

## Pending changes to Medicaid threaten Upstate hospitals' viability

**B**usinesses look for and rely on a vibrant and secure community and thriving workforce to fuel innovation, growth and success. A key component of any vibrant community is access to high-quality health care and the knowledge that the local hospital is there in times of illness, health emergency or accident.

We will learn in seven weeks whether hospitals, the cornerstones of New York communities, will be put in further financial peril as the state decides whether to cut hospital Medicaid payments to close a \$4 billion budget deficit.

Rather than make a directive, Gov. Andrew Cuomo has appointed a work group, the Medicaid Redesign Team, to find \$2.5 billion in Medicaid savings in state fiscal year 2021 by the start of the fiscal year, April 1. Community awareness about this twist in the budget process and the serious negative impact the outcome of this process could have on communities in the greater Rochester area is important.

Hospitals in the greater Rochester region cannot shoulder additional Medicaid cuts and upstate hospitals would be disproportionately impacted by such cuts. Consider the following:

Medicaid chronically pays much less than what it costs to render care – 69 cents on the dollar for Upstate hospitals

Nearly 85 percent of upstate hospitals are operating with negative margins.

Upstate hospitals provide care in rural, low-population and remote areas and deal with physician and workforce shortages more severe than in downstate New York.

Moreover, and significantly, a 1 percent Medicaid cut was already implemented on Jan. 1, meaning almost \$500 million less per year going forward.

Hospitals in this region are the largest economic drivers and ultimate anchors in our communities:

Hospitals and health systems provide 62,000 jobs and generate \$9 billion in economic activity annually.

In addition to essential, high-quality health care, they provide social services that advance quality of life and wellness.

Teaching hospitals provide tertiary care and research nearby for our citizens battling serious illness. And they train tomorrow's doctors, so important to drawing and keeping new physicians to the region.

The governor used the same process – an MRT – in 2011 to tackle a similarly daunting Medicaid deficit. MRT I developed several positive Medicaid reforms but, to keep spending in check, instituted a 2 percent annual Medicaid Global Cap on spending growth.

The cap is adjusted for inflation annually by using a nation medical price index. This index does not recognize New York's aging population, extensive regulatory environment, increasing wages for hospitals' valued workforces, and other



**ON HEALTH**  
Travis Heider

factors unique to this state and, therefore, has not kept pace with New York hospital costs.

More significantly, that cap does not adjust for enrollment – from four million New Yorkers in 2011 to six million enrolled today – nor utilization increases brought about by an aging population, the opioid crisis, program changes, etc.

The net effect is that, despite extensive and very successful efforts to become more efficient and decrease operational costs, hospitals have gone a decade with no Medicaid rate increases and costs further outpacing Medicaid payments.

We urge MRT members, the governor and New York legislature to adopt the following solutions that would address the Medicaid deficit without harming Rochester-area hospitals' ability to provide all services needed by our patients.

The Medicaid budget deficit results when actual spending exceeds that which is allowed under the Medicaid global cap, developed by MRT I a decade ago. Is a 2 percent cap appropriate and adequate 10 years later given the legitimate growth in enrollment, utilization and costs? A realistic cap would prevent frightening and unrealistic budget holes from popping up in the New York budget that must be filled to the detriment of Medicaid beneficiaries.

The governor and analysts have identified the biggest driver in Medicaid cost growth: managed long-term care has grown 301 percent, or an astounding \$4.8 billion, since 2013. Only 5 percent of New York's six million Medicaid beneficiaries are enrolled in MLTC, yet they account for fully one-third of all state Medicaid spending, according to the state Division of Budget.

Through MLTC, health plans manage and provide long-term care service for chronically ill and disabled enrollees in their homes. Enrollment in MLTC for Medicaid over-65 population (also eligible for Medicare so called dual eligible) was mandated in 2012.

A sister program within the MLTC drove much of the spending growth. The Consumer Directed Personal Assistance Program allows the elderly/disabled to choose their own in-home caregivers, including friends and family members. From 2017-2018, spending through CD-PAP grew from \$1.3 billion to \$2.4 billion.

