



STAT News

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STATE UPDATE: FY 2016 Budget Discussions Begin; Hospitals Seek Enactment of Past Promises

The \$141.6 billion state budget proposed by Governor Cuomo on January 21, 2015 includes substantial money for hospitals that would, among other initiatives, provide hospitals with much-needed investments in capital and debt restructuring, bridge funding for financially-struggling hospitals, and elimination and/or reduction of some Medicaid payment penalties and taxes on inpatient revenue. It is a good start for the hospital industry, but the Suburban Hospital Alliance will be lobbying to get the regions' fair share of the new funding sources. These and other proposals remain vulnerable throughout the upcoming negotiation process between the legislature and governor's office. Governor Cuomo has made it especially clear that he wants to achieve significant ethics reform this year and that he is willing to sacrifice an on-time budget to achieve that. The budget deadline is April 1, 2015. Such a pronouncement places pressure on the legislature to get the job done quickly, thereby increasing the chances that healthcare funding and policies could be overlooked and/or not debated fully.

"We are by no means in a safe place yet," said Kevin Dahill, president/CEO of the Suburban Hospital Alliance. "It's imperative that the hospital industry keep the pressure on Albany to ensure that these investments are included in the final budget and previous promises, such as the elimination of the two-percent Medicaid cut, are upheld."

New York's hospital industry takes its case directly to legislators in Albany on March 3 and 4, when hospital leaders participate in the Healthcare Association of New York State (HANYs) and Suburban Hospital Alliance advocacy days.

FEDERAL UPDATE: Proposed Cuts Could Sway "Doc Fix"

With President Obama's 2016 fiscal year budget now on the table, Congress begins the long process of considering the president's spending plan in light of immediate funding and policy pressures bearing down upon the nation's capital. The president's budget calls for \$400 billion in healthcare cuts, including Medicare and Medicaid reductions to hospitals, cuts to health plans, pharmaceuticals, and increased cost-sharing for some Medicare beneficiaries.

The president's budget calls for significant reductions to graduate medical education (GME), the funding mechanism through which academic medical institutions receive compensation to train new doctors, and cuts to Medicare Hospital Outpatient Department (HOPD) clinic services. Care provided in hospital-based clinics is generally more expensive due to hospitals' high labor costs and operational overhead. Proposed "site neutral" cuts would discount these higher costs.

Most worrisome for hospitals is the fear that these recommended cuts could be leveraged during upcoming negotiations to halt a scheduled Medicare payment cut to the nation's physicians on March 31, 2015, when the current temporary "doc fix" expires. 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. Congress has passed a reprieve 17 times since 2003. And at least three times, in as many years, the hospital industry has been tapped as a funding source for temporary "doc fixes."

Hospital advocates will travel to Washington, DC February 26 and March 19 - the dates designated by the American Hospital Association as advocacy days - to express their concerns directly to members of Congress.

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