



STAT News

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STATE UPDATE: Governor Unveils 2019-2020 Budget

Governor Andrew Cuomo presented his \$175.2 billion proposed budget for 2019-2020 on Tuesday, January 15, 2019, in conjunction with his State of the State address. The plan calls for increased Medicaid spending, which is good news to the region's hospitals. The governor noted that Medicaid reimbursement rates paid to hospitals have not kept pace with inflation. Many hospitals in the state operate on very thin or negative margins – a situation set to become worse when a significant federal Medicaid cut kicks in on October 1, 2019. The governor's plan also calls for codifying some Affordable Care Act (ACA) consumer protections, such as the pre-existing conditions exclusion, as well as making the state's insurance marketplace permanent. Regarding the issue of a single-payer health plan for the state, the governor's plan calls for a universal access commission to advise the Departments of Health and Financial Services on how to achieve universal access to healthcare. Hospitals welcome the governor's approach but continue to vehemently oppose the single-payer legislation under consideration. It is unworkable from many fronts, including imposition of more taxes on individuals and employers, an unreasonable reliance on the federal government to continue current funding streams, and a certain deterioration in reimbursement for all types of hospital care. The governor is also asking the Department of Health to study healthcare staffing. This issue, too, has long been opposed by the healthcare industry. It sets unrealistic expectations, in terms of financial and human capital commitment, on hospitals. All evidence concludes that staffing is best handled on a hospital-by-hospital basis, which accounts for patient complexity, surge capacity, and other local situations.

FEDERAL UPDATE: Amid Shutdown, Healthcare Advocacy Clammers On

The federal government is entering the fourth week of a partial shutdown. While the Department of Health and Human Services (HHS), the agency that directs hospital and healthcare policy and regulation, was funded in a previous appropriations bill and is not affected by this shutdown, healthcare is affected in other indirect ways. Vouchers for low-income housing, cash assistance programs, and food inspections are among health-related services affected.

The shutdown is also slowing some legal proceedings. Late last year, the American Hospital Association filed a lawsuit challenging the Centers for Medicare and Medicaid Services' (CMS) decision to extend a 40 percent payment cut to basic clinic visits at all hospital-owned outpatient departments starting January 1, 2019. Clinics established after November 2, 2015 were already subject to the 40 percent payment cut, known as the **"site neutral" payment reduction**, because it reimburses hospitals at the same rate as physician offices. Congress specifically exempted from the cut, in language included in the Bipartisan Budget Act of 2015, those hospital-owned clinics that were in operation prior to the November 2nd date. The AHA suit challenges CMS on the grounds that the rule is executive overreach and contradicts Congress' intent. The suit also challenges Medicare's own budget neutrality law that requires any reductions in reimbursement to be offset by reinvestments elsewhere in the program. The hospital field strongly opposes equalizing payment rates between hospital-owned clinics and others because nonprofit hospitals have substantial overhead requirements that physician offices do not and have an obligation to meet the needs of communities, including treating uninsured patients. Those accessing outpatient departments for such care are generally poorer and present with more severe and costly chronic conditions compared to those who seek care at independent physician practices. This proposal would result in a negative \$750 million impact to New York's hospitals and health systems over the next decade.

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