



# STAT News

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## STATE UPDATE: Final Budget Imminent in Few Days

Legislators will meet throughout the upcoming weekend and vote on a variety of budget bills with the goal of having a final budget approved and signed by Governor Cuomo early next week. A conceptual budget deal emerged this week, but details about the final outcome of health components will be worked out in the coming days. These components include:

**Medicaid Cut** – The governor’s previous two budgets included a two-percent across-the-board cut in Medicaid reimbursements to providers. The hospital industry has called for elimination of this cut, once again proposed by the governor, arguing that the state will obtain \$1 billion plus in savings in 2014, when it receives an enhanced federal match for expansion of the state’s Medicaid program under the federal Affordable Care Act (ACA). Hospitals have partnered with the state in designing and implementing Medicaid reforms that continue to streamline the Medicaid program and its costs, including ensuring that total state Medicaid spending remains under the global Medicaid spending cap, despite significant increases in Medicaid enrollment. In return, the hospital industry seeks a share in the savings it helped the state earn. That savings could offset the governor’s planned two-percent Medicaid cut.

**Medicaid Trend Factor** – Both the Assembly and Senate budget proposals remove the governor’s proposal to permanently eliminate the Medicaid trend factor. Each house, instead of permanently eliminating the trend factor, calls for extending the elimination for a set time and then restoring the trend factor. This factor is tied to inflation and is intended to reimburse providers for the natural progression of increasing costs to provide care. Hospitals have not seen a trend factor update since 2005.

**Vital Access Funding** – Both chambers include proposals to avoid further reductions in federal disproportionate (DSH) share payments. This is funding given to hospitals that serve an overwhelming number of poor and indigent patients. The ACA, and most recently the American Taxpayer Relief act enacted in January, cut DSH funding incrementally each year through 2022.

**Cuts to Disability Service Providers** – The federal government alleges that the State Office for People with Developmental Disabilities (OPWDD) overbilled it for Medicaid charges related to disability services. It now seeks repayment. The overpayments occurred several years ago. As a result, in the governor’s 30-day amendments to the executive budget proposal, a six percent cut of \$120 million to disability service providers was included. This amounts to a total cut of \$240 million, when the federal match is added. Legislators have indicated some level of restoration will result in the final budget to the tune of perhaps \$30 to \$60 million.

Once state legislators complete their budget work next week, they will adjourn for recess until mid-April. They will then return to debate remaining health issues, such as staffing ratio legislation and safe patient handling. The hospital industry opposes any staffing ratio legislation and vows to aggressively fight this issue. While supportive of safe patient handling, modifications to the current bill are needed to make it effective. The legislative session ends June 20, 2013.

## FEDERAL UPDATE: Gov’t Remains Open; Sequester Moves Forward

This past week, the House approved the Senate’s modified version of a **continuing resolution** – the legislation needed to keep the government funded through the end of the current fiscal year, September 30, 2013. The President is expected to sign the measure and with that act avoids a government shutdown. Meanwhile, the sequestration cuts continue as planned. There was no language in either chamber’s bill to modify the effect of the sequester. As a result, hospitals will see a two-percent cut in Medicare reimbursements beginning on April 1<sup>st</sup>. The two-percent cut also applies to incentive payments to hospitals for health information technology “meaningful use.” Any checks issued on or after April 1, 2013 will be two-percent less. Finally, the House passed the Ryan federal fiscal year 2014 budget this week. It includes millions in cuts and suggests that Medicare become a premium support program, Medicaid be block-granted to states, and the ACA be repealed, but not the ACA cuts to providers. The Senate will shortly finish voting on its budget blueprint, which calls for about \$275 billion in reductions to Medicare/Medicaid without any specificity. The President’s budget version is expected to be released in early April. The hospital industry remains concerned about continued cuts to Medicare and Medicaid, especially as it continues to absorb prior budget cuts and assumes more financial risk, as a result of delivery system transformation. *\*Permission to reprint articles granted. Attribution to this publication required.*

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



Long Island Office  
1383 Veterans Memorial Highway, Ste 26  
Hauppauge, NY 11788  
(631) 435-3000  
[www.nshc.org](http://www.nshc.org)