

**The Cost and Consequence of Community Violence**  
The Center for Public Safety Initiatives

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New York Health Care Reform Act (HCRA)  
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Daines (2008) prepared the Report on the Hospital Indigent Care Pool, 2007.

In New York, it is estimated that the state's hospitals provide more than \$1.6 billion annually in uncompensated care. Further, hospitals lose about \$2 billion annually in providing care to Medicaid patients. New York hospitals are in the lowest operating margins of all states with eight consecutive years of operating losses as of 2005. Fifteen percent (2.6 million) of New York's population are uninsured. The state's Hospital Indigent Care Pool (Pool) provides \$847 million annually to assist hospitals in covering the costs of the uninsured. However, distributions from the Pool cover only 50 cents for every dollar of uncompensated care covered. Hospitals are charged one percent of inpatient revenues (about \$250 million annually) which is deposited into the Pool and returned to providers. Taking this charge into account, the distributions from the Pool cover less than 40% of the costs of uncompensated care. (Healthcare Association of New York State, 2007)

The HCRA is a large piece to New York State's Health Care financing laws. This directs reimbursement methodologies which are aimed at funding a number of health care initiatives. HCRA mandates that some third party payors and providers of health care services participate in funding these initiatives through submitting authorized surcharges and assessments (New York State Health Department, 2008)

According to Health Care Reform Act of 2000: An Overview (Independent Budget Office of the City of New York, n.d.), HCRA was signed into law at the end of 1999. This legislation attempts to increase the funding for health care and to increase access to health insurance. The total cost over the next three and a half years of the HCRA programs is estimated at \$8.7 billion. The money comes from an 8.18 percent tax on all hospital payments made by health care insurers, an assessment on managed care plans for every member covered, a payment of 1.0 percent of every hospital's revenue made by every hospital, an increase in the cigarette

tax, and state collections from the tobacco litigation settlement. One of the programs funded through this legislation is expanding access to health care. There are three programs targeting low-income (Family Health Plus), low- to moderate- income (Healthy New York), and moderate-income and above (Direct Pay HMO Subsidies). All of these programs are fully funded through HCRA. However, Family Health Plus will be partially funded through local governments.

The New York State Department of Health provides a chart for surcharges by payor for services rendered 1/1/06-12/31/08. One category is HMOs and PHSPs for non-Medicaid patients. This category pays an 8.95% and 26.26% surcharge for inpatient hospital, outpatient hospital, diagnostic, and treatment centers to providers. The surcharge payment directly to the HCRA pools for the same services is 8.95%. The category for self-pay uninsured surcharge for the same services to the provider is 8.95% and the surcharge directly to the HCRA pools is zero percent. It is interesting to note that these surcharges have gone up over the years. From 1/1/97-6/30/03, the surcharge tax was 8.18% and 24%. From 7/1/03-12/31/05, the surcharge tax was 8.85% and 25.97% (New York State Department of Health, 2006).

The New York State Department of Health (2007) created a webpage to better explain how the surcharge works, here is what it looks like for an HMO paying a 8.85% surcharge on a bill that they would cover completely (no co-payment by patient):

Hospital bill = \$1,500

Hospital bill with the surcharge amount =  $\$1,500 \times 1.0885 = \$1,632.75$

$\$1632.75 \div 1.0885 = \$1,500$  (paid by the Plan to the service provider)

$\$1,632.75 - \$1,500 = \$132.75$  (paid by the Plan to the Department's Pool Administrator)

On June 9, 2008, a letter to Payors and Providers was completed summarizing the major statutory changes that had been made to the HCRA as part of the 2008-2009 State Fiscal Year Budget. For the most part, the major pieces to the HCRA are continued through 12/31/2011 (Ulberg, 2008).

#### References

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