

Testimony before the
Joint Legislative Hearing of the
Assembly Ways and Means and Senate Finance Committees
2010-2011 Executive Budget Proposal

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Healthcare Association of New York State

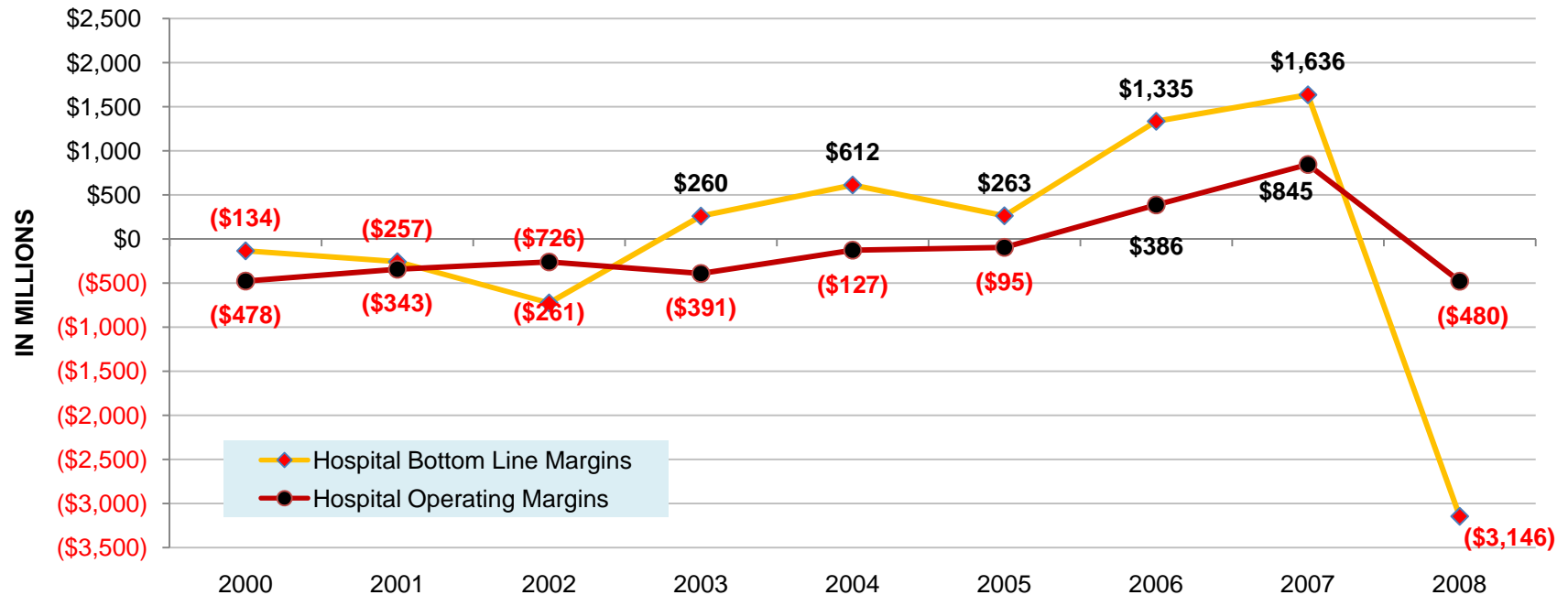
February 9, 2010



Healthcare Association
of New York State

AN EXCEEDINGLY FRAGILE HEALTH CARE SYSTEM

Hospital Finances Plummet— Even Before Recent State Budget Actions



- Not Reflected in this Hospital Analysis:
- \$500 million in annual hospital cuts and taxes from the February 2009 Deficit Reduction Plan (DRP), the 2009-2010 budget in April 2009, the May 2009 Metropolitan Transit Authority payroll tax, and the December 2009 DRP.
- Hundreds of millions in annual hospital cuts in the Governor's 2010-2011 Executive Budget proposal.

Federal Budget and Reform Implications

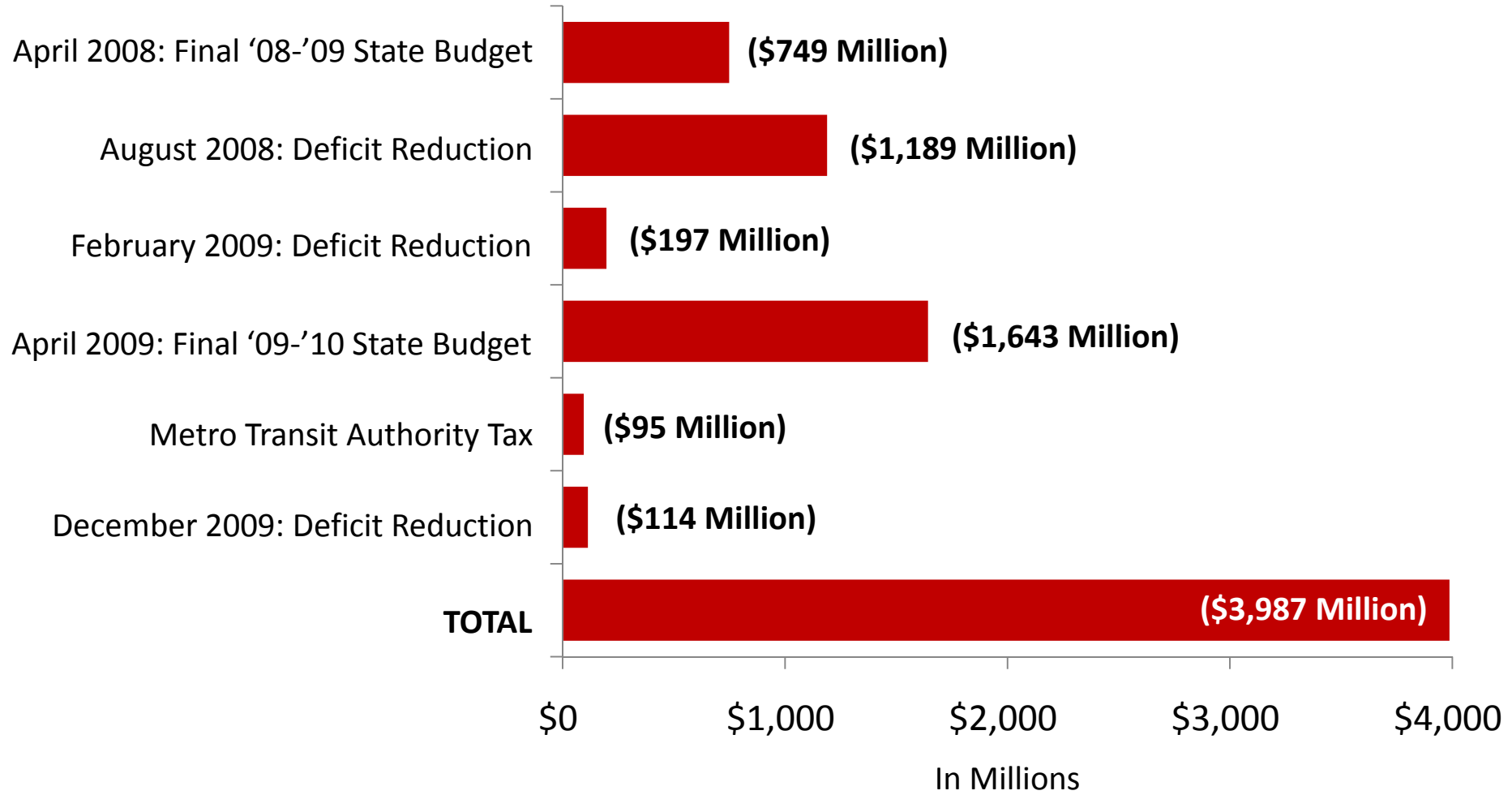
**New York hospitals, nursing homes, and
home care providers to be**

