STAT News

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FEDERAL UPDATE: Congress Extends Debt Ceiling, But Slams Hospitals with More Medicare Cuts

Extending the two-percent annual Medicare sequestration cuts to hospitals has become a convenient way to pay for the reversal of cuts imposed on other sectors and also as a funding mechanism to avoid proposed cuts on any particular sector. This past week this scenario played out once again as Congress, as part of its debt ceiling extension, approved an additional year of Medicare sequestration cuts, into 2024, to restore funding to military pensions. In December 2013, lawmakers approved a budget deal to fund the government through September 30, 2014 and part of that deal included cuts to cost-of-living increases for younger military retirees – a very unpopular provision. This latest Medicare sequestration cut will cost New York hospitals and health systems $280 million in new Medicare cuts atop the more than $2.6 billion in Medicare sequestration cuts already in law.

The expiration of the temporary "doc fix" on March 31, 2014 means hospitals are extremely vulnerable to more Medicare cuts, as Congress looks for ways to either fix this perennial funding problem or once again delays the onset of this massive physician Medicare pay cut (24 percent). As recently as December 2013, Congress extended Medicare sequestration cuts and deepened the cuts tied to the Affordable Care Act (ACA) disproportionate share (DSH) payments to hospitals. DSH payments help hospitals offset part of the cost of care for the uninsured. The 'doc fix" refers to the situation Congress and the nation's physicians find themselves in when Medicare physician reimbursement is set to readjust based on the sustainable growth rate (SGR) formula. Enacted in 1997, the SGR formula directs Medicare physician reimbursement. It is tied to an inflationary factor economists agree is no longer feasible.

STATE UPDATE: Hospitals' Budget Concerns Prevail

The competition for funding will be intense this budget season and hospital advocates will make their voices heard in Albany in the weeks leading up to a final budget deal. On March 5, 2014, hospital leaders from the Suburban Hospital Alliance regions will bring their concerns directly to lawmakers in Albany. In January, Governor Cuomo unveiled his $142 billion executive budget for state fiscal year 2014 – 2015. It calls for total Medicaid spending growth of about 3.8 percent, which is the spending cap set for the upcoming fiscal year. The Medicaid Global Spending cap was enacted as part of the state budget two years ago. Since that time, despite significant increases in Medicaid enrollment, Medicaid spending has remained under the cap. Hospitals have done their part through delivery reforms and new payment structures to ensure that statewide Medicaid spending did not pierce the cap. This is in spite of the fact that hospitals endured an annual across-the-board, two-percent cut to Medicaid reimbursements. Language in last year's state budget calls for eliminating this two-percent Medicaid cut to hospitals effective April 1, 2014, if the cap is not pierced. Hospitals also seek a portion of the savings to be gained by acceptance by the federal government of the state's Medicaid waiver. An agreement in principle reached last week with the federal government would send $8 billion in federal savings to New York to help it continue to implement Medicaid reforms. In its last communication with the state, the federal government indicated that reinvestment in New York's Medicaid program would come by way of strategies to reduce potentially preventable hospitalizations, existing and enhanced managed care contract requirements, and more reforms designed to better coordinate care.

On March 5, 2014 hospitals leaders from the Suburban Hospital Alliance regions will make their voices heard in Albany.

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