

# Health Care

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

## Overview

The Executive Budget continues historic Medicaid reforms of the Medicaid Redesign Team that are achieving better health care outcomes at a more sustainable cost. The Budget supports more effective models of care, sustains the State's health benefit exchange, encourages regional collaborations among providers and communities, and makes investments in health care infrastructure and health information technology to transform the health care delivery system.

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The mission of the Department of Health (DOH) is to ensure 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 (FHP), Child Health Plus (CHP), 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 15 managed care plans. Total Federal, State and local Medicaid spending is expected to be \$58.2 billion in 2014-15.

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 22<sup>nd</sup> 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 3.8 percent).

The collaborative process of the MRT has bent the cost curve for the Medicaid program and is on track to save the State and Federal governments \$17 billion each, through 2014-15. Building on this success, and through further collaborations, New York has the potential to completely transform health care for all payers and recipients. The Executive Budget launches the process through new investments that will help introduce new models to improve care delivery and health outcomes at lower cost.

**Summary of Spending (All Funds Unless Otherwise Noted)**

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total All Funds)	55,608	58,193	2,585	4.6
Medicaid (Global Cap)	15,903	16,507	604	3.8
Department of Health Spending (Excluding Medicaid)	4,621	4,102	(519)	(11.2)
Office of the Medicaid Inspector General	63	57	(6)	(9.5)
Office for the Aging	217	216	(1)	(0.5)

**Proposed 2014-15 Budget Actions**

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 \$10.9 million in savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

**Health Care Transformation**

Health care represents one of the largest and fastest growing costs for businesses and governments, families and individuals. In New York, annual commercial health insurance premiums are approximately \$5,967 per member, a number that has grown on average 8.5 percent over the last six years. Health insurance drives up fringe benefit costs for local governments, putting stress on budgets and property taxes. Health insurance is also a major cost for employers, dragging down our economy and putting New York at a competitive disadvantage.

The success of the MRT proves that through constructive collaboration, unsustainable spending trends can be reversed while improving care delivery and health outcomes. Further evidence of the power of this approach is the success of the Finger Lakes Health Systems Agency (FLHSA), whose bottom-up regional health planning process has resulted in the Rochester area having the lowest Medicare cost in the nation while at the same time improving health outcomes.

By scaling this initiative statewide, through regional collaborations supported by the right infrastructure and technology, opportunities exist to achieve savings across the entire health care system – not just Medicaid. All payers of health care in New York will benefit from lower costs and improved quality.

The Executive Budget takes the next step in this transformation by providing capital funding for targeted investments that would complement projects supported by the Medicaid waiver, currently pending approval by the Federal government. By the end of 2014-15, the MRT will have generated over \$17

billion in Federal savings. The waiver will allow the State to reinvest up to \$10 billion of that savings into the transformation of New York's health care delivery system. Approval of the waiver is essential to fully implement the MRT action plan, strengthen health care infrastructure, reduce avoidable hospital admissions and respond to future expectations under the Affordable Care Act (ACA).

The Medicaid waiver and complementary investments will:

- **Expand the Availability of Capital.** Currently, many health care providers are financially disadvantaged and have limited ability to support critical infrastructure improvements. The Executive Budget advances a new \$1.2 billion capital program to support projects that improve financial stability and increase efficiency through greater provider collaboration. In addition, the Budget expands access to other forms of capital by encouraging private equity investments and expanding the availability of Health Facility Restructuring Program loans to nursing homes and clinics.
- **Establish Regional Health Improvement Collaboratives (RHICs).** Regional planning, where practiced in New York State, has demonstrated success in improving health outcomes at lower cost. The Budget provides \$7 million in 2014-15, growing to \$16 million in 2015-16 to support 11 RHICs, including support for FLHSA to share their experience and provide technical assistance to the other regions. RHICs will function as neutral conveners of key health care stakeholders to identify regional health care challenges and implement recommended solutions.
- **Improve Health Information Technology.** Collecting and sharing health care data across providers and regions will enable better evaluation leading to more efficient resource allocation, improving the quality of service at reduced costs. The Budget includes up to \$65 million in 2014-15 from covered lives assessment revenues associated with additional insured individuals to continue operational support for the State Health Information Network of New York (SHIN-NY), establish a statewide electronic medical record system, and an All Payer Claims Database (APCD). This investment will leverage up to \$30 million of Federal Medicaid funds for these projects for a total of up to \$95 million.

## 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. A cost neutral package of new MRT initiatives is proposed to make critical investments in health care delivery, which include:

- Supporting the integration of physical health and behavioral health services within a managed care environment, through Behavioral Health Organizations and Health and Recovery Plans.
- Making additional funding available for affordable housing.
- Making increased payments to essential community providers.
- Leveraging Health Homes to establish better linkages and improve care coordination for the mentally ill and criminal justice populations.
- Facilitating the transition of foster care children into managed care.