cut \$15 billion

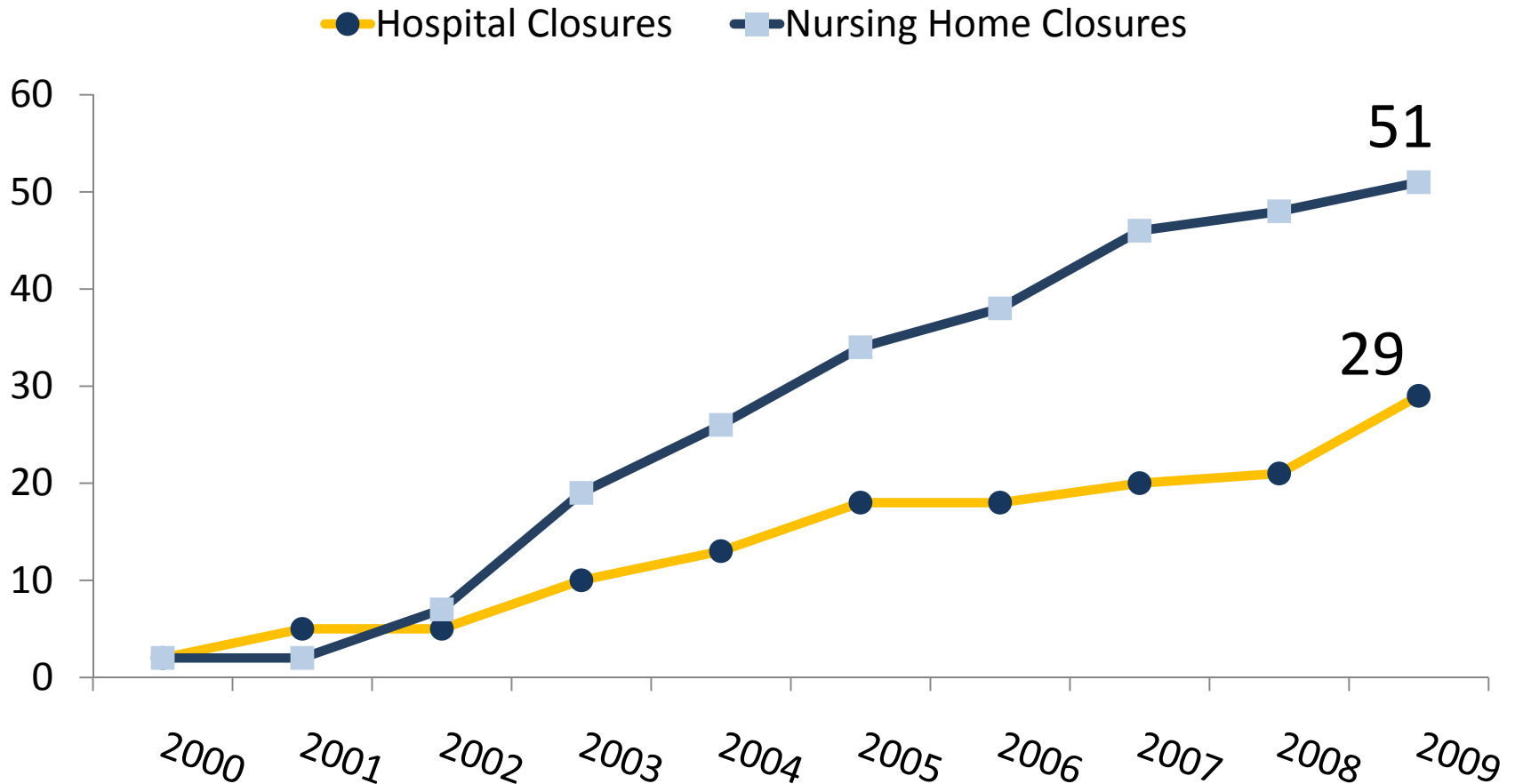
over the next ten years.

If federal coverage reform fails, the President has made it clear that reductions in the rate of health care spending—similar cuts to Medicare and Medicaid—remain a priority.

Hospitals, Nursing Homes, and Home Care Have Accumulated **\$4 Billion in Cuts** Over the Last Six State Budget Actions



New York State Hospital and Nursing Home Closures; 2000-2009, Cumulative



29 Hospitals Have Closed Since 2000

- Massapequa General Hospital
- Olean General Hospital-West Division
- Genesee Hospital
- McClellan Health System, Inc.
- The Caledonian Hospital
- Staten Island University Hospital-Concord Site
- ViaHealth of Wayne-Myers Campus
- Island Medical Center
- St. Agnes Hospital
- Interfaith Medical Center-Jewish Hospital Medical Center Division
- Our Lady of Mercy Medical Center-Florence Durso Pavilion
- Beth Israel Medical Center-Herbert and Neil Singer Division
- St. Joseph's Hospital of Flushing
- Brunswick Hospital
- Doctors Hospital
- The Hospital in Sidney
- Bayley Seton Hospital
- United Memorial Medical Center-Bank Street Division
- New York United Hospital Medical Center
- St. Mary's Hospital of Brooklyn
- St. Vincent's Midtown Hospital
- Manhattan Eye, Ear, and Throat Hospital
- The New Parkway Hospital
- Cabrini Medical Center
- Victory Memorial Hospital
- Eddy Cohoes Rehabilitation Center
- Albert Lindley Lee Memorial Hospital
- Mary Immaculate Hospital
- St. John's Queens Hospital

