Health Care

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

Overview

The Executive Budget continues historic Medicaid reforms initiated in 2011 as a part of Governor Cuomo's Medicaid Redesign Team effort. These reforms are achieving better health care outcomes at a more sustainable cost. The Budget supports more effective models of care, reforms the General Public Health Work Program, implements the New York Health Benefit Exchange, and promotes a sustainable health care delivery system.

The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers. Consistent with this mission, DOH assures 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 health care facilities including Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees all other health care facilities in the State.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity of 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 Agencies on Aging and local providers.

Assuring Quality Health Care for All New Yorkers

New York's Medicaid program is the largest payer of health care and long-term care services in the State. Over five million individuals receive Medicaid-eligible services each month through a network of more than 60,000 health care providers and more than 20 managed care plans. Total Federal, State and local Medicaid spending will be $57.6 billion in 2013-14.

Despite years of attempted cost containment, Medicaid spending prior to 2011 had grown at an unsustainable rate while failing to deliver the quality outcomes New Yorkers deserve. In 2009, New York State ranked 22nd among states in quality of health care measures and worst among all 50 states in avoidable hospitalization according to a Commonwealth State Scorecard of Health System Performance issued that year.

Recognizing the need to control spending growth and improve health results, Governor Cuomo commissioned the Medicaid Redesign Team (MRT), a new and inclusive approach to developing health care policy. Comprised of individuals representing virtually every sector of the health care delivery system, and with widespread public input, the MRT advanced proposals that create models of care to

significantly improve health outcomes and allow future spending to grow at a sustainable level tied to rational measures of growth – the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.9 percent).

In Phase 1, the MRT provided a blueprint for lowering Medicaid spending in State Fiscal Year 2011-12 by $2.2 billion. The initial report included 78 recommendations that were enacted into law, including significant structural reforms that have bent the Medicaid cost curve and achieved the savings without any cuts to eligibility.

The MRT continued its innovative work in Phase 2 by establishing 10 workgroups to address more complex issues, as well as monitor the implementation of key recommendations enacted in Phase 1. In all, the State is expected to save $17.1 billion over the next five years because of the Medicaid reforms.

The multi-year Medicaid reform action plan, established by the MRT, has not only allowed the State to exceed its fiscal goals but has transformed the program in a way that has had tremendous benefits for Medicaid members and providers. These benefits include:

- One million additional Medicaid members are now accessing high quality primary care through Patient Centered Medical Homes.

- Almost 6,000 high-needs Medicaid members are now getting individualized care management through New York's Health Homes. Unique in the nation, Health Homes provide an integrated and coordinated setting for all primary, acute, behavioral health, and long-term services and supports to treat the whole person.

- Enrollment in Medicaid Managed Care continues to grow and enrollment in the State's highly successful Managed Long Term Care Program has nearly doubled since the MRT began.

- New York is leading the nation in connecting high-needs Medicaid patients with supportive housing. To date, $75 million in Medicaid funding has been allocated to expand access to housing for over 4,000 Medicaid patients.

- Medicaid is also investing in essential community safety net providers, reserving over $82 million for a new Vital Access Provider program.

- Establishment of a Medical Indemnity Fund that has reduced hospital medical malpractice insurance premiums by 20 percent while providing quality medical care to impacted children.

Summary of Spending (All Funds Unless Otherwise Noted)

Category	2012-13 ($ in millions)	2013-14 ($ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total All Funds)	53,996	57,627	3,631	6.7
Medicaid (Global Cap)	15,320	15,913	593	3.9
Department of Health Spending (Excluding Medicaid)	4,411	4,177	(234)	(5.3)
Office of the Medicaid Inspector General	55	52	(3)	(5.5)
Office for the Aging	218	215	(3)	(1.4)

Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in 2011-12 and recommends funding consistent with its provisions. The Budget achieves $125.3 million in savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

The Executive Budget also provides mandate relief for all counties and the City of New York by reforming the General Public Health Work and Early Intervention programs to reduce counties' administrative burdens and cut their costs by more than $76 million over five years.

Medicaid Redesign

The Executive Budget continues the implementation of MRT recommendations. These reforms represent the most comprehensive Medicaid reform in State history, with initiatives designed to improve the full spectrum of health care delivery.

The Executive Budget supports implementing Health Homes for complex high-cost recipients, investments in affordable housing, and the continued move to care management for all Medicaid recipients, which is expected to be completed in 2015-16. A cost neutral package of new MRT initiatives is also proposed to make critical investments in health care delivery, including:

- Supporting health home development and enhancing health homes to improve care coordination for mentally ill recipients discharged from State psychiatric centers and those receiving court ordered services through Assisted Outpatient Treatment (AOT).

- Making additional funding available for affordable housing.

- Assisting hospitals with the transition to a new indigent care methodology, designed to protect these hospitals from future Federal funding reductions.

- Making increased payments to essential community providers.

- Expanding tobacco cessation efforts.

- Integrating service delivery in common locations for physical health, mental health and substance abuse.

These investments are balanced by savings resulting from improvements in benefits design, more appropriate treatment outcomes, greater controls on pharmaceuticals, and compliance with Federal law that requires spousal support. In addition, the Medicaid program will benefit from the implementation of Federal health care reform through the Affordable Care Act (ACA).

