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STATE UPDATE: Gov's Proposed Budget Continues Cuts and Cap

Hospitals are promoting a message of empowerment, investment, and transformation during this state budget season and are hoping the \$136.4 billion proposed executive budget and the legislature's ensuing input will yield positive results. The governor's budget continues the two-percent across-the-board cut to Medicaid providers and the continued elimination of the Medicaid trend factor, the inflationary update that providers receive to cover the rising cost of care. New York's hospitals have not seen a full Medicaid trend factor increase since 2005; hospitals are lobbying for its reinstatement. Additionally, the Medicaid global spending cap continues (currently estimated at 3.9 percent) and the proposal seeks to extend the State Commissioner of Health's "super powers" through March 2015. The health commissioner has the authority to implement indiscriminate Medicaid cuts should the cap be breached. Hospitals say they have helped the state in recent years control costs and streamline efficiencies through the Medicaid Redesign Team reforms, such as the cap, and similarly contributed to helpful reforms on the federal level. Next year the state will receive an increased match of federal dollars for the state's Medicaid expansion. The State Budget Department projects the match to reach \$1.8 billion by state fiscal year 2017. "We have shared in the policy changes needed to transform our delivery system and our hospitals should share in the resulting savings," said Kevin Dahill, president/CEO of the Suburban Hospital Alliance.

Doctor Shortage Critical . . .

Counties in the Suburban Hospital Alliance representation area are in the greatest need of primary care physicians, according to the 2012 report *Doctor Shortage: Condition Critical*. The Healthcare Association of New York State's (HANYS) report looked at the responses of the 110 hospitals participating in the survey and found that the Northern Metropolitan region and the Long Island region noted a need for 143 and 62 primary care physicians, respectively. The Hudson Valley region's need is five times that of the Western region's need, while Long Island's need is nearly two and a half times as great as Western's, for example. Full report at www.hanys.org.

FEDERAL UPDATE: Sequester Deadline Means Disaster for Health Care

The sequester deadline is but a week away – March 1 – and with Congress on mid-winter recess until February 25, 2013, the prospects for finalizing a deal to avert draconian cuts to domestic programs, Medicare among them, as well as cuts to defense spending, are highly questionable. Hospitals in particular will get slammed with a two percent cut in Medicare payments, which translates more accurately into a nine percent reduction during the remaining seven months of the current federal fiscal year. The Medicare sequester cuts are valued at \$629 million (2013 – 2021) for the 51 hospitals in the nine counties represented by the Suburban Hospital Alliance.

President Obama is pushing House Republicans for a plan that includes some spending reductions and new revenues through closing tax loopholes. Republicans have indicated a willingness to eliminate some loopholes and tax subsidies as an approach to overhaul the tax system not to raise revenue. For now, the stalemate continues.

Economists – both public and private – agree the sequester cuts will disrupt the country's economic recovery and surely result in the loss of jobs. A joint study funded by the American Hospital Association, American Nurses Association, and American Medical Association estimates that should the sequester cuts take effect, nearly a half million health care jobs could be lost in the first year alone. More recently, independent news organization studies reported that the health care sector was the only one to see job gains throughout the nation's recession and subsequent period of slow economic recovery. **Permission to reprint articles granted. Attribution to this publication required.*