51 Nursing Homes Have Closed Since 2000

- United Helpers Cedars Nursing Home
- Lake Shore Nursing Home, Inc.
- Ann Lee Home & Infirmary
- Community General Hospital of Greater Syracuse, Nursing Home Unit
- Nazareth Nursing Home
- Mount View Health Facility
- Episcopal Residential Health Care Facility, Inc.
- Clifton-Fine Hospital
- Brunswick Hospital Center, Inc.
- Eden Park Health Care Center
- Lemberg Home & Geriatric Institute, Inc.
- Manor Oak Skilled Nursing Facilities, Inc.
- Southampton Care Center
- St. Joseph's Manor
- Cedar Hedge Nursing Home
- Childs Nursing Home Company, Inc.
- Beechwood Residence
- Livingston County Campus SNF
- The Hospital SNF
- Menorah Home and Hospital for Aged and Infirm
- Rehab Institute of New York at Florence Nightingale Health Center
- Hebrew Home for the Aged at Riverdale-Baptist Division
- New York United Hospital Medical Center Skilled Nursing Pavilion
- Sunrest Health Facilities, Inc.
- Faxton-St. Luke's Healthcare—Allen Calder
- Loeb Center, Montefiore Medical Center
- St. Luke Manor of Batavia
- Manor Oak Skilled Nursing Facilities, Inc.
- Hutton Nursing Home
- Kresge Residence
- Williamsville View Manor
- St. Clare Manor
- Norloch Manor
- Eden Park Health Care Center
- The Gardens at Manhattan Health and Rehabilitation Center, LLC
- Manor Oak Skilled Nursing Facilities, Inc.
- St. Mary's Manor
- Eden Park Health Care Center
- Potsdam Nursing Home
- Mt. St. Mary's Long-Term Care Facility, Inc.
- Mary McClellan Skilled Nursing Facility
- Wesley-on-East, Ltd.
- Bethel Methodist Home
- Lyden Care Center
- Albany Avenue Manor
- The Waters of Syracuse
- Chandler Care Center
- Genesee Hospital ECF
- Our Lady of Victory Health Trauma Rehabilitation Unit
- Dover Nursing Home
- Dorothy & David I Schachne Institute for Nursing Rehabilitation

Health Care Jobs Lost as Cuts and Taxes Mount

Hospital mass layoffs hit new high in 2009

2/8/2010 American Medical News

RPCI, Batavia hospital reduce staff

3/6/2009 Business First of Buffalo

City's Public Hospital System to Cut Jobs and Programs

3/19/2009 NY Times

Hospital in Brooklyn Lays Off 250 Workers

9/4/2009 NY1

St. Vincent's Hospital in NYC lays off 180

12/8/2009 Crain's

North General Hospital On the Brink of Bankruptcy

1/18/2009 Crain's

Memorial Medical Center cutting staff

12/30/2009 Niagara Gazette

Westchester Medical Center cuts 100 more jobs

3/30/2009 The Journal News

Hospital lays off 16, closes clinic over state cuts

6/18/2009 Buffalo News

Albany Med implements hiring Freeze, leaving 125 positions vacant

4/6/2009 The Business Review

Claxton-Hepburn to lay off 30 employees

7/8/2009 NewsWatch 50

Hospital to Close Nursing Home, Lay Off Staff

1/13/2009 The Journal News

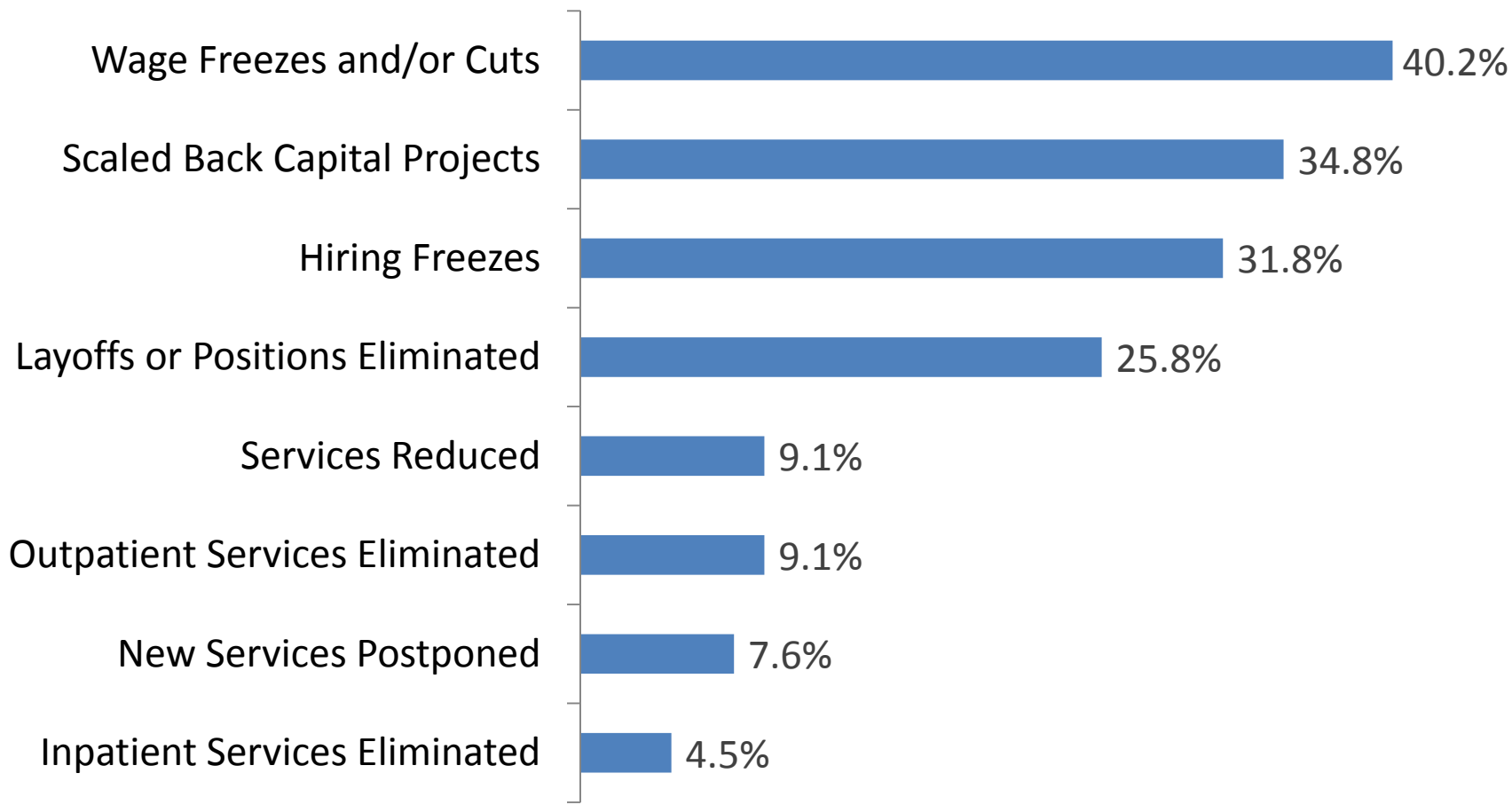
St. Vincent's Hospital on brink of second bankruptcy

