Pataki Supports Renewal of Health Care Reform Act

Governor Pataki’s budget would reauthorize the Health Care Reform Act (HCRA) for another two years. Since HCRA was first passed in 1996, it has evolved into a nearly $5 billion fund for an assortment of health programs such as insurance for the uninsured (Child and Family Health Plus and Healthy NY); healthcare workforce recruitment and retention; and graduate medical education. The HCRA pools are financed through cigarette taxes along with surcharges and assessments on the state’s health care providers and insurers. Without reauthorization, HCRA will expire in June 2005.

Prior to 2005, revenues and expenses relating to the HCRA pools have been outside the usual budget process which has permitted the “off-loading” of programs formally funded by the State’s general fund to instead be funded by HCRA.

The governor’s budget would also dedicate to HCRA 95 percent of the proceeds from any nonprofit health insurers conversion to for-profit status. In addition, to generate a projected $750 million in new revenue for HCRA, the governor’s budget would increase the per claim surcharge on privately insured New Yorkers for hospital and clinic services (from 8.85 percent to 8.95 percent) and raise by six percent the amount health insurers are assessed for each covered life in order to provide more funding for graduate medical education.

More about HCRA:
http://www.health.state.ny.us/nysdoh/hcra/hcrahome.htm

Detail on the governor’s budget proposal:
http://publications.budget.state.ny.us/executive.html

Medicaid Cuts in Budget

Governor Pataki focused on Medicaid reform in the 2005 budget that he presented to the Legislature on Jan. 18, 2005. He predicted, “If left unchecked, within the next six years, Medicaid costs could actually consume more than half of our entire state budget.”

The governor is estimating a savings of $7.3 billion over the next five years by capping local Medicaid costs and adopting cost containment measures to relieve Medicaid’s financial burden. The challenge for the governor and legislature is how to reduce Medicaid expenditures without harming the poor who depend on it, the healthcare system providing the care or the privately insured who could be hurt if inadequate government reimbursement rates to hospitals cause a cost shift to them.

Responding to the demands of county governments and taxpayers, Pataki is proposing several initiatives to “take over” the counties’ share of Medicaid. The budget as drafted:

- Initiates a full state takeover of a county’s growth in Medicaid costs effective Jan. 1, 2008.
- Accelerates the takeover of local Family Health Plus.

Medicaid Cuts: After the 2004-05 budget:

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HEALing New York’s Ailing Hospitals?

Governor Pataki’s proposal to slow Medicaid spending growth includes a $1.1 billion savings plan to cut hospital and nursing home reimbursement and impose taxes on their revenues. Provider groups have launched what promises to be a fierce public relations attack on Pataki’s plan with television ads portraying facility closures, health care workforce cuts and lack of care for the critically ill.

But another of the governor’s budget items - similar to one originally put forth several years ago by 1199/S.I.E.U. (the hospital worker’s union) and the Greater New York Hospital Association - potentially softens Medicaid spending reductions. The Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) would provide $250 million in cash and $750 million in bond-backed capital funding for completion and start-up of facility improvement projects and information technology and efficiency upgrades. A similar $250 million plan was proposed last year by the Legislature but vetoed by the Governor.

In a related initiative, Pataki outlined a proposal to create a bipartisan Commission on Health Care Facilities in the 21st Century to evaluate the problem of under-utilized hospitals and nursing homes in New York State. Modeled after the federal military base closing commission, the Health Care Facilities Commission would make recommendations for closure of hospitals and nursing homes. Such closures would be implemented immediately unless expressly rejected within 30 days by the Legislature.

Reports on New York’s healthcare infrastructure:
http://www.health.state.ny.us/health_care/medicaid/related/health_care_reform
Republican majorities in Congress are focusing on a fast-moving early agenda that includes changes to the civil justice system. On Feb. 10 the Senate passed a bill to shift many class-action suits from state to federal courts. Rapid passage is expected in the House.

Legislation to similarly constrain medical malpractice litigation has not been introduced yet, although a House subcommittee renewed debate in February. Republican leaders seek legislation that mirrors a bill the House passed in 2003. That measure failed in the Senate.

President Bush identified the medical liability issue as a high domestic priority. Several factors work against quick passage:

- The medical malpractice issue is likely to be linked to proposed measures to establish a trust fund to compensate victims as an alternative to litigation over asbestos exposure. This measure failed in the Senate.

President Bush tied strengthening the economy with making health care more affordable and giving individuals greater control over health decisions.

President Bush showcased Social Security reform in his address on Feb. 2, 2005. His proposal is to allow workers younger than 55 to put up to 4 percent of their Social Security payroll taxes into personal retirement accounts. It faces strong opposition from Democrats and consumer groups such as AARP.

Bush tied strengthening the economy with making health care more affordable and giving individuals greater control over health care decisions.

The President promised to work toward cutting the deficit in half.

The $2.57 trillion budget which Bush proposed on Feb. 7, 2005 includes deep cuts in many domestic programs. Increased spending is proposed for defense and homeland security.

The budget does not include funding for military operations in Iraq and Afghanistan or for the overhaul of Social Security. With the deficit projected at $427 billion this year, the budget puts it at $390 billion in 2006, and $207 billion in 2010.

Prospects for this budget in Congress are uncertain. Mr. Bush’s Republican allies in Congress are already chafing about proposed cuts to farm subsidies, education programs, veterans’ benefits and community development block grants. And while projecting aggregate spending reductions, the budget does not spell out which specific programs would be cut after 2006.

The full text of the State of the Union can be found:

For the full budget go to the Office of Management and Budget’s (OMB) website:
http://www.whitehouse.gov/omb/budget/fy2006

Carlos Gutierrez, a Cuban immigrant and longtime executive at the Kellogg Co., was confirmed Jan. 24 as Secretary of Commerce.

Starting as a cereal salesman in Mexico, he now becomes the ambassador of U.S. business interests in international trade disputes. Besides balance of trade, Mr. Gutierrez faces the challenge of helping America’s struggling manufacturing sector cope with increasing competition from low-wage countries such as China and India.

The Senate confirmed Michael O. Leavitt on Jan. 26 to be Secretary of the Department of Health and Human Services (HHS). He replaces former Wisconsin governor Tommy G. Thompson as overseer of the nation’s largest entitlement programs. Mr. Leavitt, 54, is a former three-term governor of Utah and the departing administrator of the U.S. Environmental Protection Agency.

HHS is the largest civilian department in the federal government, with more than 66,000 employees and a FY 2004 budget of $546 billion - close to one fourth of federal dollars.

Cost estimates soar for Medicare drug coverage

The prescription drug program hit a major snag as estimates of its cost increased sharply over the $400 billion projected when the Medicare Modernization Act (MMA) was signed into law in 2003. A Feb. 7 budget document from the Department of Health and Human Services (HHS) said the cost of the drug benefit would reach nearly $1.2 trillion by 2016.

In January, the Centers for Medicare and Medicaid Services (part of HHS) released new regulations to implement the MMA. The debate over cost projections has triggered efforts by budget conservatives to reduce and possibly repeal a benefit they say is far too expensive and will increase the deficit.

Lawmakers have offered several cost-cutting options: Capping spending; cutting payments for wealthier beneficiaries; allowing the government to negotiate bulk drug prices; banning coverage of "lifestyle drugs"; and legalizing importation of prescription drugs.

Extensive information on the new regulations is available at:
http://www.cms.hhs.gov/medicare

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