

5-Minute Briefing ...

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

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The Fiscal Cliff Deal

A recent compromise package in Washington, D.C., may have avoided the fiscal cliff, but could it lead to a slippery slope of hospital cuts that threaten access to healthcare services?

The fiscal cliff legislation finalized in early January was a mixed bag for healthcare. The deal averted for one year a 27 percent Medicare pay cut to physicians which is critical to ensuring sufficient availability of physicians to care for our aging population. But the \$15 billion needed to pay for that one-year patch was diverted from another critical part of the healthcare delivery system – hospitals.

Hospitals in New Jersey and across the nation already have absorbed billions in Medicare cuts under the Affordable Care Act, sparking widespread concern that these additional cuts will chisel away at hospital revenues and erode access to care.

“NJHA has long supported a fix to the physician pay cut, however we are extremely disappointed that it was accomplished with even deeper cuts to hospitals,” said NJHA President and CEO Betsy Ryan. “We in the healthcare community share a common goal of caring for our seniors – so cuts that pit one healthcare provider against another fail to accomplish the overall mission of providing quality and accessible care to our communities.”

Lawmakers dipped into two important hospital funding streams to pay for the so-called “doc fix:”

- Overall Medicare inpatient payments. Through a cut called a “documentation

and coding offset,” the fiscal cliff law sliced off \$10.5 billion in Medicare payments to the nation’s hospitals. These cuts would affect all hospitals that receive Medicare inpatient dollars. In New Jersey, the statewide impact would be a \$21 million cut for the last quarter of 2013 and \$83.2 million over the full 12 months.

- Medicaid disproportionate share hospital payments. These payments, are for hospitals that treat a high number of Medicaid patients with complex – and therefore, high cost – conditions. The cuts could have the greatest impact on safety net hospitals in poor communities. This cut would total \$4 billion for hospitals nationwide. Modeling the impact for New Jersey hospitals is difficult given the limited details about this cut in the fiscal cliff language.

The fiscal cliff package also temporarily averted deep “sequestration” cuts that were contained in last year’s deficit reduction legislation. The deficit reduction deal included a 2 percent Medicare cut for providers – a cut that would have reached \$94 million for New Jersey hospitals this year and \$133 million for all New Jersey providers, including hospitals, nursing homes, rehabilitation facilities and others.

In a temporary reprieve, the cliff package included a two-month delay in the sequestration cuts. For N.J. hospitals, that delay equals about \$15.7 million in cuts averted. But the remaining \$78.3 million in sequestration cuts loom later this year if Congress fails to address this issue.

MICRO-BRIEFING

- *The recently approved fiscal cliff package averted a 27 percent Medicare pay cut for physicians, but the deal came at the expense of hospitals.*
- *About \$15 billion will be diverted from hospitals nationwide to pay for the “doc fix.”*
- *For N.J. hospitals, the deal means \$21 million in cuts for the last quarter of this year and \$83.2 million in cuts over a 12-month period.*
- *The added cuts come at a time when hospitals already are being forced to absorb billions in cuts under the Affordable Care Act.*

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.