1/26/2009 Crain's

Crouse Hospital is latest to close its pediatric unit

6/29/2009 The Post-Standard

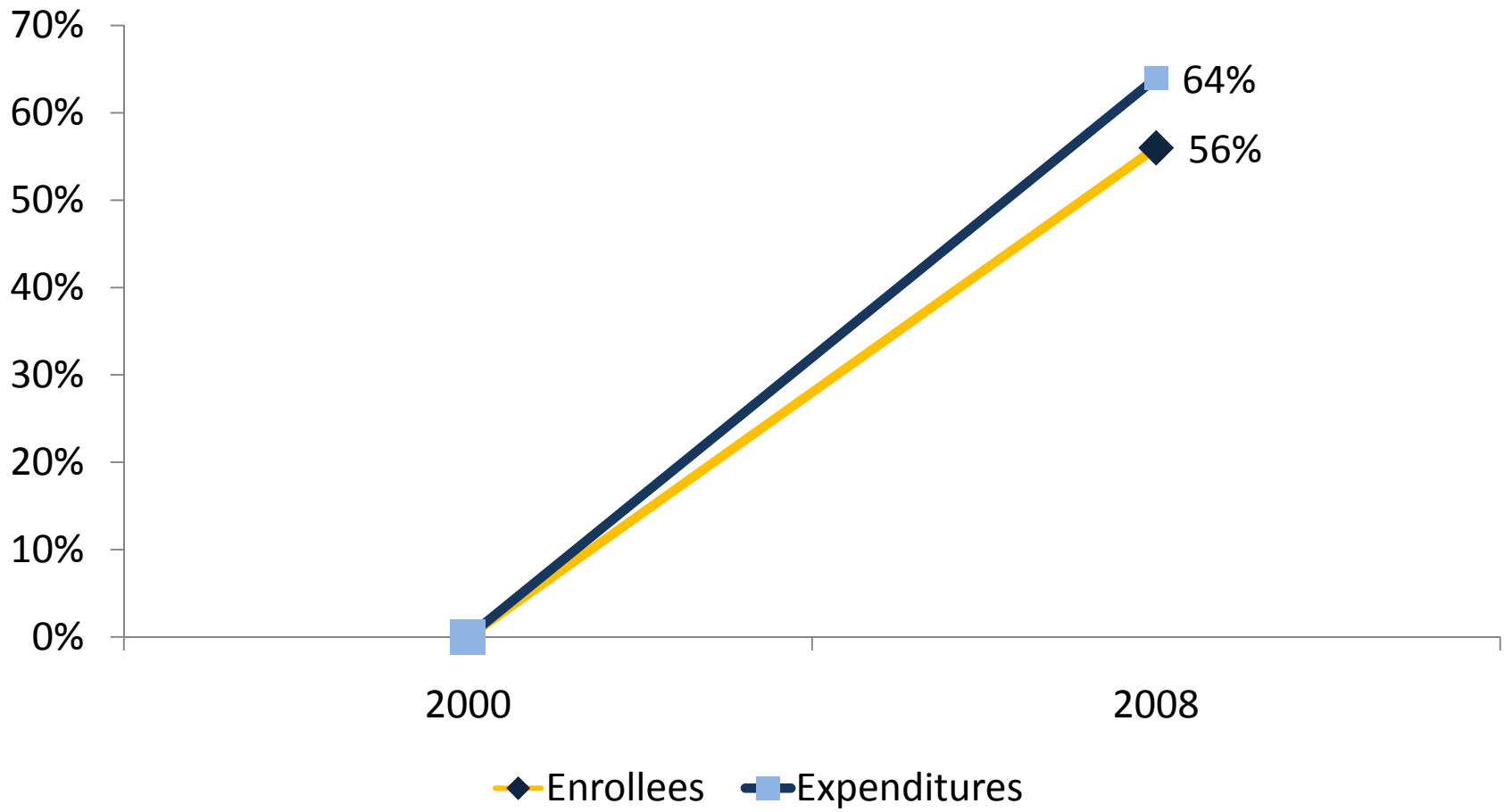
Hospitals Took Action in 2009 to Cope with Cutbacks



