

## Governor Paterson Calls for \$900 Million in Health Cuts in Executive Budget for SFY 2010-11

On Tuesday, January 19, 2010, Governor David Paterson released his Executive Budget proposal for the 2010–11 State fiscal year, which begins on April 1, 2010. The proposal is designed to close an estimated \$7.4 billion budget deficit for next year.

As expected, the budget contains major cuts and taxes for health care providers. With respect to the long term care community, the Governor estimates that a combination of Medicaid cuts and an increase in provider taxes will provide the State \$140.2 million in savings and new revenues from nursing homes and \$73.9 million from home and personal care providers. Actual impacts on providers will actually be much higher when the Federal share of Medicaid is factored in, approaching \$900 million for all health provider sectors in SFY 2010–11 and over \$1 billion in SFY 2011–12.

According to the Governor, the Medicaid actions will hold overall Medicaid spending growth to 1.8% in the coming fiscal year, in keeping with his proposal to cap overall State spending growth annually at 2%. The Governor has indicated that the cuts would have been much worse, but his decision to increase tobacco taxes (\$200 million) and re-propose a tax on sugary beverages (\$450 million) enabled him to raise revenue to avoid deeper cuts in health care programs. CCLC will be releasing detailed impact estimates in the coming days. We have already begun our advocacy plan rollout, starting with our first Town Hall Forum of 2010, which was held last Friday. We will continue to keep members apprised of key advocacy events and activities over the coming days.

A brief description of the Governor's proposals for hospitals, nursing homes, and home health providers follows.

### Nursing Homes

\* Limit Rate Appeals and Authorize Settlements. A statutory cap would be established on the processing of nursing home rate appeals for two years and DOH would be authorized to negotiate settlements where appropriate. (2010-11 Savings: \$16.5 million; 2011-12 Savings: \$20.0 million)

\* Reduce Reimbursement for Bed Hold Days. Payments to nursing homes for holding beds vacant would be reduced to 95 percent of operating rates and reimbursement would be limited to 14 days annually for a hospitalization and ten days annually for therapeutic leaves. (2010-11 Savings: \$6.9 million; 2011-12 Savings: \$9.4 million)

\* Increase Nursing Home Assessment to Seven Percent. The assessment on nursing home services would be increased by one percent – from six percent to seven percent. This assessment would not be reimbursable by Medicaid. Assessments have an impact on providers similar to reductions in direct funding, without the associated loss of Federal matching funds. (2010-11 Savings: \$67.8 million; 2011-12 Savings: \$74.0 million)

\* Remove Drug Costs from Nursing Home Rates. Remaining prescription drug costs would be excluded from nursing home rates and reimbursed on a fee-for-service basis. This would allow the State to collect rebates on these drug costs. (2010-11 Savings: \$2.4 million; 2011-12 Savings: \$3.0 million)

\* Eliminate 2010 Trend Factor. The remaining share of the calendar year 2010 nursing home trend factor (1.7 percent) would be eliminated. (2010-11 Savings: \$46.6 million; 2011-12 Savings: \$56.4 million)

\* Nursing Home Reimbursement Reform. Significantly, the budget would extend nursing home rebasing – the planned update of cost-based rates from 1983 to 2002 – through February 28, 2011 and would delay the implementation of the new regional pricing model for 11 months, until March 1, 2011. The Budget specifies that the regional pricing workgroup's interim recommendations would be due on July 1, 2010, and its final recommendations would be due on December 1, 2010. (2010-11 Savings: \$0 million; 2011-12 Savings: \$0 million)

\* Nursing Home Quality Incentive Pool. The budget implements the quality incentive funding pool on April 1, 2010. (2010-11 Savings: \$0 million; 2011-12 Savings: \$0 million)

## Home Care and Personal Care Services

\* Limit and Redirect Utilization of Personal Care Services. Fee-for-service payments for personal care services would be capped at 12 hours per day. Recipients requiring services in excess of this cap would be redirected to alternative community-based service settings where their care can be better managed. An investment of \$1 million is proposed to assist recipients with determining what alternative options are appropriate for them and to assist them with accessing those alternatives. (2010-11 Savings: \$30 million; 2011-12 Savings: \$48.7 million)

\* Increase Assessment to 0.7 Percent. The assessment on total home and personal care provider revenues is increased from 0.35 percent to 0.7 percent. Assessments have an impact on providers similar to reductions in direct funding, without the associated loss of federal matching funds. (2010-11 Savings: \$17.6 million; 2011-12 Savings: \$19.2 million)

\* Authorize Additional Provider Efficiencies. Statutory requirements would be modified to extend the time period for long-term home health care program reassessments from 120 days to 180 days, and allow these programs to provide joint case management services to avoid duplication. (2010-11 Savings: \$0.6 million; 2011-12 Savings: \$1.5 million)

\* Eliminate 2010 Trend Factor. Eliminate the remaining share of the calendar 2010 home and personal care trend factor (1.7 percent). (2010-11 Savings: \$25.8 million; 2011-12 Savings: \$31.2 million)

Again, CCLC will provide additional budget detail in the coming days, including further information about our advocacy agenda and activities to reduce the impact of the Governor's proposals.