

# Health Care

*Department of Health  
Office of the Medicaid Inspector General  
State Office for the Aging*

## I. Overview

The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers at a reasonable cost. Consistent with this objective, DOH provides comprehensive health care and long-term care coverage for low and middle income individuals and families through the Medicaid, Family Health Plus, Child Health Plus and Elderly Pharmaceutical Insurance Coverage (EPIC) programs.

In addition to its health insurance programs, DOH protects public health, supervises public health activities throughout the State and operates Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees instrumental health care facilities.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity on the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office oversees community-based services provided through a network of county Area Aging Agencies and local providers.

## II. History/Context

Established in 1965, New York's Medicaid program is the largest payer of health care and long-term care services in the State. Nearly five million individuals receive Medicaid-eligible services each month through a network of more than 60,000 health care providers and over 20 managed care plans. New York's Medicaid program covers nearly all Medicaid services allowed by the Federal government as well as other services authorized through Federal waivers.

In the absence of any changes, total Federal, State and county Medicaid spending would reach \$58.3 billion in 2011-12. New York's Medicaid program is, by far, the most expensive in the nation. According to the most recent Federal data, New York spends more per capita (\$2,488) than any other state in the country and more than twice the national average (\$1,150).

### III. Proposed 2011-12 Budget Actions

Despite years of attempts at cost containment, Medicaid spending has continued to grow at an unsustainable rate while failing to deliver the quality outcomes that New Yorkers deserve. Governor Cuomo is advancing a new and inclusive approach that will bring New Yorkers into the process of developing proposals to provide critical health care services at lower costs.

The Executive Budget reflects savings anticipated from the proposals of the Medicaid Redesign Team, established pursuant to Executive Order No. 5. The team's 27 members bring vast experience as health care providers, consumers and industry experts, to address the challenge of refocusing our health care system to provide quality health care at lower costs. They are conducting a comprehensive review of New York's Medicaid Program and will report findings and recommendations for cost reductions to the Governor by March 1, 2011 for consideration in the budget negotiation process.

In addition, the Executive Budget recommends more than \$162 million in reductions to public health and aging programs, including \$48 million in savings from agency operations.

### IV. Summary of Spending (All Funds Unless Otherwise Noted)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total)	53,792	52,810	(982)	(1.8)
Medicaid (State Funds)	14,360	18,015	3,655	25.5
Medicaid (State Funds Excluding Enhanced FMAP)	18,937	18,464	(473)	(2.5)
Department of Health Spending (Excluding Medicaid)	4,371	4,588	217	5.0
Office of the Medicaid Inspector General	64	68	4	6.3
Office for the Aging	227	215	(12)	(5.3)

## V. Major Initiatives

### Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Medicaid Redesign Team	\$2,850.0	\$4,572.0
Public Health and Aging Programs	162.1	284.3
<b>Total Gap Closing Actions</b>	<b>3,012.1</b>	<b>4,856.3</b>

#### *Medicaid Redesign*

The Executive Budget reflects that the Medicaid Redesign Team will identify initiatives to reduce State Funds Medicaid spending by \$2.85 billion for 2011-12 and by \$4.6 billion in 2012-13 by modifying program requirements and limiting spending growth to the 10-year rolling average of the medical care component of the Consumer Price Index. This reflects a year-to-year All Funds spending reduction of \$982 million or 2 percent.

#### *Public Health and Aging Programs*

The Department of Health and the State Office for the Aging administer programs that support New York's public health and senior care systems. The budget achieves savings by amending the Elderly Pharmaceutical Insurance Coverage (EPIC) program, the Early Intervention (EI) program and the General Public Health Work (GPHW) program; creates new local competitive performance grant programs in DOH and SOFA; restructures the clinical laboratory fee methodology; reduces the subsidy for the Roswell Park Cancer Institute and achieves other administrative efficiencies. These actions will save \$162.1 million in 2011-12 and \$284.3 million in 2012-13.

- **EPIC: Modify Program to Focus Funding to Gap Coverage (“donut hole”).** Effective January 1, 2012, EPIC will only provide payment for drugs when an enrollee has entered into the Medicare Part D coverage gap. Additionally, effective July 1, 2011, EPIC enrollees will be responsible for paying their Part D premiums or their full deductible. Finally, as a result of the lower program payments expected under this reform, a one-time sweep of fund balances contributes to the 2011-12 savings in this program. (2011-12 Value: \$58.4 million; 2012-13 Value: \$93.2 million)

- **Recalibrate Early Intervention Rates.** To make the cost of Early Intervention more affordable, a variety of changes will be made to payments for Early Intervention providers. These include the following:
  - **Rate Reductions of 10 percent for Early Intervention.** A 10 percent across the board rate reduction will be applied to all Early Intervention service rates. *(2011-12 Value: \$11.1 million; 2012-13 Value: \$24.3 million)*
  - **Restructure Early Intervention Billing Practices.** Providers of Early Intervention that receive more than \$500,000 in Medicaid revenue annually will be required to directly seek reimbursement from Medicaid and private insurance prior to seeking payment from municipalities for these services. *(2011-12 Value: \$0.5 million; 2012-13 Value: \$1.9 million)*
  - **Maximize Commercial Insurance Reimbursement for Early Intervention.** Insurance companies will be required to pay legitimate claims for Early Intervention Services. Currently, only \$13 million, or 2 percent of total gross program costs are paid by private insurance companies, although over 40 percent of children enrolled in the program are covered by private insurance. *(2011-12 Value: \$0 million; 2012-13 Value: \$24.6 million)*
  - **Recover Early Intervention Overpayment for Medicaid Transportation.** Achieve savings due to recoupment of \$6.2 million in the State's overpayment for Medicaid transportation costs. This proposal will recover the overpayment from counties. *(2011-12 Value: \$6.2 million; 2012-13 Value: \$0 million)*
  - **Modify Early Intervention Service Coordination Rates to Use Capitation.** In order to achieve programmatic efficiencies, capitated rates will replace the current methodology of billing in 15 minute increments for service coordination. Service coordination will be paid at a single rate per event or per month regardless of the amount of time spent managing the child's case. *(2011-12 Value: \$0.3 million; 2012-13 Value: \$0.9 million)*
  - **Bill Early Intervention Services in 15-Minute Increments.** Fifteen minute increment rates will replace variable unit increment rates (basic and extended). Currently, basic visits are for up to 59 minutes of contact time with a child and an extended visit is for 60 minutes or more. *(2011-12 Value: \$1.6 million; 2012-13 Value: \$6.2 million)*
  - **Revise Early Intervention Rates to Update Wage Equalization and Transportation Factors.** Rates for home and community-based visits will be revised to reflect updated wage equalization factors that account for salary differences across the State. In addition, other changes to the prices will be made to adjust travel time assumptions which are assumed in the rates. *(2011-12 Value: \$0.9 million; 2012-13 Value: \$1.4 million)*

