



Division of
the Budget

HEALTH CARE

Over seven million individuals receive Medicaid-eligible services through a network of more than **80,000 health care providers.**



NEW

MEDICAID REDESIGN EFFORTS BEGUN IN 2011



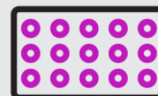
have saved New Yorkers **\$19 billion.**

A **NEW Medicaid Redesign Team** for 2020 will find more

ways to reduce spending and to improve outcomes while controlling costs.

GOVERNOR CUOMO'S WOMEN'S AGENDA





As part of Governor Cuomo's Women's Agenda, the Budget includes **\$14.2 million** to support the **loss of federal funding** to ensure access to a full array of **high-quality reproductive services.**



CONTROL PRESCRIPTION DRUG COSTS

Cap insulin at **\$100** per month.

COMPREHENSIVE TOBACCO CONTROL

-  **Raise minimum fines** for underage sales from **\$300** to **\$1000**
-  **Ban all tobacco sales** in pharmacies
-  **Ban flavored vaping** products
-  **Disclose** vaping product ingredients



Health Care

The FY 2021 Executive Budget advances the Department of Health, the long-term fiscal sustainability of the health care system and continues critically important reforms aimed at improving the health of New Yorkers at a sustainable cost. The Budget funds health insurance for over seven million new Yorkers through Medicaid, the Essential Plan and the Child Health Plus through a network of over 80,000 healthcare providers. Additionally, the Budget aligns spending with the Medicaid Global Cap through a series of reforms that will address long-term care enrollment growth and other drivers of spending growth in the program. It does this by delivering more effective models of care, tailoring benefits to meet the needs of an aging population, encouraging health care transformation and the transition to value-based payments, promoting the State's Prevention Agenda, expanding and promoting access to women's health care services and building on investments in health care infrastructure. Lastly, the Budget continues investments for community-based services and supports to the elderly to address locally-identified capacity needs.

Overview

The Department of Health's (DOH) mission is to ensure that high quality health services are available to all New Yorkers. Consistent with this mission, DOH manages comprehensive health care and long-term care coverage for low- and middle-income individuals and families through the Medicaid, Child Health Plus (CHP), and the Essential Plan (EP).

In addition to its health insurance programs, DOH protects public health, funds and supervises community public health activities, regulates health care facilities statewide and operates health care facilities including Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Center for Laboratories and Research.

The Office of the Medicaid Inspector General promotes the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for Medicaid-funded services.

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. In 2019, the State received the Public Health Innovation Award from the National Network of Public Health Institutes for its Health Across All Policies/Age-Friendly NYS approach.

Ensuring Quality Health Care for All New Yorkers

New York's Medicaid program is the State's largest payer of health care and long-term care services and supports. Over seven million individuals receive Medicaid-eligible services through a network of more than 80,000 health care providers and through more than 50 fully and partially capitated managed care plans. Total Federal, State and local Medicaid spending is expected to be \$73.4 billion in FY 2021, this includes \$39.9 billion in Federal spending and \$23.6 billion in State spending

When Governor Cuomo took office in 2011, New York State faced a \$10 billion deficit, with Medicaid spending projected to grow at an unsustainable 13 percent.

To slow this spending growth while maintaining high-quality care, the Governor convened an inclusive Medicaid Redesign Team (MRT) with representatives and experts from virtually every sector of the health care industry to examine ways to provide services at lower cost and higher quality. This MRT gathered public input from every corner of the State and put forward a series of initiatives that restructured the Medicaid program. Central to these reforms was the Medicaid

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Global Cap. In 2012, the Governor and the Legislature implemented the Global Cap, which sets the growth rate to the 10-year rolling average of the medical consumer price index. It is important to note, however, that this metric exclusively reflects an increase in unit prices, but does not account for changes in utilization of services or Medicaid program enrollment.

As a result of the MRT I reforms and the Global Cap, from 2013 to 2018, New York State held Medicaid state-share funds spending growth to an average of 2.2 percent compared to a national average of state funds spending of 5.3 percent. In fact, New York's Medicaid spending growth was slower than 39 other states. By keeping spending below the national average, the reforms implemented by Governor Cuomo and the Legislature have saved taxpayers over \$19 billion from FY 2013 through FY 2018.

During the same time period, New York State's Medicaid program experienced both an historic enrollment growth supported by the Affordable Care Act's Medicaid expansion, and an improvement in the quality of health care. Medicaid enrollment grew by over 30 percent or by more than 1.5 million individuals, to 6.2 million people. This expansion in Medicaid played a critical role in lowering the uninsured rate in New York State to a record low of 9.5 percent of New Yorkers now covered. For quality measures, New York achieved an overall rating of 14th among states compared to 24th in 2012 in the Commonwealth Fund's 2019 Scorecard of Health System Performance,

National and state demographic trends are now driving up costs. New York State's population of 65 and older grew by 23.7 percent over the last decade, outpacing the national aging population average of 15 percent.

