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NUMBER OF PAGES (including cover sheet): 3

Medicare statement
Released today

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FOR IMMEDIATE RELEASE
June 30, 1999

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SCHUMER ON MEDICARE PROPOSAL: GREAT PLAN WITH ONE BIG FLAW – HURTS NY HOSPITALS

On the day after President Clinton released his Medicare proposal, U.S. Senator Charles E. Schumer outlined how the cuts in the new plan, on top of the ones made under the 1997 Balanced Budget Act, would hurt New York's hospitals.

"Overall, I believe the president's plan is an excellent one. Any plan that can protect Social Security on into the second half of the 21st century, modernize Medicare, bring a prescription plan that recipients want and need and bring the budget deficit to zero should receive everyone's support.

Schumer also applauded Clinton's proposal to rectify the HMO "carveout." HMO's had been keeping some of the Medicare reimbursements that should have rightfully gone to teaching hospitals and to those which treat large numbers of poor patients. This provision, which has been championed by Senator Daniel Patrick Moynihan, will save New York's hospitals $400 million over the next 5 years.

"There is, however, one major flaw: New York's hospitals are given the short shrift," said Schumer. The plan cuts funding to hospitals by $39 billion over 10 years on top of the deep cuts in the 1997 Balanced Budget Act. New York is hit especially hard because we are one of the world's leading medical centers. Our share of the cuts will be about $1.7 billion in the city and $3.2 billion throughout the state."

In total, the cuts will be about $2.8 billion for NYS hospitals and $1.4 billion for NYC hospitals over 10 years (netting out the gain of the HMO "carveout").

Here are estimates of the effect that the President's proposal will have on some of New York State's hospitals.

- Strong Memorial in Rochester which suffered cuts of $68.4 million from the BBA, will be cut an additional $37.0 million under the new Medicare plan. To give you an idea of how thin profit margins are, in 1997 Strong Memorial had an operating profit of 4.0% – meaning that on their total medical operations (not including cafeteria, endowment investment, pharmacy, etc.) they made a 4.0% profit. In 1998, after just one year of BBA cuts their profit margin dropped to a slim 2.5%.

- Beth Israel in New York which suffered cuts of $91.6 million from the BBA, will be cut an additional $49.3 under the new Medicare plan. Beth Israel's profit margin was -0.25% in 1997 and was a flat 0.0% in 1998.

- Long Island Jewish which suffered cuts of $87.5 million from the BBA, will be cut an additional $47 million under the new Medicare plan. In 1997, Long Island Jewish had an operating profit of 1.3%. In 1998, one year after the BBA, it operated at a 0.3% loss.

- University Hospital Health Science Center in Syracuse which suffered cuts of $35.2 million from the BBA, will be cut an additional $19.0 million under the new Medicare plan. University Hospital had an operating profit of 3.8% in 1997 and 2.5% in 1998.

- Albany Medical Center which suffered cuts of $52.2 million from the BBA, will be cut an additional $28.0 million under the new Medicare plan. Albany Medical's operating profit dropped from 2.3% to 0.8% between 1997 and 1998.

- Buffalo General Hospital (the entire system) which suffered cuts of $102.4 million from the BBA, will be cut an additional $55.2 million under the new Medicare plan. Buffalo General's operating margin dropped from -0.1% in 1997 to -1.4 percent in 1998.

- Mt. Vernon Hospital which suffered cuts of $13.3 million from the BBA, will be cut an additional $7.3 million under the new Medicare plan. Mt. Vernon's operating margin was -6.2% in 1997 and -4.0% in 1998.

- Sisters of Charity Hospital in Staten Island which suffered cuts of $37 million from the BBA, will be cut an additional $20.2 million under the new Medicare plan. Sister of Charity's operating margin was -0.9% in 1997 and -2.0% in 1998. Staten Island University Hospital which suffered cuts of $88.8 million from the BBA, will be cut an additional $43.4 million under the new Medicare plan. Staten Island University's operating margin was 3.3% in 1997 and 1.7% in 1998.

- St. Joseph's Hospital in Yonkers which suffered cuts of $13.7 million from the BBA, will be cut an additional $7.4 million under the new Medicare plan. St. Joseph's operating margin was a thin 0.3% in 1997 and a thinner 0.1% in 1998.

"I have spoken with Secretary Shalala and OMB Director Lew and am going to the White House on Thursday to impress upon Administration officials that while this Medicare proposal is a strong one, these cuts to our hospitals risk the very fabric of our health care system," said Schumer.

06/30/99 05:19:46

Record Type: Record

To: Katharine Button/WHO/EOP@EOP

cc:
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Mrs. Clinton supports the President's plan, and is particularly pleased with the new prescription drug benefit. She continues to be concerned about the consequences of the 1997 Balanced Budget Agreement and its impact on teaching hospitals, which are vital to our health care system. Over the years, she has been a strong advocate for the adequate funding of these institutions, and those that disproportionately serve the uninsured. She believes these hospitals should be protected from excessive cuts and will closely follow the legislation as it moves through the process.

Mrs. Clinton's views on these issues have been shaped by years of experience. She served on the board of a children's hospital that was part of an academic health center. In addition, when she worked on the Health Security Act, funding for teaching hospitals was a top priority, and over the years, she has consistently spoken out on the need to support and protect these academic health centers.

223-0358

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