- Financing the Medicaid share of investments in Regional Health Planning, the SHIN-NY and APCD.

These investments are balanced by savings resulting from targeted Medicaid integrity initiatives to eliminate fraud and abuse, improvements in benefits design, greater controls on pharmaceuticals, and compliance with Federal law that requires spousal support.

### **New York Health Benefit Exchange**

In 2013, the Governor issued Executive Order #42 to establish a New York Health Benefit Exchange. The Exchange – NY State of Health – serves as a centralized marketplace to shop for, compare and enroll in a health plan, in accordance with the ACA. The Health Plans offered through NY State of Health are on average 53 percent less expensive than individual coverage purchased in 2013 for comparable coverage. Through January 17<sup>th</sup>, over 580,000 New Yorkers have completed applications and more than 326,000 have enrolled in coverage. Federal funding for the initial operations of the New York Health Benefit Exchange will end January 1, 2015, and the Executive Budget provides \$54.3 million in 2014-15, growing to \$148.3 million in State funding, between the DOH and Department of Financial Service budgets, to sustain its continued operations.

### **Public Health and Aging Programs**

DOH and SOFA administer programs that support New York's public health and senior care systems. The Executive Budget makes necessary investments and reduces costs by incorporating additional insurance revenues, eliminating automatic inflators to providers, restructuring programs and implementing administrative efficiencies in government operations. These actions will save an estimated \$10.9 million in 2014-15 and \$20.0 million in 2015-16.

- **Reflect Additional Insurance Revenues.** State public health funding generally supplements program funding after accounting for Federal funding and other available resources, including health insurance revenues. Recognizing the greater availability of health insurance coverage, the budget will modify funding for the AIDS Drug Assistance Program, Cancer Services and Family Planning to account for the collection of additional health insurance revenues. The 2014-15 savings is \$3.1 million, growing to \$12.8 million in 2015-16.
- **Encourage Linkages to Insurance Coverage for Prenatal Care Services.** The Executive Budget requires counties to make good faith efforts to link uninsured women with health insurance coverage for prenatal care reimbursement through the General Public Health Works Program. Additional health insurance revenues are expected to offset program costs, leading to a \$2 million savings in 2014-15 and a \$4.3 million savings in 2015-16.
- **Maintain Roswell Park Cancer Institute Funding.** The Budget maintains support for Roswell at \$103 million by replacing an expiring \$25 million capital grant with a commensurate amount of local assistance funds.
- **Defer the Planned Human Services Cost of Living Adjustment (COLA) Increase.** The Budget defers the two percent human services COLA for 2014-15, saving \$11.3 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. The 2014-15 savings is \$16.8 million, decreasing to \$12.6 million in 2015-16.

- **Discontinue Resident Working Audits.** The Executive Budget discontinues the requirement that DOH conduct audits of medical residents' working hours. This results in annual savings of \$1.1 million.
- **Continue Support for the Spinal Cord Injury Research Program (SCIRP).** SCIRP supports peer reviewed research efforts designed to develop, test and validate therapies for the treatment of spinal cord injuries. The Budget continues SCIRP funding at \$2 million annually.
- **Increased Funding for Health Tax Check-Off Accounts.** The Budget provides \$2.2 million in additional support for Alzheimer's, breast cancer and prostate cancer research and education activities supported through accounts financed by taxpayer donations on their State income tax returns. The additional funding is due to increased taxpayer support for these purposes.
- **Promote Organ Donation.** New York has one of the lowest organ/tissue donation consent rates in the nation. The Budget includes \$200,000 annually to launch a public-private partnership with the organ donation community to increase public awareness and improve consent rates.
- **Train Staff from Area Agencies on Aging.** In recognition of the significant changes in the health and long term care policy environment, the Budget includes \$250,000 to train local Area Agencies on Aging staff so they can provide up-to-date information and services to older adults.
- **Organize Health Care Program Funding.** The Budget consolidates 36 separate health awareness and prevention programs into 10 pools comprised of programs that serve similar functions or reflect the common characteristics. This action does not have a fiscal impact.

### Other Initiatives

- **Out-of-Network Consumer Protections.** Surprise medical bills from out-of-network providers charging exorbitant rates can cause economic hardships for patients. Legislation will be advanced with the Budget to protect consumers from large out-of-network medical bills by establishing a process to resolve billing disputes that holds consumers harmless, expanding network adequacy protections and improving disclosure of out-of-network reimbursement methods.