



# STAT News

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## STATE UPDATE: State Budget Offers Mixed Results for Hospitals

The 2018-2019 state budget, which was approved by the legislature on March 31, 2018, offers mixed results for hospitals. There is money for capital improvement and debt retirement, but also reductions by way of a lowered [Medicaid Global Spending cap](#). The budget contains \$525 million in funding for capital projects, \$400 million of which will be available for hospitals through the Statewide Healthcare Facility Transformation program. While this is welcome news, the budget at the same time reduces the Medicaid Global Cap by \$425 million, further limiting the growth of Medicaid spending for all providers.

Only a limited number of hospitals will be awarded capital grants through the Statewide Healthcare Facility Transformation program funds allotted in this state budget, but all providers will be impacted by the ongoing limitation of Medicaid spending imposed by the lower cap. This is despite the fact that Medicaid spending continues to rise due to increased enrollment, not provider payments. The cap has been in place since 2011 and providers have yet to pierce it, but have come dangerously close. The departments of health and budget have authority to cut providers even more, if the cap is pierced.

The Suburban Hospital Alliance remains concerned that the budget missed the opportunity to buffer New York State against the loss of federal funds for the [Essential Health Plan](#), [Cost Sharing Reduction](#) (CSR) payments, as well as steep cuts to the Medicaid [Disproportionate Share Hospital](#) (DSH) payments that will kick in late 2019. The Essential Health Plan is low-cost insurance available on New York's marketplace to those with modest incomes, but who earn too much to qualify for Medicaid. CSRs are payments made by the federal government to health insurers to help low-income Americans afford their co-payments and deductibles. DSH payments are supplementary payments to hospitals that care for high numbers of uninsured and indigent patients.

The budget also established a \$2 billion Shortfall Fund that, while initially designed to guard against federal cuts, will now be distributed over a multi-year period through a new Healthcare Transformation Fund for a variety of healthcare investments. It is no longer linked to federal cuts. Leaders of the Suburban Hospital Alliance say they will watch this fund closely to ensure that funds are distributed equitably among regions – urban, suburban, and rural.

Absent from the final budget was re-instatement of the Medicaid trend factor increase. For 10 years state budgets have blocked this automatic and previously legislated increase. The annual adjustment is tied to the rate of inflation. Medicaid pays about 74 cents on the dollar, according Healthcare Association of New York State analyses.

**Looking Forward.** The state legislative session is due to end June 20, 2018. In the meantime, efforts to hold off mandatory nurse staffing ratio legislation and harmful medical malpractice legislation will be the focus of hospital advocates around the state. These efforts could be complicated by the recent demise of the Independent Democratic Caucus and the outcome of two upcoming special Senate elections. The balance of power in the Senate could shift.

## FEDERAL UPDATE: President Eyes Claw Back of Some Omnibus Bill \$

The White House has signaled its interest in advancing legislation to rescind as much as \$60 billion from the massive spending bill (omnibus bill) that Congress approved in late March. Targets could be non-discretionary programs, such as National Institutes of Health funding or money already appropriated to address the opioid crisis. The White House is acting under a 1974 law that allows the president to propose to Congress rescinding certain budgetary authority. Congress then has 45 days to pass the bill or the spending remains in effect. Rescissions are seen as a way to save taxpayer dollars. There are no imminent threats to the Medicare or Medicaid programs, but such claw back action underscores the instability that pervades law making and rule-making in Washington, DC. It is possible that rescission could pass in the House, but such a measure is unlikely to pass in the Senate.

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