



Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

October 13, 2017

Thomas J. Quatroche, Jr. Ph.D.
Chief Executive Officer
Erie County Medical Center
462 Grider Street
Buffalo, NY 14215

Dear Dr. Quatroche:

As you know, we have passed the October 1, 2017 deadline for Congress to fully reinstate the Medicaid Disproportionate Share Hospital Payments (DSH) which has resulted in a federal funding cut of \$2.6 billion to our state's public hospitals.

For months, Governor Cuomo has repeatedly and publicly warned of the devastating impact these federal cuts will have on New York's hospitals. These cuts directly impact your institutions – the public and safety-net hospitals that provide critical care to millions of our most vulnerable citizens. In an effort to reverse these cuts, the Governor has launched an aggressive statewide coalition and New York continues to call on the federal government to restore this critical funding.

The Federal DSH program's current funding level was cut on October 1, of this year. Some in Congress hope to restore the program, but the state must operate on the current law.

The state's immediate objectives on managing federal cuts to the DSH program are to provide each participating hospital a fair allocation and to assure each hospital's financial stability. Therefore, all payments to all public hospitals were paused to reconcile their accounts before additional disbursements exhausted all funds.

The State Division of the Budget (DOB) and the Department of Health (DOH), working with outside financial consultants, have completed a preliminary analysis of the program. This final review of hospitals which are heavily dependent on DSH is expected to be completed by December 1, 2017.

Funding under DSH is complex. The program operates on a lag basis whereby hospitals would submit their prior years' expenses for reimbursement. The program also allowed a hospital to request funding as an advance against future DSH payments. There was no set schedule for either submission of bills or payments for these DSH funds by the state, but rather the program was administered on a rolling basis.

Upon the implementation of the federal cuts, it was necessary to justify each hospital's fair allocation, regardless of the timing of the invoices they had submitted to date.

We have determined the annualized payment to each hospital and seek to fund each hospital to their full annualized allocation by December 31st. This will be done in three monthly payments: October, November and December.

To the extent hospitals have requested payments based on future estimates of DSH, subsequent allocations will be determined once we are informed of any Congressional action to restore DSH funding.

Our initial review of each hospital's finances suggests there is no imminent threat of insolvency, however, the state is proceeding with independent financial reviews of each hospital in the program.

The state has established a reserve fund in the event a hospital is on the brink of insolvency.

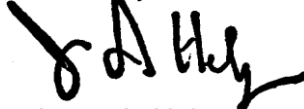
The DSH payments to these hospitals are not the exclusive payments made by the state. There are additional Medicaid funds and supplemental Medicaid payments that are provided.

Our priorities are fair allocations to all hospitals involved in the program, stability of the workforce and preservation of the highest levels of patient care.

Applying the above analysis to participating hospitals, Erie County Medical Center is being informed as follows:

Erie County Medical Center requested \$44 million in unscheduled DSH payments. The state will distribute \$11 million for services rendered in prior years. In addition, the state will distribute \$4 million in scheduled DSH funding for a total of \$15 million.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Helgerson", written over a horizontal line.

Jason A. Helgerson
Medicaid Director
Office of Health Insurance Programs