While a good idea – allowing beneficiaries to receive care and stay in their homes – some argue these programs are susceptible to fraud and

Continued on page 31

## Super Bowl was another reminder that Bills took a pass on Mahomes

**I**'m not going to say I told you so because, quite frankly, I had no clue Patrick Mahomes was going to blossom into an NFL Most Valuable Player and Super Bowl champion just three years into his pro career. Heck, I wonder if even Andy Reid could have envisioned the 24-year-old quarterback becoming this great, this fast. The Kansas City Chiefs coach obviously saw something special in the young man, which is why Reid agreed to trade two first-round draft picks and a third-rounder to the Buffalo Bills in order to move up to the 10<sup>th</sup> spot in the 2017 NFL draft. That's how highly he and Chiefs general manager Brett Veach valued Mahomes. Many NFL talent evaluators were of a different mind. They thought Kansas City overspent.

Before that deal was consummated, I opined Buffalo should use its pick on the Texas Tech quarterback who was fleet of foot and mind, and strong of arm. My opinion was based on two factors: I was excited about what I had seen from Mahomes in the few college games I watched him play, and I didn't believe Tyrod Taylor was the Bills' long-term solution at quarterback.

Hindsight, of course, is 20-20 and we sportswriters and fans love to play "what-if" games. Many members of Bills Mafia were wrestling with "what-ifs" Sunday night following Mahomes' stirring comeback that lifted the Chiefs to the Super Bowl championship. The Bills clearly made out well with the picks they received from Kansas City, parlaying them over two different drafts to select All-Pro cornerback Tre'Davious White, Pro Bowl linebacker Tremaine Edmunds and left tackle Dion Dawkins. Three quality starters at three important positions. That's a pretty good haul.

And, in fairness, Sean McDermott had been hired as Buffalo's new head coach just three months before that 2017 draft. The Bills didn't have time to hire a new general manager, so McDermott was reliant on outgoing GM Doug Whaley and a bunch of scouts about to be jettisoned. Even if current general manager Brandon Beane had been in charge, who's to say he and his defensive-minded head coach would have pulled the trigger on a quarterback – especially one whom many draftniks believed would struggle adjusting from a spread, college offense to a pro-style one. Besides, the Bills had so many other holes to plug, which is why a deal providing extra picks was so appealing.

I suppose you could argue that Mahomes' success wouldn't have come as quickly in Buffalo, playing for a conservative coach on a team in massive makeover mode. I would hope that McDermott and his staff would have recognized early on that Mahomes had skills unlike any other quarterback we've ever seen and adjusted accordingly, but you never know. Long-time students of Bills lore will remember how John Rauch – in one of the dumbest coaching moves of all-time – attempted to use running back O.J. Simpson often as a decoy. Thank heavens coach Lou Saban came along and built the Electric Company offensive line and turned loose the Juice.

In retrospect, Mahomes walked into



**ON SPORTS**  
Scott Pitoniak

one of the best situations a young quarterback has ever walked into. Not only would he be tutored by a head coach regarded as one of the most creative offensive minds in NFL history, but he also was going to be protected by a veteran offensive line and have a surfeit of speedy receivers and versatile running backs at his disposal. It also helped that Mahomes wouldn't be thrown to the wolves as a rookie. He had the luxury of watching from the sidelines that first year as veteran Alex Smith quarterbacked the Chiefs. Smith was a competent signal-caller and a great mentor. Mahomes observed and absorbed, and when he was named starter in 2018, he took the league by storm, becoming only the second quarterback in NFL history with 50 touchdown passes and 5,000 passing yards in the same season.

This year's road was much bumpier, as Mahomes missed several games with a knee injury that initially appeared like it might sack him for the season. Fortunately, it was not as bad as feared, and he rebounded with a vengeance, adding to his legend by guiding the Chiefs to three comebacks from double-digit deficits during the postseason. His grace under pressure was never more evident than it was Sunday, when he helped Kansas City wipe out a 10-point deficit with under seven minutes to go and beat a San Francisco 49ers team that had battered and bruised him much of the night. Reid told him to keep flinging it. And he did. And when it was over, there was this mature beyond his years quarterback bear-hugging his coach and holding aloft the silver Lombardi Trophy amid a confetti blizzard in Miami.

