



## FEDERAL UPDATE: Congress Passes Spending Plan

The \$1.1 trillion spending plan approved by Congress eases some sequestration cuts to the Pentagon, but provides no similar relief to the nation's hospitals. Although the bill funds every agency of the government, the level of automatic Medicare sequestration cuts to hospitals remains. The first round of automatic sequestration cuts went into effect last March and the second round of two-percent Medicare sequestration cuts occurred at the start of this year. In addition, the Budget Conference Committee two-year agreement reached in December 2013, from which the recently approved spending plan appropriates funds to government agencies and departments, also added two more years of sequestration cuts to hospitals (2022 and 2023). These additional hospital cuts partly offset the defense industry's sequestration relief.

Hospitals were also tapped as a funding source for the temporary "doc fix," which expires March 31, 2014. The temporary "doc fix" was also approved in December 2013, and this measure averted a 24 percent Medicare pay cut that was scheduled to hit the nation's doctors on January 1, 2014. Scheduled cuts to Medicare physician payment are the result of the sustainable growth rate (SGR) formula. Enacted in 1997, this legislation directs physician reimbursement. It is tied to an inflationary factor that economists agree is no longer feasible. As a result, Congress enacts these temporary patches or "doc fixes," while it works toward a permanent solution. However, any permanent solution brings with it the threat of more cuts to hospitals. Hospital advocates say they will be watching this issue closely.

## STATE UPDATE: Hospitals Prioritize Issues for 2014

Governor Cuomo's State of the State Address delivered January 8, 2014 marginally referenced health care, but the address's emphasis on tax relief could have bearing upon hospitals and Medicaid funding in the final 2014 – 2015 state budget. The Governor did announce that New York will establish a program allowing up to 20 hospitals to prescribe medical marijuana. The program will monitor the effectiveness and feasibility of medical marijuana use in New York State. The Governor would issue an executive order to authorize the program. More details about the program will surface in the coming weeks. During the upcoming advocacy season, advocates say they will focus on a variety of issues including:

**Medicaid Global Spending Cap.** The industry will work to ensure that the elimination of the two-percent Medicaid cut, at some point late in 2014, becomes a reality as promised by language in last year's approved budget. That provision called for the elimination of the cut contingent upon state Medicaid spending not piecing the Medicaid Global spending cap.

**Nurse Staffing Ratio Bills.** Legislation aimed at establishing nurse staffing ratios is expected to surface again during the upcoming budget season. The industry remains steadfast in its opposition to mandated ratios. Hospitals staffing levels are best determined on a per hospital basis in response to surge capacity, patient acuity, and other local demands.

**Certificate of Need Process.** Efforts to "level the playing field" between hospital providers (hospitals) and private physician practitioners will intensify. The Public Health and Health Planning Council (PHHPC) has already approved a series of recommendations regarding state oversight of various models of ambulatory services, such as retail/convenience clinics, urgent care, and freestanding emergency departments.

**Balanced Billing, Regional Planning, Managed Care and Related Reforms.** Advocates will work to ensure that any out-of-network regulations are limited to reasonable disclosure efforts, that attempts to add another layer to the CON process through local planning efforts are held in abeyance, and that more improvements in managed care practices are realized.

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