

5-Minute Briefing ...

*A periodic issues briefing on healthcare's hottest topics
from the New Jersey Hospital Association*

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Proposed Federal Budget Cuts to Hospitals

New Jersey's hospitals could be forced to shoulder an additional \$120 million in Medicare cuts next year under a federal budget proposal.

The 2011 federal fiscal year begins Oct. 1. Each year, the U.S. Centers for Medicare and Medicaid Services issues a proposed rule in the spring to indicate Medicare reimbursement changes pending for the new fiscal year. This year's proposed rule for inpatient hospital care calls for a 2.9 percent cut in hospital payment rates, plus a 2.9 percent reduction in capital funding for hospitals. The net result for New Jersey is a proposed \$120 million cut in Medicare payments.

The looming cut is grim news for hospitals and their patients. New Jersey hospitals are already slated to lose \$4.5 billion in federal funds over the next 10 years in the sweeping healthcare reform law. Plus, Medicare currently pays New Jersey hospitals at a rate of just 91 percent of their costs for caring for the state's senior citizens. The proposed cuts for 2011 will further undercut those already inadequate rates.

"In football parlance, the Medicare payment proposal for next year is the equivalent of 'piling on,'" said NJHA

President and CEO Betsy Ryan. "The nation's hospitals agreed to shoulder a total of \$154 billion in Medicare cuts as part of a shared solution under the healthcare reform law. They 'took one for the team,' and now are being rewarded with even deeper cuts."

The healthcare reform cuts are sealed in law, but the proposed rate cuts for 2011 must still be approved by CMS. NJHA is airing its concerns directly with CMS and also is working closely with members of the state's congressional delegation to encourage CMS to amend the proposal and blunt the impact on hospitals. The N.J. hospital community's financial woes have been well-documented: 10 New Jersey hospitals have closed in the last five years, and six have filed for bankruptcy. Of the 73 acute care hospitals that remain in the state, about 40 percent are losing money.

"Additional cuts could force struggling hospitals to cut services or close altogether, further eroding access to healthcare services for the state's residents," said Ryan.

NJHA is an education and information resource for New Jersey's elected leaders. For more information on this briefing or other healthcare issues, contact NJHA's Randy Minniear at 609-275-4119 or Jessica Cohen at 609-275-4192.

MICRO-UPDATE

- *N.J. hospitals face \$120 million in Medicare cuts next year under proposed changes in Medicare reimbursement rules.*
- *The state's hospitals already are shouldering \$4.5 billion in federal cuts over the next 10 years under the healthcare reform law.*
- *Additional cuts could force the state's struggling hospitals to eliminate jobs and services or close altogether.*