Source: HANYS' Quarterly Financial Crisis Survey, 2009, 1st through 3rd Quarters

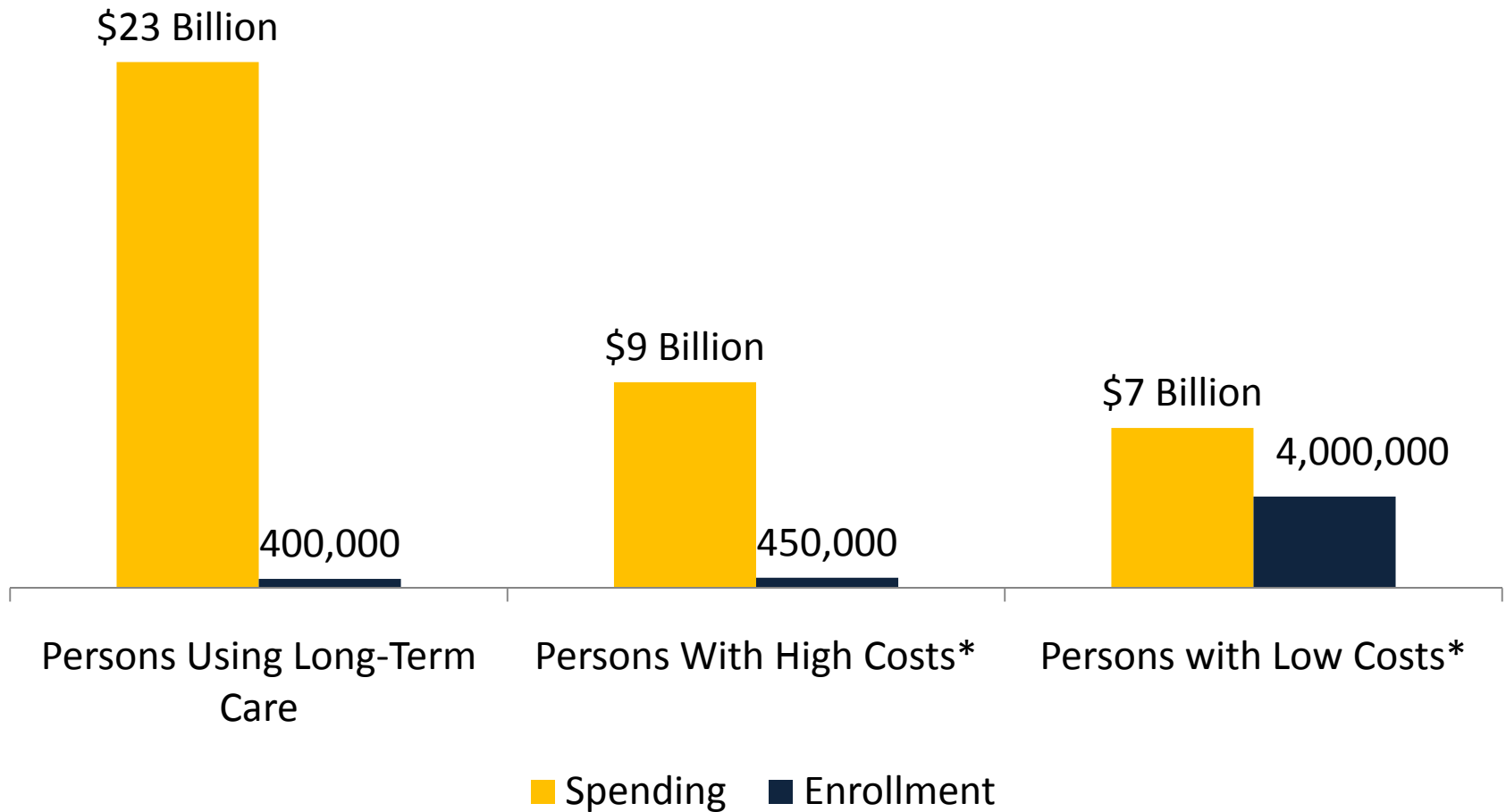
STATE POLICY IS PRIMARY DRIVER OF MEDICAID SPENDING GROWTH

The Number of Medicaid Enrollees and Expenditures Grew from 2000 to 2008



- One in five (19.3%) New Yorkers are covered under Medicaid, Child Health Plus, or Family Health Plus
 - Nearly 40% higher than the national average (14%)

Medicaid spending is heavily concentrated on a small group of beneficiaries; the vast majority of enrollees are low-cost.

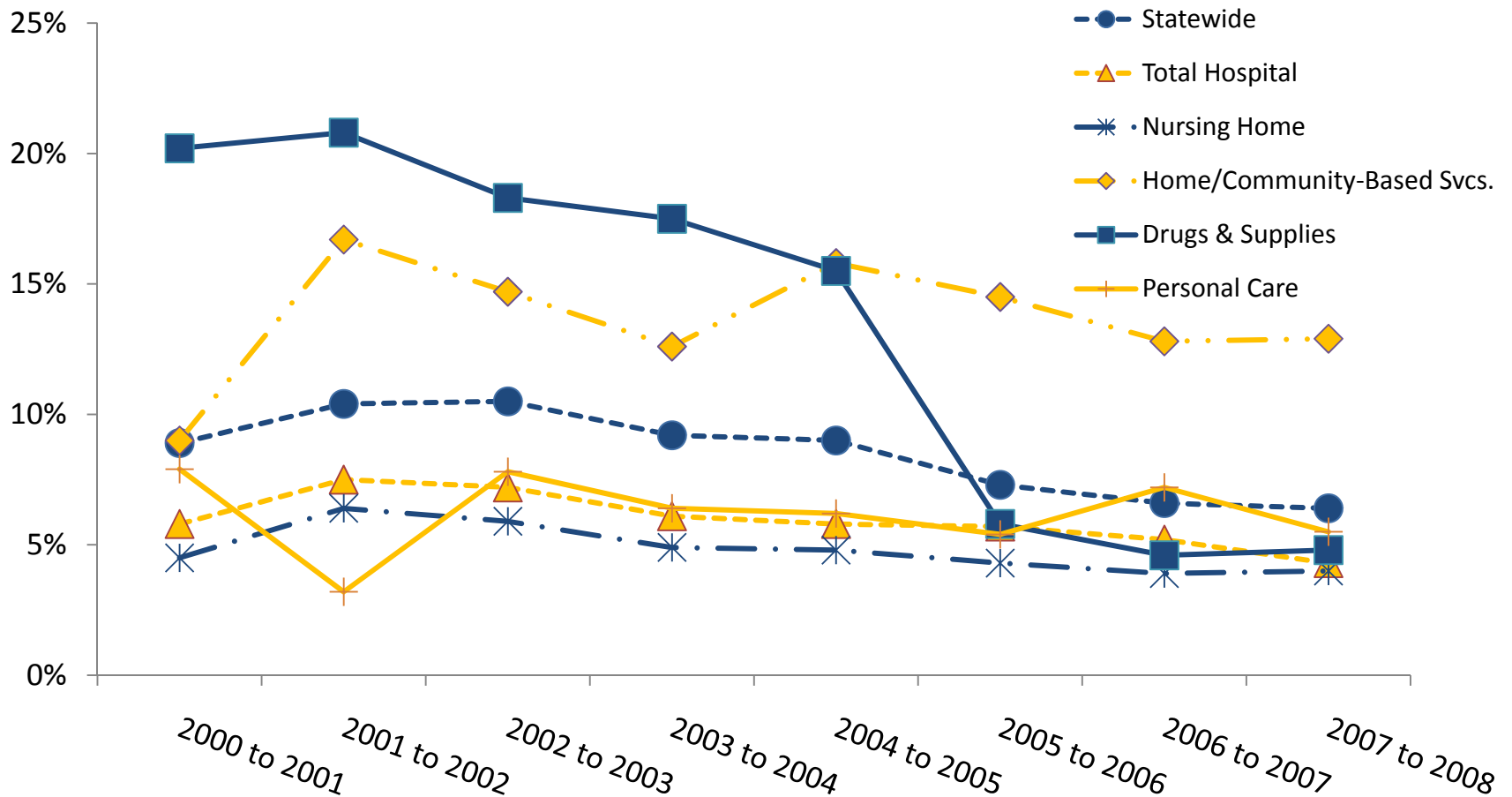


Source: United Hospital Fund presentation

*no long-term care

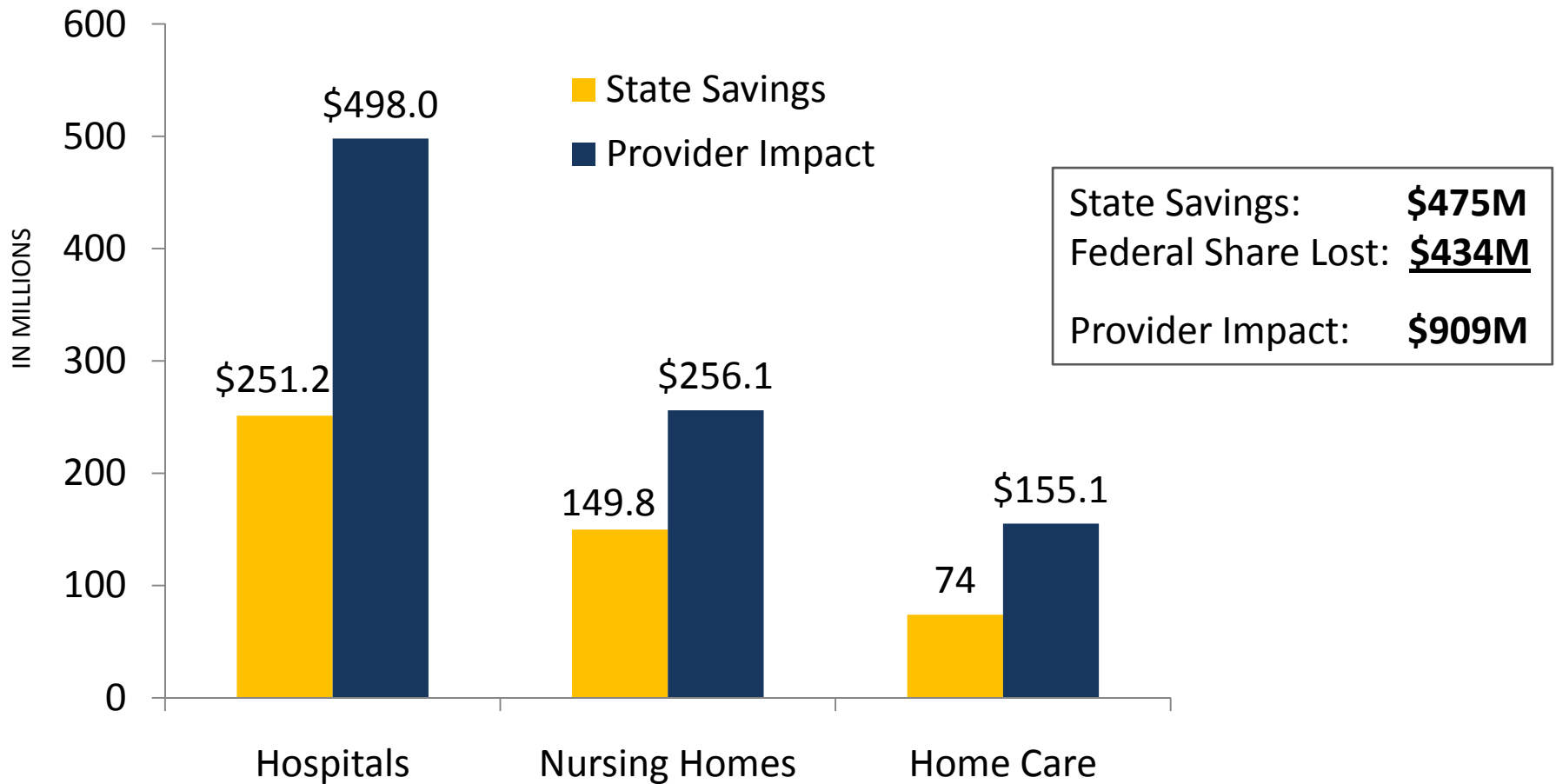
Hospitals and Nursing Homes are Not Driving Medicaid Spending Growth

Average Annual Total Spending Growth, 2000-2008



2010-2011 EXECUTIVE BUDGET PROPOSAL

State Savings Drive Loss of Federal Match to Double Impact on Providers



Governor's Proposal Compounds Losses in Prior Budget Actions

- Fully implementing the Governor's proposal includes nearly \$1 billion in taxes and cuts to hospitals, nursing homes, and home care.
- Governor's proposal follows six budget actions amounting to \$1.7 billion in losses to providers annually.

Governor's Proposed Budget Taxes and Cuts to Hospitals: \$498 Million Impact

IN MILLIONS

Reduce and Redistribute Indigent Care Payments	(\$187M)
Increase Gross Receipts Tax ("Sick Tax") from 0.35% to 0.75%	(\$143M)
Redirect \$166 Million Indirect Medical Education (IME) —First Year Impact	No State Savings*
Limit Preventable Readmissions/Conditions	(\$49M)
Eliminate 2010 Trend Factor	(\$107M)
TOTAL SFY 2010-2011 IMPACT	(\$498M)

*due to no fault Workers' Compensation Insurance impact

Governor's Proposed Hospital Taxes and Cuts, by Region

(in millions of \$)	Increase Hospital Gross Receipts Tax	Medicaid FFS Reductions and Redistributions	Medicaid Managed Care, Workers' Comp, and No-Fault	Total Hospital Impact
HANYS Region				
Western NY	(\$8.2)	(\$0.9)	(\$0.8)	(\$9.9)
Rochester	(\$6.9)	(\$10.5)	(\$2.0)	(\$19.3)
Iroquois-CNY	(\$7.5)	\$0.4	(\$1.2)	(\$8.3)
Iroquois-NENY	(\$7.1)	(\$3.4)	(\$0.5)	(\$11.0)
Northern Met.	(\$12.5)	(\$3.7)	(\$0.2)	(\$16.4)
New York City	(\$81.5)	(\$223.5)	(\$39.4)	(\$344.4)
Long Island	(\$19.7)	(\$19.3)	(\$0.7)	(\$39.8)
Potentially Preventable Readmissions				(\$49.0)
TOTAL	(\$143.3)	(\$260.9)	(\$44.8)	(\$498.0)

*Regional impacts do not include the \$ impact of limiting payments for potentially preventable readmissions.

Smarter Revenue Options

- FMAP dedicated to health care
- Promote public health and reduce long-term health care expenditure
 - Excise tax on sugared beverages and tobacco
- Keep health plan profits in New York State
 - Expand HCRA surcharges on health insurers that divert billions in profits to out-of-state corporate parents
- Level the playing field
 - HCRA surcharge on select physician office services

Federal Match—FMAP



- \$5 billion provided by federal government in FMAP increases for the 2009-10 budget
- Just \$1 billion, or 20%, was made available for health care restorations

FMAP

- Six-month extension proposed by President
 - \$3.3 billion more to NY
 - Of that, \$1.1 billion available to state in SFY 2010-2011—enough to offset all of the Governor’s health care taxes and cuts

Governor's Indigent Care Proposal

Total Impact Will Cut \$187 Million from Pool

- Reduce total distributions from the Indigent Care Pool by \$187M annually, 20% cut to voluntary, non-profit hospitals
- Redefines “need” to omit \$400 million in uncompensated care costs incurred by hospitals
- Leaves hospitals solely responsible for underinsured who cannot pay

Governor's Indigent Care Proposal

Safety net hospitals hardest hit

- Urban “high need” hospitals would lose \$109 million
 - High need hospitals are the facilities with the highest uncompensated care costs
- Rural hospitals would be cut by \$10 million
- High volume Medicaid hospitals would lose \$106 million
 - Hospitals with over 35% of patients covered by Medicaid

LEGISLATIVE ACTION NEEDED:

Reject Governor's Charity Care Cuts and Redistribution

Governor's Bad Debt and Charity Care Proposal is an Assault on Our Poorest, Neediest Communities

NEW YORK CITY (sample facilities)

Bronx—Total Losses: (\$38.6M)

- Bronx-Lebanon Hospital Center, Fulton (\$19.6M)
- Montefiore Hospital and Medical Center (\$21.8M)

Queens—Total Losses: (\$23.9M)

- Flushing Hospital and Medical Center (\$3.9M)
- Jamaica Hospital (\$12.5M)
- Long Island Jewish—Hillside Medical Center (\$4.7M)

Manhattan—Total Losses: (\$48.6M)

- Mount Sinai Hospital (\$10.1M)
- St. Luke's-Roosevelt Hospital Center (\$14.9M)
- St. Vincent's Hospital and Medical Center of New York (\$8.5M)
- Beth Israel Medical Center (\$7.8M)

Kings—Total Losses: (\$38M)

- Brookdale Hospital Medical Center (\$8.6M)
- Interfaith Medical Center (\$4.7M)
- Lutheran Medical Center (\$12.5M)
- Wyckoff Heights Hospital (\$6.6M)

Richmond—Total Losses: (\$6.8M)

- Staten Island University Hospital (\$3.4M)
- Richmond University Medical Center (\$3.4M)

REST OF STATE

Top 10 Hardest Hit Hospitals

- St. Joseph's Hospital, Yonkers (\$6.6M)
- Mount Vernon Hospital (\$5M)
- North Shore University Hospital (\$7M)
- Southside Hospital (\$3M)
- Unity Hospital (\$2.7M)
- St. Peter's Hospital (\$2.8M)
- Kingston Hospital (\$2.3M)
- Catskill Regional Hospital, Harris (\$3.3M)
- United Health Services, Inc. (\$2M)
- Summit Park Hospital-Rockland County Infirmary (\$2M)

Governor's Proposal Increases Provider Gross Receipts Tax ("Sick Tax")

- Increase taxes effective April 1, 2010
 - Hospital Impact: **(\$143 Million)**
 - Nursing Home Impact: **(\$85 Million)**
 - Home Care Services Impact: **(\$19 Million)**

LEGISLATIVE ACTION NEEDED:
Reject the GRT Increases

Governor's Indirect Medical Education Proposal

- NO state savings
- Redistribute \$166 million first year, \$499 million when fully implemented
- Robs one provider to benefit another
- Will only worsen physician shortage
- Latest installment of implementing a disruption and calling it “reform”

LEGISLATIVE ACTION NEEDED:
Reject Governor's IME Redistribution

Governor's Proposal Would Excessively Penalize Providers for Undefined "Preventable Readmissions"

- Would cut \$49 million in 2010-2011; \$162 million in 2011-2012
- Needs a clear, well-defined approach informed by clinical principles
- No methodology available; no specific medical conditions identified
- Over 80% of potential patient population are high risk—with behavioral health or substance abuse conditions
- No lessons borrowed from federal proposals that target a few specific conditions

LEGISLATIVE ACTION NEEDED:

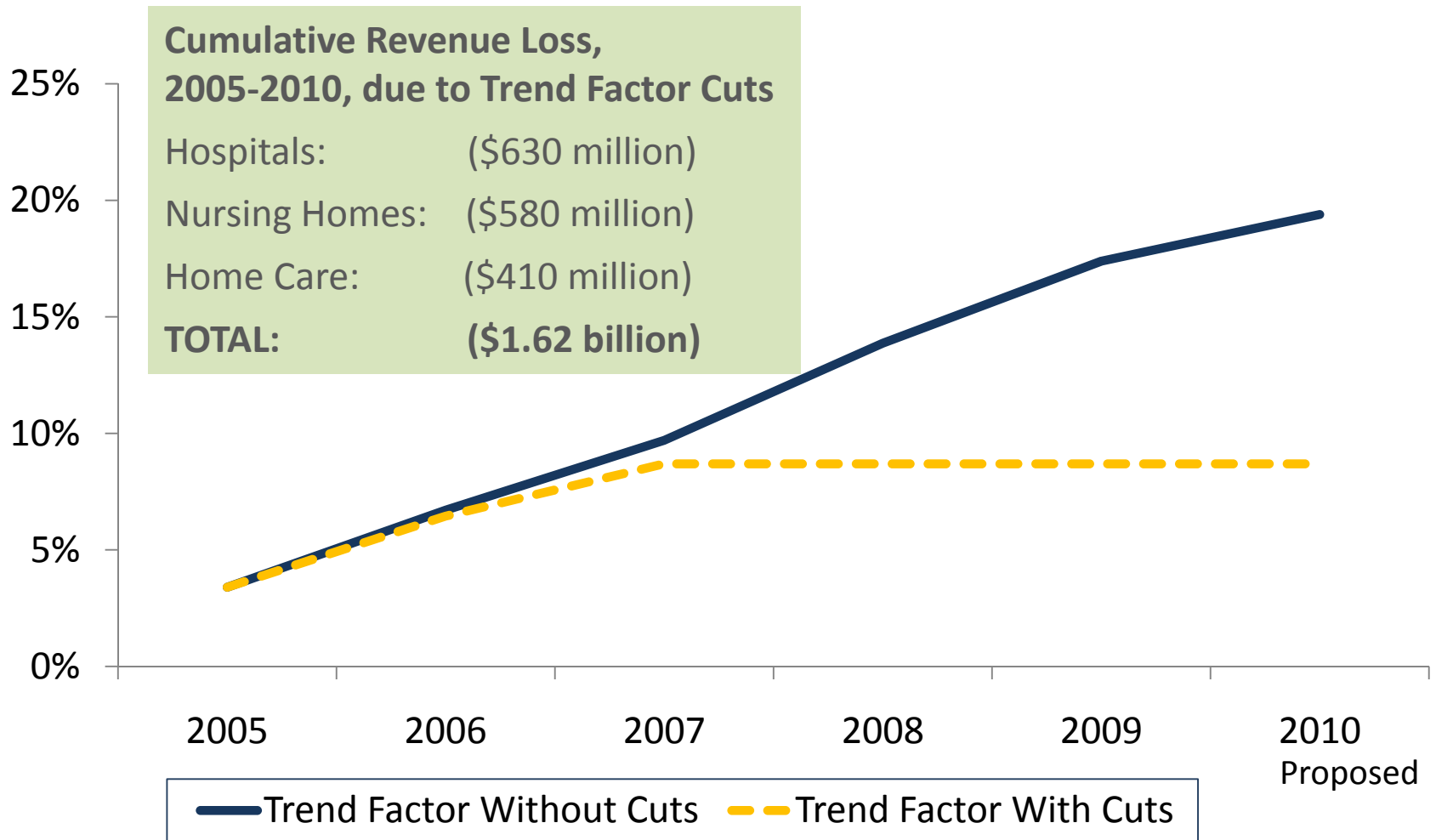
**Proposal is too much, too soon, too undeveloped.
A workgroup should be formed including conditions to develop
a sound proposal for future implementation.**