- **Restructure General Public Health Work.** Reimbursement for the General Public Health Work program will be limited to basic services, and reimbursement for all optional services will be discontinued. Optional services currently funded include: Medical Examiners, Early Intervention Service Coordination, Dental Services, Home Health Services, Long Term Care, Emergency Medical Services, Other Environmental Services, Radioactive Materials Licensing, Radioactive Equipment Inspection, and Housing Hygiene. *(2011-12 Value: \$10.5 million; 2012-13 Value: \$52.8 million)*
- **Reduce Funding for Cancer Services Program.** Funding available through the Cancer Services Program will be reduced by \$0.65 million to reflect elimination of the non-direct care components of certain programs. *(2011-12 Value: \$.32 million; 2012-13 Value: \$.65 million)*
- **Establish Local Competitive Performance Grant Program for Public Health Programs.** A new local competitive performance grant program for various public health programs will be funded with savings created by reducing support for various programs (with current funding levels) including: Audit of Resident Teaching Programs (\$2.2 million); Brain Trauma Foundation (\$0.49 million); Cardiac Services (\$1.38 million); Eating Disorders (\$0.25 million); Falls Prevention (\$0.30 million); Health Promotion Initiatives (\$1.14 million); Infertility Program (\$4.05 million); Interim Lead Safe Housing (\$0.20 million); Latino Outreach Program (\$0.07 million); Long Term Care Community Coalition (\$0.07 million); Maternal Mortality Review & Safe Motherhood Initiative (\$0.14 million); Maternity and Early Childhood Foundation (\$0.60 million); Medicaid Collaborative Studies (\$1.39 million); Minority Male Wellness (\$0.05 million); Office of Minority Health (\$0.53 million); Osteoporosis Prevention (\$0.06 million); Public Awareness Campaign for Donor Registry Letter (\$0.25 million); Public Health Genomics (\$0.05 million); Public Health Management Leaders of Tomorrow (\$0.55 million); Quality Improvement (\$0.37 million); Racial Disparities Study (\$0.3 million); Statewide Health Broadcasts (\$0.08 million); Sudden Infant Death Syndrome (\$0.04 million); Tick-Borne Disease (\$0.15 million); Minority Participation in Medical Education Program – CUNY Gateway Institute (\$0.22 million); Minority Participation in Medical Education Program – SUNY Upstate Medical (\$0.04 million); the Workforce Studies Program (\$0.39 million); and COLA savings from the eliminated programs (\$0.12 million). *(2011-12 Value: \$4.7 million; 2012-13 Value: \$7.7 million)*
- **Reduce Subsidy for Roswell Park Cancer Institute (RPCI).** The State subsidy for RPCI will be reduced by 10 percent. *(2011-12 Value: \$7.8 million; 2012-13 Value: \$7.8 million)*
- **Restructure Clinical Laboratory Fee Methodology.** This proposal will modify the current outdated and complex method of determining laboratory fees that support DOH's oversight of clinical laboratories. This restructuring is not intended to generate additional fee revenue. *(2011-12 Value: \$0; 2012-13 Value: \$0)*

- **Establish Local Competitive Performance Grant Program for Aging Programs.** A new local competitive performance grant program for aging programs will be funded with savings created by reducing support for various programs (with current funding levels) including: Community Empowerment Initiative (\$0.25 million), Congregate Services Initiative (\$0.64 million), EAC/Nassau Respite Program (\$0.24 million), Elderly Abuse Education and Outreach Program (\$0.49 million), Enriched Social Adult Day Centers Program (\$0.25 million), Foster Grandparent Program (\$0.20 million), Long Term Care Senior Respite (\$0.14 million), NY Foundation Home Sharing (\$0.17 million), Patients' Rights Hotline and Advocacy (\$0.06 million), Regional Caregivers Centers for Excellence (\$0.23 million), Retired and Senior Volunteer Program (\$0.43 million). *(2011-12 Value: \$1.4 million; 2012-13 Value: \$1.6 million)*
- **Eliminate NY Connects Program.** Funding for the NY Connects Program will be eliminated. This program provides seniors with information regarding available services through the establishment of call centers, telephone hotlines and SOFA's NY Connects website. *(2011-12 Value: \$0.95 million; 2012-13 Value: \$3.8 million)*
- **Defer Human Services COLA.** The 1.2 percent human services COLA is delayed for one year, which will result in no new COLA funding in either DOH or SOFA. *(2011-12 Value: \$9.25 million; 2012-13 Value: \$9.25 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$48.3 million; 2012-13 Value: \$48.3 million)*