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A PUBLICATION ADDRESSING HEALTH
ISSUES FACING HUDSON VALLEY RESIDENTS

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Federal Update: Debt Ceiling/Deficit Reduction Deal Forebodes Cuts to Medicare

While hospitals in the Hudson Valley are safe from additional and immediate Medicare reductions, they will more than likely suffer further Medicare cuts come year's end, as a result of the debt ceiling deal worked out last week. The deal's bi-partisan congressional committee will likely look to Medicare cuts to achieve long-term savings. If Congress does not approve these recommendations, automatic two percent across-the-board Medicare cuts to providers will occur each year for 10 years. This was the outcome of the debt ceiling/deficit reduction agreement reached by the White House and congressional leaders and approved by the Senate and the House just as the August 2nd deadline arrived.

Phase one immediately raised the debt ceiling by \$400 billion and that will be followed by another \$500 billion in September, upon the president's request. Phase one also enacts \$917 billion in discretionary spending cuts over 10 years. Medicare and Medicaid are not impacted by these initial cuts.

The 12- member, bipartisan congressional committee, whose members are not yet appointed, is charged with finding \$1.2 - \$1.5 trillion in additional savings by November 23, 2011. If those recommendations are approved by the Congress, the president is then authorized to request an additional debt ceiling increase of \$1.5 trillion. If Congress does not pass the committee's proposal or send a balanced budget amendment to the states before the end of the year, automatic spending cuts to mandatory and discretionary spending programs totaling \$1.2 trillion go into effect beginning 2013. (Medicare provider payments would face a cut of no more than two percent each year.) The president then would be authorized to request another debt ceiling increase of \$1.2 trillion. This is phase two of the agreement.

The agreement is not good news for hospitals. They are dealing with a variety of federal and state delivery and payment reforms, and less than two years ago, the nation's hospitals voluntarily agreed to \$155 billion in Medicare cuts over 10 years, as one way to finance the Affordable Care Act. Hospitals in the Hudson Valley will contribute \$1.4 billion to that effort over the 10 years.

State Update: Jobs Creation Now Top Priority; Health Care Sector Still Leading in Numbers

The 10 Regional Economic Development Councils recently announced by Governor Cuomo are focused on job creation and the Governor's office is committing \$1 billion in grant monies to spur job creation efforts around the state through these councils. Labor department data continue to point to strength in the health care employment sector and a report just released by the Healthcare Association of New York State (HANYS) notes that hospitals in the lower/mid-Hudson region are collectively the largest employer in that region.

"Our hospitals are economic engines with an \$8.3 billion impact on the local communities in the Hudson Valley region," said Kevin Dahill, president/CEO of the Northern Metropolitan Hospital Association (NorMet), the trade group that represents hospitals in the lower/mid-Hudson region. "We urge the members of Governor Cuomo's Mid-Hudson Regional Economic Development Council to fully consider the vital role health care organizations play in the state and local economies and to protect and build upon health care as one of the few remaining job growth sectors."

The report says hospitals in the region maintain 50,490 jobs.

In other state news . . . the state legislature is expected to return to Albany sometime in the near future to debate the **health insurance exchange legislation**. Unless some version of legislation is passed by the federal deadline of September 30, New York could lose millions in federal grant funding. **Medical malpractice legislation** could also be on the legislature's agenda when they return. A variety of medical malpractice bills remain on the table and would do nothing to advance true tort reform. Of particular note is legislation that would reverse the Arons decision, which would limit fairness in the adjudication of civil lawsuits, a measure to enhance contingency fees, and Statute of Limitations changes.

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