Governor's Budget Proposal Eliminates Trend Factor Adjustment

- Eliminate 2010 trend effective April 1, 2010
 - Hospital Impact: **\$107 Million**
 - Nursing Home Impact: **\$113 Million**
 - Home Health and Personal Care Services Impact: **\$63 Million**
- Last full trend adjusted in 2005

LEGISLATIVE ACTION NEEDED:
Restore trend factor

Health Care Providers Keep Losing Ground to Inflation



Governor's Proposed Taxes and Cuts to Nursing Homes: \$256 Million Impact

Eliminate 2010 Trend Factor	(\$113M)
Increase GRT by 1%	(\$85M)
Reduce payment for bed hold days	(\$19M)
Limit rate appeals	(\$40M)
Proposal delays regional pricing to March 1, 2011	No State Savings
TOTAL SFY 2010-2011 IMPACT	(\$256M)

LEGISLATIVE ACTION NEEDED:
Reject taxes and cuts.
Further delay regional pricing plan.

Governor's Proposed Nursing Home Cuts and Taxes by Region—Over \$250 Million Impact

(in millions of \$)			
HANYS Region	1% Gross Receipts Tax Increase	Remaining 2010 Trend Factor	Total Nursing Home Impact
Western NY	(\$5.8)	(\$7.6)	(\$13.4)
Rochester	(\$5.2)	(\$7.0)	(\$12.2)
Iroquois-CNY	(\$6.9)	(\$9.0)	(\$15.9)
Iroquois-NENY	(\$5.5)	(\$7.1)	(\$12.6)
Northern Met.	(\$9.3)	(\$11.9)	(\$21.2)
New York City	(\$39.6)	(\$51.9)	(\$91.5)
Long Island	(\$12.2)	(\$16.1)	(\$28.3)
Subtotal	(\$84.5)	(\$110.5)	(\$194.9)
Additional cuts not allocated by region			(\$61.2)
TOTAL	(\$84.5)	(\$110.5)	(\$256.1)

Includes in statewide total the cap on rate appeals (\$40M), bed hold reduction (\$19M), assisted living trend factor cuts (\$2.2M)

LEGISLATIVE ACTION NEEDED: Reject Nursing Home Taxes and Cuts

Governor's Proposed Home Care Taxes and Cuts: \$155 Million Impact

Eliminate 2010 Trend Factor	(\$63M)
Increase GRT tax from 0.35% to 0.70%	(\$19M)
Limit utilization of personal care services	(\$73M)
Authorize additional provider efficiencies	(\$1M)
Delay new CHHA rate system until 1/1/12	--
TOTAL SFY 2010-2011 IMPACT	(\$155M)

LEGISLATIVE ACTION NEEDED:

Reject Home Care Taxes and Cuts.

Preserve legislative authority over rate system changes.

REAL Reform

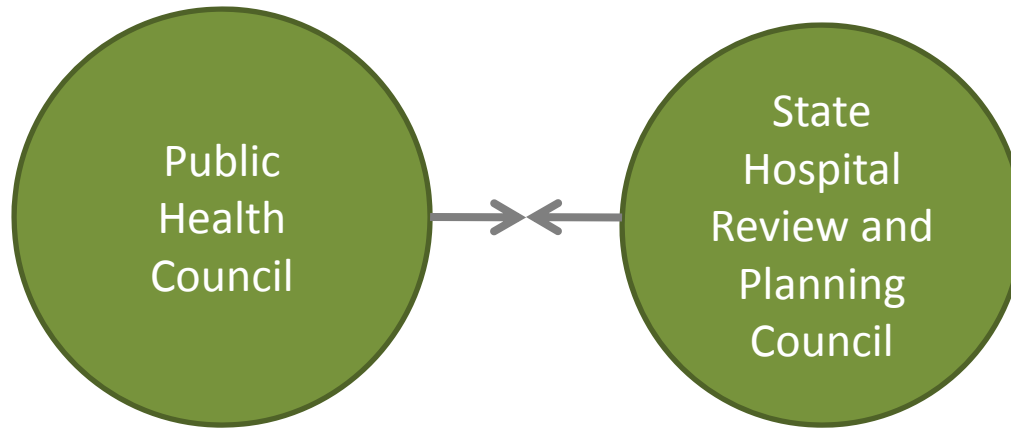
- HANYS' proposed compendia of true reform include:
 - Medical malpractice
 - Medical home model
 - Meaningful CON reform
 - Increase of Transitional Care Units
 - Clinical integration
 - Others



State Reform Agenda Has Lagged

- No medical malpractice reform
- Only one medical home project
- No meaningful CON reform
- Only 5 more TCUs proposed in budget
- No protection on policies to encourage clinical integration
- No new innovations for payment reform

Governor Has Proposed Consolidating PHC and SHRPC



- Support consolidating two councils if it improves efficiency and timeliness
- Oppose transferring full authority to Commissioner of Health to promulgate all
 - Reimbursement regulations
 - CON regulations
 - Hospital code regulations

State's "reform" effort more disruption than reform

Billions of dollars have been redistributed among hospitals as a result of inpatient, outpatient, and indigent care payment "reforms" in the past two years.



- DRG Reweighting
- Serious Adverse Events
- Outpatient APGs
- Inpatient Detox Payments
- Indigent Care Changes
- Behavioral Health Payments
- Inpatient Acute Payment
- Inpatient Exempt Payment
- Elimination of GME Pool
- Physician Billing Changes
- Nursing Home Regional Pricing
- Medical Home Incentives
- Home Care Payments
- Medicaid Preventable Readmissions
- Medicaid Preventable Complications

What's at Stake

New York's hospitals generate \$101.1 billion for state and local economies each year:

	TOTAL DIRECT IMPACT	TOTAL DIRECT AND INDIRECT IMPACT
JOB	356,780	671,730
TOTAL ECONOMIC IMPACT	\$46,761,724,000	\$101,136,257,000
TOTAL STATE/LOCAL TAXES	\$2,610,095,000	\$4,452,040,000

What's at Stake

Services eliminated or diminished include:

- Cancer treatment and diagnostic services, and equipment purchases
- Numerous emergency room (ER) expansion and modernization projects necessary to eliminate ER backlogs and wait times
- Surgical services
- Adolescent mental health services
- Autism and other outpatient clinics
- Community-based health services

In conclusion . . .

- Health care providers are fragile, many have closed while others are on the brink
- Cumulative cuts in last six budget actions, totaling \$1.7 billion annually, weakens us further
- Proposed \$1 billion in new taxes and cuts in Governor's budget will mean thousands of lost jobs, reduced access to health care services
- Reform agenda has been disruptive; there is no assessment of the impact of these actions
- True structural reform is critical