



MEDICAID WATCH '05

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Some key facts to consider:

- In 1997, after enactment of the original Health Care Reform Act, hospital employment statewide fell by 6,300. But since then, it's risen to the highest level in at least 15 years.
- The average length of stay in New York hospitals is down modestly since HCRA was enacted; average stays nationwide have declined, as well.
- The new state budget will keep in place some \$1.3 billion in taxes, first imposed in 1996, to pay for graduate medical education and other costs. The taxes were called "temporary," but Albany is not even considering reducing them.
- If we could simply get New York's overall Medicaid spending down to **twice** the national average, instead of 2.3 times average, taxpayers would save \$5.3 billion.

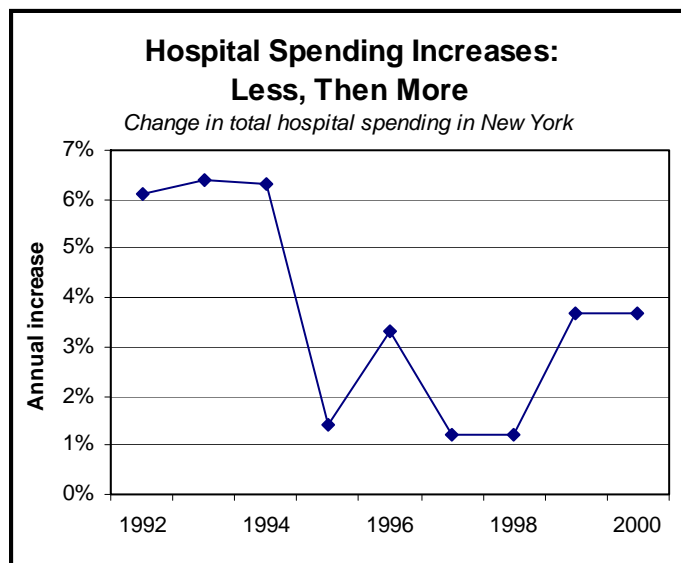
WHAT HAS HCRA DONE TO REFORM OUR COSTLY, INEFFICIENT HOSPITAL SYSTEM?

Although the debate over health-care finance in New York centers on Medicaid, it goes much further. In recent years, state leaders have made policy affecting billions in health-care spending under the rubric of the Health Care Reform Act adopted in 1996.

The original HCRA was a major step toward higher-quality and more affordable health care for New Yorkers. It eliminated a government-imposed set of hospital charges for various services, in favor of allowing hospitals and their customers to negotiate prices — similar to the system in virtually every other state.

New data from the federal Centers for Medicare & Medicaid Services suggest that HCRA and other reforms from Albany had an impact. In the early 1990s, overall hospital spending in New York State — from all payers, private and public — rose more than 6 percent every year. When Governor Pataki restrained Medicaid spending in 1995 and 1996, the annual increases fell to 1.4 and 3.3 percent, respectively.

HCRA's introduction of mar-



ket forces helped push the increases in hospital spending even lower, to 1.2 percent in both 1997 and 1998. Spending increases grew significantly — totaling more than \$1 billion a year — in 1999 and 2000.

Those are the latest years included in the federal data. But employment statistics, available through 2004, indicate that since state leaders revised HCRA in December 1999 to pour vast amounts of

new money into the hospital sector, hospital jobs in the state have grown by 7,300.

Our hospital system is still characterized by:

- Too much capacity;
- Longer average stays than other states;
- Focus on dollars instead of quality of care;
- And failure to measure quality outcomes, despite the Legislature's order that the Health Department do so.

CAN MEDICAID WORK TO PROMOTE QUALITY, EFFICIENCY?

Making Medicaid work more like private health insurers would drive both greater efficiency and higher quality in New York's too-large, too-bureaucratic hospital system.

The 1996 HCRA legislation gave health insurers the authority to negotiate what they would pay hospitals for differ-

ent treatments. Medicaid, by contrast, pays largely on the basis of how much is needed to prop up inefficient hospitals.

Large employers and private insurers are pushing hospitals and other health-care providers to focus more attention on improving quality of care, in part by measuring health out-

comes. Medicaid, which spends more than \$10 billion a year on hospitals and clinics, could add substantially to that pressure for better care. Albany's proposed hospital-system restructuring commission creates a long-overdue opportunity to make the system healthier — in more ways than one.