With a laser arm that enables him to make throws no one else can make and a brain that processes information at warp speed, Mahomes is reinventing the position of quarterback. Happily, despite his exploding celebrity status, his ego remains in check. During last April's visit for the Rochester Press-Radio Club Children's Charities Day of Champions dinner, I had a chance to spend some time with him, and was impressed with his humility. His new-found celebrity hadn't swelled his head. He seemed incredibly grounded. And I think that will continue to serve him well.

He has become the new face of the NFL, and there's already talk of him eventually supplanting Tom Brady as GOAT and the Chiefs becoming the league's next dynasty. That's a lot of pressure to thrust upon a 24-year-old's shoulder pads, but I don't believe he'll buckle under those weighty expectations. It's going to be fun watching his story unfold. For Western New Yorkers, it would have been even more fun to see him do it as a Buffalo Bill.

*Best-selling author and nationally honored journalist Scott Pitoniak is the Rochester Business Journal sports columnist.*

**ECONOMY TRACK**

Continued from page 17

cial markets in the years ahead, but, admittedly, exactly what one might expect in the later stages of an economic expansion.

Will the U.S. equity market continue to rally in 2020? Notwithstanding a breakdown in trade negotiations with China, or some other unforeseen geopolitical event, the answer is, “probably.” Given how far

and how fast the U.S. equity markets have already come, recognizing what may already be discounted in U.S. stock prices, and understanding how fundamentals are likely to change going forward, however, it may be wise to proceed with caution.

In all likelihood, 2020’s U.S. stock returns won’t be nearly as attractive as 2019’s. In this economic environment, and assuming one’s goals, tolerance for risk and investment horizon haven’t changed, perhaps the

best course of action is to take some risk off the table. Rebalance your portfolio to a long-term strategic mix of stocks to bonds (i.e. reduce U.S. equity exposure, particularly if it has risen above your long-term, strategic target). Consider international diversification: foreign stocks appear to have better long-term relative value, based on current global valuation metrics. You might even choose to raise a bit of cash, and consider it to be a part of your stra-

tegic fixed income allocation, as these assets typically have lower market risk and less correlation with U.S. equity market returns. Take care not to be too greedy in this environment, as the tradeoff between risk and potential return for the year ahead has definitely shifted against you.

*Rossi is senior vice president and senior equity strategist at Canandaigua National Bank & Trust.*

**PRIVATE BANKING**

Continued from page 28

dramatic effect on your spending.

For retirees, the stress on household budgets may be even greater as a result of healthcare spending. According to projections by the Centers for Medicare and Medicare Services, national healthcare spending is expected to grow at an average

rate of 5.5 percent per year for 2018–27, well in excess of the expected inflation rate for non-healthcare spending.

Other expenses may also rise as a result of lifestyle changes. You’ll have more time to travel and take those vacations you’ve been putting off. Leisure activities, hobbies, entertainment, gifts to support family members, home renovations, and charitable contributions can also

take big bites out of your budget.

Planning for your retirement expenses is essential: If you don’t have a realistic understanding of your spending needs, you could be in for a shock down the road.

*Paul Hurley is a senior vice president with Key Private Bank in Rochester. He can be reached at (585) 238-4132 or paul\_hurley@keybank.com.*

*This material is presented for in-*

*formational purposes only and should not be construed as individual tax or financial advice. KeyBank does not provide legal advice. KeyBank is Member FDIC. KeyCorp. © 2020. CFMA 200109-720075*

*Investment products are: NOT FDIC INSURED\* NOT BANK GUARANTEED\* MAY LOSE VALUE \*NOT A DEPOSIT\* NOT INSURED BY ANY STATE OR FEDERAL AGENCY*

**ON HEALTH**

Continued from page 29

mismanagement. In fact, two MLTC plans already have settled with the government for illegal billing.

Any solution must include re-examination of MLTC including administration, oversight and eligibility. Not just to avoid unnecessary cuts to other providers, but to ensure elderly and disabled New Yorkers are receiving the care they need.

**New-found revenue**

Finally, any new revenue that comes to the state from any source should be directed to the Medicaid program, whether from settlements (opioid, etc.), re-estimated revenues, rainy-day funds or other avenues. New money should be directed to providing essential Medicaid services to our most vulnerable citizens.

Pandion wants to ensure concerns of those living in the Rochester area, Finger Lakes and Southern Tier will be heard and adequately considered to protect access to all the essential health care services our citizens need.

*Travis Heider is president and CEO of Pandion Healthcare: Education and Advocacy, a not-for-profit 501(c)3 association whose membership comprises 17 hospitals and their*

*related health systems in the nine counties of Monroe, Livingston, Ontario, Wayne, Seneca, Yates, Allegany, Steuben and Chemung. The association works closely with the Iroquois Healthcare Alliance as part of Upstate New York Healthcare Coalition, the Healthcare Association of New York State (HANYS), and the American Hospital Association (AHA) collaborating on many issues and activities.*

**BUSINESS ETHICS**

Continued from page 28

great workplaces achieved superior results over a period of several years in:

- Operating income per employee;
- Operating margin;
- Growth rate;
- Return on assets;
- Tobin’s Q (the ratio between an asset’s market and replacement value).

The fact that ethical culture strength reduces risk and drives superior financial performance should not be surprising. Given the power of social dynamics in driving behav-

ior in organizations, the most potent protection against systemic corporate corruption is a robust ethical culture sufficiently strong to ensure compliance with legal and ethical requirements. Further, corporations are human institutions whose performance is dependent upon relationships between internal and external stakeholders. These relationships are universally enhanced by cultures governed by ethical values like honesty, respect, responsibility, fairness and compassion.

The centrality of culture in achieving superior business performance is, perhaps, best reflected in the

words of former IBM CEO and chair Lou Gerstner who said:

“Until I came to IBM, I probably would have told you that culture is just one among several important elements in any organization’s makeup and success – along with vision strategy, marketing, financials, and the like. ... I came to see, in my time at IBM, that culture isn’t just one aspect of the game – it is the game.”

As with any other critical aspect of your business, when it comes to your ethical culture strength “just OK is not OK.” Don’t take this aspect of your business for granted. Instead, take deliberate steps to pro-

mote a strong ethical culture by striving for ethical excellence in everything you do.

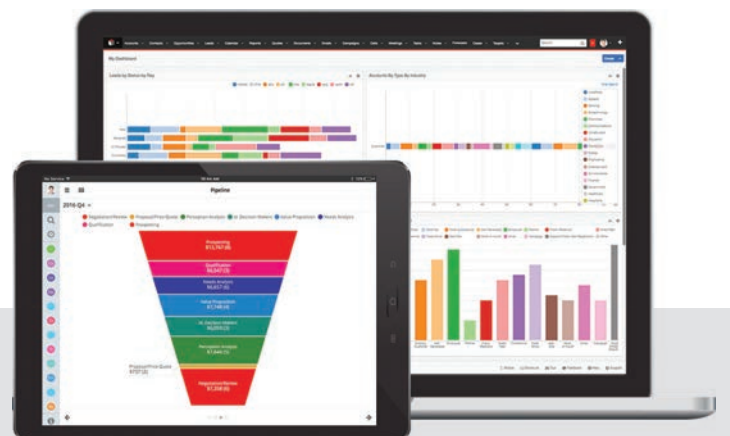
*Jim Nortz is Founder & President of Axiom Compliance & Ethics Solutions. He serves on the Conscious Capitalism Rochester Board of Directors, is a member of the International Association of Independent Corporate Monitors and is a National Association of Corporate Directors Fellow. Jim also is a former Board member of the Rochester Area Business Ethics Foundation (“RABEF”) and the Ethics and Compliance Officer Association (“ECO”). Nortz can be reached at jimnortz@AxiomCES.com.*

**FREE DEMO**

# Software to Grow Your Sales

**Signup Now:**[w-systems.com/demo](http://w-systems.com/demo)**Call Now:**

1-866-777-2117

**SUGARCRM**