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A PUBLICATION ADDRESSING HEALTH ISSUES FACING LONG ISLANDERS

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STATE UPDATE: Budget Process Begins, Hospitals Combat Myth that Reimbursement Rates Will Increase 4%

Governor Cuomo's 2012 -2013 proposed budget released on January 17, 2012 would allow total Medicaid spending to grow by four percent, as agreed upon in last year's two-year deal, **but hospital reimbursement rates would remain flat.** This increase in spending is mostly consumed by the state's continued growth in Medicaid enrollment, which increased by more than 100,000 enrollees over the past year.

The executive budget proposal continues the two-year Medicaid reimbursement cuts and spending cap enacted as part of last year's budget. That translates into a loss of millions for the upcoming state fiscal year to hospitals in the Hudson Valley on top of the $8.8 million in Medicaid cuts absorbed by these hospitals as a result of last fiscal year's two percent rate cut.

In addition to continuing the global spending cap, the far-reaching oversight powers granted to the health commissioner to make cuts, should the cap be pierced, also remain in place. The 2012 -2013 current fiscal year cap is $15.9 billion; that would grow to $16.6 billion the next fiscal year. So far, monthly global Medicaid spending reports from the state have remained under the cap. The cumulative spending from April through December 2011 is $95 million (0.8 percent) below the cap.

The establishment of a New York State Health Benefit Exchange is also included in the executive budget proposal. The governor's budget language reflects the Health Insurance Exchange agreement negotiated between the Assembly and the Senate last spring, which passed the Assembly but was not acted upon by the Senate. New York must have the Exchange framework in place by January 2013 and the U.S. Health and Human Services secretary must approve it. Otherwise, the Affordable Care Act allows the federal government to operate the state's exchange. New York must also have Exchange legislation in place in order to draw down additional federal funding.

FEDERAL UPDATE: Medicare Vulnerable as Extender Bill Negotiated; 27 % Physician Payment Cut on the Line

As the February 29 deadline for the Temporary Payroll Tax Cut Continuation Act of 2011 draws near, hospitals remain extremely vulnerable to Medicare cuts that would be used as offsets to fund another extender bill. The December legislation also included a provision that delayed enactment of the 27 percent physician pay cut until the end of February. A panel of congressional conferees is now working to find a fix, hopefully a permanent one, for the physician pay cut. The panel is also debating continuation of the unemployment extension provision and Social Security payroll tax holiday. New York's Senator Charles Schumer has been leading the call to not fund an extender by cutting hospital Medicare reimbursement. Initial discussion in Washington considered using Overseas Contingency Operation (OCO) funds, money in the defense department budget for the Iraq and Afghan war expenses. War operations are now slowing down. That idea has lost most of its popularity and conferees are looking at the Medicare program as a funding stream. Now, a change to Medicare inpatient coding and a reduction in Medicare reimbursement to hospital outpatient departments for common clinic evaluation and management services has surfaced. Hospitals on Long Island support finding a solution to the physician payment cut, but vehemently oppose Medicare reductions to hospitals to fund that fix. The "doc fix" budget dilemma has been an ongoing problem for years, as Congress has not yet found a permanent replacement for the sustainable growth rate formula (SGR), perceived by most as flawed. That formula, tied to the rate of inflation, was enacted by Congress in 1997. Congress leaves for President's Week vacation in mid-February, so there is urgency to get this done. * ***Permission to reprint articles granted. Attribution to this publication required.***