New York Health Benefit Exchange

In April, the Governor issued an Executive Order to establish a New York Health Benefit Exchange. The Executive Budget reflects the implementation of the New York Health Benefit Exchange that will serve as a centralized marketplace for the purchase and sale of health insurance, in accordance with the ACA. Once the Exchange is implemented, one million more New Yorkers will have health insurance, and

individuals and small businesses will see reductions in the cost of health insurance premiums. Planning for the Exchange is financed by the Federal government at almost no cost to New York. The Budget will also conform eligibility and benefits of public health insurance programs, including Medicaid, Child Health Plus (CHP), Family Health Plus (FHP) and Healthy New York, to better align and coordinate with the Exchange.

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 proposes improvements to the General Public Health Work (GPHW) and Early Intervention (EI) programs and reduces costs by eliminating automatic inflators to providers, restructuring programs and implementing administrative efficiencies in government operations. These actions will save $125.3 million in 2013-14 and $138.3 million in 2014-15.

- **Enhance General Public Health Work Program.** The GPHW program provides State aid reimbursement to Local Health Departments (LHDs) for a core set of public health services, including family health, disease control, health education, community health assessment and environmental health. LHDs make program decisions and the State provides base grant funding and 36 percent reimbursement of remaining program costs. The Budget will achieve $3.5 million in savings in 2014-15 and provide mandate relief for local governments of more than $16 million over five years. Reforms associated with the first major overhaul of this program since its enactment in 1986 will:

  - **Promote State Health Priorities.** Encourage health insurance coverage and use of health home networks by limiting reimbursement to local health clinics for services provided to children under age 21 who already have access to health insurance, and allowing counties to bill third parties for sexually transmitted disease prevention and treatment services (counties are currently required to provide these services for free). In addition, legislation will add chronic disease prevention and emergency preparedness and response to the list of core public health services, and combine health education services into other service categories.

  - **Incentivize Performance.** Increase the State base grant funding by $3.6 million annually. In addition, the Executive Budget invests $1 million for additional payments to counties from a new incentive pool for improving performance outcomes.

  - **Provide Administrative Relief to Counties.** Eliminate unnecessary local reporting and statutory program requirements, such as the requirement that counties submit a municipal public health services plan and a separate report on fees and revenues.

- **Reform Early Intervention Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (e.g., autism, cerebral palsy) or developmental delays. The program serves approximately 68,000 children annually and is jointly financed by Federal, State and local governments. The Executive Budget recommends a series of program modifications that will not impact services, but will provide fiscal and administrative mandate relief to counties and generate cumulative local savings of more than $60 million over five years. These proposals would:

  - **Expand Insurance Coverage.** This reform would require insurers, including Medicaid Managed Care and Child Health Plus (CHP) plans, to include EI service providers in their networks, and require consumers to use providers in their insurance networks.

- **Streamline Eligibility Determinations.** Under revised Federal regulations, the State will take advantage of options to achieve program efficiencies by using supplemental evaluations where a child was previously referred to the EI program, requiring screenings for children referred without a diagnosis, and using medical and other records to establish eligibility where appropriate.

- **Restructure Health Care Program Funding.** Currently, DOH operates 89 separate health awareness and prevention programs. This structure is inefficient and ineffective at achieving better health outcomes. Existing contracts will be re-evaluated to align contract periods and competitively award new funding. All providers will have the opportunity to compete annually for new funding based upon their ability to deliver identified health outcomes. The Budget will consolidate these separate programs into six competitive pools to achieve targeted health outcome goals. (2013-14 Value: $40.0 million; 2014-15 Value: $40.0 million)

- **Delay Planned Human Services COLA Increase.** Currently, certain providers receive automatic payment increases with no relation to actual cost growth or performance outcomes. The 1.4 percent human services COLA for 2013-14 will be delayed, which will impact certain public health and aging providers. (2013-14 Value: $4.8 million; 2014-15 Value: $12.0 million)

- **Focus Excess Medical Malpractice Funding.** The State currently provides a secondary layer of medical malpractice coverage to qualified physicians and dentists, which supplements their primary individual coverage. However, the program has become over-subscribed and has strayed from its original program intent to enable community hospitals to attract doctors in high-need, high-risk specialties to address health care access concerns. The Budget will modify the existing program and prioritize funding to support doctors in the most high-risk specialties to practice at community hospitals in highest risk areas. (2013-14 Value: $12.7 million; 2014-15 Value: $12.7 million)

- **Shift CHP Rate Setting.** Rate setting will be transferred from the Department of Financial Services to DOH and aligned with the programmatic oversight, consistent with Medicaid Managed Care and FHP. (2013-14 Value: $16.2 million; 2014-15 Value: $10.8 million)

Efficiency Initiatives

- **Streamline Medicaid Administration.** Currently, multiple agencies play a role in administering the Medicaid Program, despite the Federal requirement that there be one State Medicaid Agency. In 2013-14, all State Medicaid administrative functions (e.g., rate setting, negotiation of managed care contracts, claims processing) will be consolidated in DOH. This will standardize administrative practices, generate efficiencies, and free agencies to focus on Medicaid policy and the implications of Medicaid on their constituencies.

- **Coordinate Health Insurance Purchasing.** DOH and the Department of Civil Service, who both negotiate and purchase health insurance, will adopt common approaches to take advantage of efficiencies resulting from best practices, including the alignment of hospital cost reimbursement policies, the expansion of patient centered medical home models, and the promotion of evidence-based strategies to enhance wellness and reduce health care costs.