

PROPOSAL TO REDESIGN MEDICAID

Proposal Number: 67

MRT Number: 11

Reform?: Yes

Date Submitted:01/28/2011

Proposal Author:

MRT Member (Ken Raske, GNYHA)

Proposal (Short Title):

Assist Preservation of Essential Safety-Net Hospitals, Nursing Homes and D&TCs

Theme: Recalibrate Medicaid Benefits and Reimbursement Rates

Program Area: All

Effective Date: 04/01/2011

Implementation Complexity: High

Implementation Timeline: Short Term

Required Approvals:

Administrative Action: Yes

Statutory Change: Yes

State Plan Amend: No

Federal Waiver: No

Proposal Description:

Provide operational and restructuring assistance to safety net hospitals, nursing homes and clinics to make critical decisions to either close, merge or restructure. Potential sources of assistance are Medicaid, HEAL grants, debt restructuring capacity and or state supervision of mergers.

Hospital, nursing home, and clinic closures negatively affect surrounding communities because needed health care services may no longer be readily available, and surviving providers in the community must absorb displaced patients. In other instances, a provider at risk for closing may be able to survive through right sizing and/or a change in its mission. In certain of these instances the Commissioner may determine that he/she needs to intervene to assure access to essential services of safety net providers. A safety net provider could range from a sole community provider in a rural area of the State to an urban hospital that provides a disproportionately large number of services to the uninsured.

The Department of Health will create a process whereby significantly troubled hospitals, nursing homes and clinics may submit applications to the Department seeking assistance to facilitate an orderly closure, merger, or restructuring. Such applications must be accompanied with a highly specific plan enumerating the financial and programmatic challenges facing the facility, a transition plan for merger, closure or restructuring, the type and amount of resources needed to accomplish the plan, and the anticipated impact of the plan on the overall community.

As part of this initiative, the Department may also use the expertise of the Public Health and Health Planning Council (PHHPC) to assess such applications and how well they meet community health care needs. The Department will also routinely report to provider communities regarding the monies used to close, merge, and restructure services, and the associated impacts on the community's health care delivery system. Additionally, the Department will assign staff resources from throughout the Agency to accomplish this initiative. The Department will also seek sole source authority to quickly initiate contracts that will provide strategic advice to the Department and the PHHPC.

In order to facilitate this overall initiative, the Commissioner may use the following short and long term assistance:

- (1) To facilitate the closure of a provider, reimbursement rate increases on a short term basis could be provided to providers, to ensure they have adequate resources to transition services and patients to their facilities. These funds would enable the surviving providers to cover costs related to additional staff, service reconfiguration, moving medical residents to other programs, increased patient volume, and enhancing IT systems. This approach could also be used to facilitate mergers.
- (2) Use of HEAL capital grants;
- (3) Explore use of other capital/debt assistance;
- (4) Use of State oversight to assist mergers;
- (5) Direct workforce retraining funds to assist restructuring.
- (6) Provide hospitals with financial incentives to voluntarily reduce excess staffed bed capacity and redirect Medicaid resources to expand outpatient/ambulatory surgery capacity. Hospitals opting into this program may receive an APG rate enhancement.

Preliminary Financial Impact (Dollars in Millions):

2011-12	Minimum	Average	Maximum
State Savings	\$	\$	\$
Total Savings	\$	\$	\$

Final Financial Impact (Dollars in Millions):

State Fiscal Year	2011-12	2012-13	2013-14	2014-15
State Savings	\$0.00	\$0.00	\$0.00	\$0.00
Total Savings	\$0.00	\$0.00	\$0.00	\$0.00

Benefits of Proposal:

This proposal would provide stability to patients served by providers who must make significant organizational changes to become more efficient, including rightsizing, mission re-evaluation, and restructuring or closing. Through this process incentives for cost efficiencies and improved quality will be created. The proposal will also provide an orderly redesign of healthcare services in communities with struggling essential providers. This will

allow them to make needed changes and in some cases close in an orderly fashion versus due to bankruptcy. Further this proposal is partially funded by much needed Medicaid federal financial participation.

Concerns with Proposal:

The cost of the proposal is difficult to quantify, given that the number of providers that will need assistance is unknown and the intervention required for each will vary substantially based on their particular problems and assets. The targeted investments described above certainly represent a cost. On the other hand, savings should be realized from right sizing, merging, and closing inefficient health care providers.

Impacted Stakeholders:

Hospitals, nursing homes, D&TCs and the communities they serve.

Additional Technical Detail: (if needed, to evaluate proposal)

Safety net providers generally exist in communities with somewhat challenging demographic conditions, poorer underlying health status, and higher hospitalizations. Along with these factors also comes a low percentage of commercial insured patients, which can result in serious financial problems. These providers also have extremely limited access to capital, making infrastructure investments that would greatly contribute to their sustainability a tremendous challenge.

System Implications:

There should be no system implications for this proposal.

Metrics to Track Savings:

The Department will track the investments and savings associated with these actions.

Contact Information:

Organization: DHCF

Staff Person: Terrence Cullen

Phone: 518-474-6350

Email: tpc03@health.state.ny.us

Viability: S

Comments:

Modified Delphi Scoreable: True

Modified Delphi Score:
