STAT News

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FEDERAL UPDATE: Budget Deal Reached, Government Open

After a very brief partial shutdown of the federal government overnight February 9, 2018, the president signed the bi-partisan two-year budget deal that Congress had reached just hours earlier. The legislation provides for new spending limits for defense and domestic programs that go beyond the caps put in place by a congressional debt/deficit reduction agreement dating back to 2011. Known as sequester, this agreement directs automatic yearly spending cuts. Now that the limits are higher, legislators were able to lift the defense and non-defense spending caps by a total of nearly $300 billion over two years. However, the two-percent Medicare sequestration cuts for hospitals were extended for two more years through 2027. This extension and a reduction to Medicare inpatient payments for patients who are discharged early to hospice, according to clinically-approved guidelines, will help pay for this spending deal.

The agreement also raises the debt ceiling into 2019, provides disaster aid for Puerto Rico, Florida, Texas, and California, $6 billion for opioid addiction and mental health, funding for two years for community health centers, and boosts the National Institutes of Health budget by $2 billion. The agreement provides legislators with six weeks – until March 23, 2018 – to write the appropriations bills that allow the government to spend its money.

Most importantly, the legislation includes a two-year delay of Medicaid Disproportionate Share Hospital (DSH) cuts. DSH payments help those hospitals that care for high volumes of poor and uninsured patients provide services. The legislation also extends the Children's Health Insurance Program (CHIP) an additional four years beyond the six years of funding for the program provided in the previous short-term stopgap funding legislation. The package also extends key Medicare policies, including the Medicare Dependent Hospital (MDH) and Low-Volume (LV) payment adjustments. MDHs are small hospitals for which Medicare beneficiaries comprise a significant percentage of their patients, and hence, their revenue. Low-volume hospitals are essential to their rural communities, have a modest volume of patients, and are located at least 15 miles from the next nearest hospital.

STATE UPDATE: Advocates Press for Favorable Budget Provisions

Hospital advocates and leaders from throughout the state will travel to Albany on March 7, 2018 to press their case for reasonable and rational budget provisions that allow hospital and healthcare providers to provide all New Yorkers with accessible, quality care. Although the federal government now has a two-year budget in place, federal cost sharing reduction (CSR) payments are yet to be re-instated. The Trump administration halted these in October 2017. CSR payments are made to insurers to help low-income Americans afford their co-payments and deductibles. The CSRs also help fund the Essential Health Plan. Without the CSRs, New York would lose $900 million in funding for this plan, which covers 136,324 individuals located throughout the nine counties serviced by the Suburban Hospital Alliance.

The governor's proposed budget also calls for $425 million of Medicaid dollars to be re-directed to the state's general fund, as a result of changes to the Medicaid global spending cap. This spending cap was legislated in 2011. Hospitals would endure rate reductions linked to quality pool funding and emergency room and lab services, among other targeted areas for reduction. A federal funding contingency plan is also proposed. This would allow the state to make spending reductions if federal funding to the state is reduced by $850 million or more.

Signed Legislation: Lavern's Law was recently signed by Governor Cuomo. It was the sole remaining piece of legislation from the 2017 session awaiting the governor's action. The final legislation is an amended version of Lavern's Law – the cancer-only medical malpractice discovery bill – that limits the extent to which trial lawyers can go back and commence previously time-barred malpractice actions. Without such revisions, the original legislation as written would have introduced tremendous financial strain in the healthcare system. Hospital advocates continue to push for comprehensive medical malpractice reform.