricane relief bill. The Senate had previously passed legislation, which would have provided \$60 billion in aid to the region. Because the House did not take up this bill in time, a new bill must be introduced and move through the entire legislative process again. Newly re-elected House Speaker John Boehner advanced a \$9.7 billion aid request – mostly to replenish funds for the National Flood Insurance Program – on Friday, January 4, 2013, which the House approved immediately. The remaining aid request will be considered in later weeks.

Meanwhile, thousands of residents in the tri-state region, without the infusion of relief aid, are unable to rebuild homes and lives. Many small businesses are in the same predicament. Health care workers are among the thousands displaced

by the storm. The effort to raise funds for this group of storm victims continues through the Hurricane Sandy Health Care Employee Relief Fund. To make a donation go to: http://www.uhfnyc.org/hurricane_sandy_relief_fund.

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