



STAT News

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FEDERAL UPDATE: Budget Deals Inflicts Deep Hospital Cuts

The Budget Conference Committee two-year agreement reached Tuesday evening, December 10, would avoid a government shutdown on January 15, 2014, when the continuing resolution that is currently funding the government expires. However, the agreement imposes more cuts on hospitals and, essentially, uses reimbursement reductions for hospitals to alleviate planned reductions in defense spending and reverse the scheduled 24 percent Medicare pay cut facing the nation's physicians. Hospital advocates say they are appalled that Congress has once again turned to their industry for funding offsets. At least two times in the past three years, the hospital industry endured cuts so that the nation's physicians were spared deep Medicare reimbursement cuts. Hospital advocates vow to fight these unfair cuts.

Enacted in 1997, the sustainable growth rate (SGR) formula directs Medicare physician reimbursement. It is tied to an inflationary factor that economists agree is no longer feasible. As a result, Congress has enacted temporary patches or "doc fixes." The current fix calls for a three-month reprieve, while a permanent solution is debated by Congress. A permanent solution brings with it the threat of additional cuts to hospitals.

Funding for the "doc fix" and defense relief is extracted from hospitals by extending and deepening provisions tied to the Affordable Care Act (ACA) and automatic sequestration cuts. The Budget Conference Committee's deal delays the implementation of disproportionate share (DSH) cuts by two years from 2014 to 2016, but extends them an additional year into 2023, causing the total cut to be larger than anticipated. DSH payments help hospitals offset part of the cost to care for the uninsured. During ACA negotiations, the hospital industry voluntarily agreed to DSH reductions with the understanding that the numbers of insured would increase substantially. This is still an unknown. Legislative actions in the past two years have added several years to the original DSH cut schedule.

The automatic sequestration cuts stem from the inability of a bi-partisan committee to develop a deficit/debt reduction plan by November of 2011. The absence of the plan triggered automatic sequestration cuts earlier this year. These recurring cuts target a variety of domestic spending programs, as well as the defense industry. Hospitals endured two-percent Medicare sequestration cuts this past March and another round of two-percent Medicare cuts is set to occur January 1, 2014. The proposed three-month "doc fix" and Budget Conference Committee agreement leave these hospital cuts in place and add two more years of automatic sequestration cuts to hospitals (2022 and 2023).

STATE UPDATE: Insurance Enrollment Deadline Nears

December 23, 2013 is the deadline for obtaining health insurance that becomes effective January 1, 2014. This deadline applies to those purchasing insurance from New York State of Health insurance marketplace or privately. However, enrollment continues through March 31, 2014 without penalty. The New York State Department of Health reports that since the marketplace opened October 1, 2013, 76,177 people have enrolled in plans and 267,414 completed applications. A substantial number of those who enrolled qualified for Medicaid and Child Health Plus. Applicants can enroll online at www.nystateofhealth.ny.gov, by phone at 1-855-355-5777, or with the assistance of an in-person navigator. On Long Island, the Nassau-Suffolk Hospital Council, one of the local hospital associations that is part of the Suburban Hospital Alliance of New York State, LLC, is one of three state-appointed navigator agencies serving the Long Island region. The Hudson Valley region is serviced by the Community Service Society of New York, Maternal Infant Services Network of Orange, Sullivan, and Ulster counties and the Westchester County and Rockland County Departments of Health. The marketplace offers four metal tiers – bronze, silver, gold, platinum – to choose from with different co-pays, deductibles, and out-of-pocket limits. Based on income and family size, applicants may be eligible for premium assistance and/or further cost sharing assistance. Small businesses may be eligible for tax credits.

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



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