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The Health of the Health Reform Act

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The health reform bill may have devastating effects on the viability of hospitals across the nation and particularly in New York. While there are a number of advantages to the bill, the negatives significantly outweigh the positives in this region.

**Cuts to Hospitals Now;
Newly Insured in 2014:** Over

the next 10 years, cuts in Medicare reimbursements will cause Phelps Memorial Hospital Center to lose more than \$45 million.



These cuts will be offset by some \$10 million in reimbursement for services to “newly insured” individuals. While national health reform purports to cover the vast majority of the uninsured, it will not accomplish that laudable goal in Westchester because most local uninsured patients are undocumented aliens — who will not be eligible for insurance. Furthermore, the Medicare “market basket” reimbursement cuts to hospitals begin in 2010, but the uninsured will not get coverage until 2014. That means that the hospital will suffer from four years of cuts before the increase in insured patients can begin to partially offset the cuts.

Aging Population; Living Longer: Exacerbating the effect of Medicare cuts is the fact that our population is aging. Kurt Salmon Associates projects that over the next five years, there will be a 10% increase in people over age 65 in Phelps’ service area.

According to the NY State Department of Aging, older people were 12-19% of New York’s population in 2000 and are expected to be 20-29% of the population by 2015. New York ranks third in the nation in the over-age-65 category, with 3.4 million people; it would follow that New York will likely suffer the third largest cut in Medicare reimbursement under health reform.

It is wonderful that advances in medical care are enabling people to live longer. As a result, however, there will be a dramatic increase in Medicare enrollment in coming years, and the enrollees will consume healthcare services for a longer period. The number of Medicare patients receiving care will climb steadily just as hospitals are paid less for providing more care to more people of advanced age.

Expanded Eligibility for Medicaid – But Not for Undocumented Aliens: Under the health reform bill, in 2014, eligibility for Medicaid (government-run health insurance for people with low incomes) is to be expanded. Michael Young, CEO of Grady Health System told Channel 11 in Atlanta that the bill’s expansion of Medicaid would erase most hospitals’ bad debt within five years, presumably because individuals who have no insurance today would get Medicaid coverage under the new law and hospitals would not have to provide free care. This would NOT be the case in Westchester, however, because its large number of undocumented aliens would not be eligible for Medicaid. But remember, those individuals continue to need and receive healthcare services.

According to Becker’s Hospital Review (March 23, 2010), Stephens Mundy, president and executive director of CVPH Medical Center in Plattsburgh, N.Y., told the Press-Republican that his hospital will see an annual decrease in federal reimbursement rates for Medicaid patients over the next 10 years as the eligibility for Medicaid increases. While the cuts in Medicaid will happen immediately, the expanded coverage won’t take effect for several years. For the next few years, then, hospitals will receive less reimbursement for care provided to Medicaid patients but will still have to provide uncompensated care for the uninsured.

Tort Reform Absent: One glaring omission in the health reform bill is tort reform. Physicians and hospitals are forced to pay exorbitant premiums because of increasingly large malpractice awards. If a cap of \$250,000 on non-economic damages (pain and suffering) were introduced in New York and 12 other states that do not have caps or have higher caps, it could potentially save \$1.4 billion, according to the Robert Wood Johnson Foundation (Dec. 2007). Tort reform would reduce “defensive medicine” tests which are sometimes ordered as much for malpractice protection as for clinical necessity. The resulting potential \$100-\$200 billion savings per year would cover the entire projected cost of health reform.

In a positive note, as reported by the Kaiser Family Foundation, in 2011, the health reform bill will award Medical Malpractice 5-year demonstration grants to states to develop, implement, and evaluate alternatives to current tort litigations.

Quality vs. "Efficiency": Health reform calls for hospitals to become "more efficient" as a way to offset cuts. Phelps offers many accommodations to patients that could be called inefficient, such as our Hospitality program and our practice of accommodating families' needs when scheduling discharge times.

Phelps does a number of things that are better for the patient but are not necessarily efficient. Using the latest technology means quicker diagnoses and better treatment – but costs more money. The number of CT scans performed in our Emergency Department increased more than threefold over the last few years. Although more comprehensive diagnostic workups in the Emergency Department increase hospital costs, they reduce the need for follow-up tests, so costs may actually be reduced in the long run. "On Q" local anesthesia, introduced into the knee via a catheter following joint replacement surgery, reduces pain and allows patients to begin their rehab sooner. They recover and return to work much more quickly – but, it costs an extra \$385. Should we deny effective treatments or diagnostic services to save money? Phelps says no!

Adding Bureaucracy: The health reform bill makes states responsible for setting up a system of "exchanges" through which people may purchase health insurance. States will receive partial federal support for running the exchanges until 2015, after which they will run them on their own – at unknown expense, notes Richard A. Epstein in his Wall Street Journal Op-ed (May 10, 2010). Just like health insurance companies, the state exchanges will provide NO health services – they will just drive up administrative costs. Is adding bureaucracy the best way to control our healthcare dollars? If Blue Cross plans returned to their former not-for-profit status, might there be no need for state exchanges?

Positives: There are many benefits of the health reform bill. "Going forward, success will require sustained effort and unparalleled cooperation from everyone on whom Americans rely for their healthcare, including hospitals, physicians and other caregivers, and insurers," Chip Kahn, president and CEO of the Federation of American Hospitals, said in a release published in Becker's Hospital Review (March 23, 2010). This will lead to better care for patients.

Other positives include more funding for community health centers like Open Door and increased payments for primary care doctors.

Amendments Are Still Possible: Although the health reform bill was passed, the details have not been finalized. Our three Congressmen, Eliot Engel, John Hall and Nita Lowey, addressed the Westchester County Association just two weeks ago and advised that there is still opportunity to amend the legislation. They shared their valiant efforts to craft the bill to minimize the harm and maximize the benefits to New York. We should support their continuing work to amend the bill to protect, not decimate, the hospitals in New York from this well-intentioned national initiative.

We also believe that tort reform remains the best way to reduce healthcare costs without reducing healthcare. We urge you to contact your federal legislators and help them to continue their efforts to improve this bill.

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