At the same time, since FY 2015, the State has taken over 100 percent of Medicaid spending growth from local governments to help them stay within their 2 percent property tax caps. The policy has cumulatively saved local governments over \$20 billion. In FY 2020 alone, this takeover cost the State over \$4 billion. However, local governments continued to serve in the role of determining eligibility for certain Medicaid programs, though they no longer had to cover the costs of their decisions.

The combination of these two factors – shifting demographics and the takeover of local Medicaid spending growth – are factors in the spending growth of Medicaid's Managed Long Term Care (MLTC) program. MLTC provides coverage to the elderly and disabled and costs about 10 times more than the coverage for individuals enrolled in mainstream managed care. In FY 2020, MLTC accounted for 33 percent of State-share Medicaid spending in New York.

From FY 2013 to FY 2019, MLTC spending grew by 301 percent. Much of this spending growth was driven by the increase in use of the Consumer Directed Personal Assistance Program (CDPAP), which is designed to divert members from high-cost nursing homes and institutional settings to less costly in-home care that keeps them in their communities. From FY 2014 to FY 2019 CDPAP enrollment grew by 88 percent, well beyond the 23 percent increase in mainstream managed care enrollment. Between 2017 and 2018 alone, spending through CDPAP grew by 85 percent from \$1.3 billion to \$2.4 billion. For new recipients the initial Medicaid eligibility determination for long term care, including CDPAP, is made by local governments.

MLTC spending growth overall -- and CDPAP within it -- have been the biggest drivers of spending growth in New York's Medicaid program. Other major drivers of spending growth include support for minimum wage workers in the health care sector, which has grown from \$44 million to a projected \$1.8 billion in FY 2021 and State support for distressed hospitals, which has grown by 160 percent since 2016.

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These and other factors have driven up overall state Medicaid spending. Without any action to contain these factors, in FY 2021 State Medicaid spending was projected to grow by 13 percent – or 10 percentage points in excess of the Medicaid Global Cap of 3 percent.

Given these changes, the FY 2021 Executive Budget reconvenes the MRT, getting back to work on realigning the system so New York State can once again bend the cost curve, deliver savings to New Yorkers, and maintain the high-quality care New Yorkers deserve.

Table 9: Summary of All Funds Health Care Spending

Category	FY 2020 (millions)	FY 2021 (millions)	Change	
			Dollars (millions)	Percent
Medicaid	\$74,816	\$73,388	(\$1,428)	-1.9%
Medicaid (Global Cap)	\$19,433	\$20,006	\$573	3.0%
Department of Health (Excluding Medicaid and EP)	\$5,609	\$5,272	(\$337)	-6.0%
Essential Health Plan	\$4,179	\$4,584	\$405	9.7%
Office of the Medicaid Inspector General	\$46	\$48	\$2	4.3%
Office for the Aging	\$254	\$252	\$(2)	-0.8%

Proposed FY 2021 Health Care Budget Actions

The Executive Budget will address the identified structural imbalance in Medicaid spending through the MRT II initiative to align State spending with the Medicaid cap enacted in FY 2012, while also considering alternatives reflective of emerging price and enrollment projections. The Budget also achieves modest savings from public health and aging programs through program reforms and general cost-control efforts.

Reforming Medicaid

The FY 2021 Budget reconstitutes the MRT, bringing stakeholders who bring experience as health care providers, back to the table to find solutions that will once again contain spending growth so that this critical program that provides health care to more than 6 million New Yorkers remains financially sustainable for the future.

The 2020 MRT must report back before the April 1 deadline to enact a Budget with a plan to deliver \$2.5 billion in recurring savings. The Governor is directing the members of MRT II to develop a plan that doesn't rely on local governments as a funding sources and has no impact on beneficiaries. Instead, MRT II must once again find solutions through industry efficiencies and/or by relying on new resources provided by the industry itself. They must also root out waste, fraud and abuse.

Requiring Enhanced Local District Medicaid Controls

Although the State has shouldered the over \$20 billion cost of local district relief in Medicaid, local governments are responsible for determining eligibility and administering certain programs. Because local governments are no longer fiscally responsible for the cost growth, there is no longer a financial incentive for them to control costs, a factor that has led to the dramatic increases in overall Medicaid spending growth since the State took over the local share of Medicaid spending growth.

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Local governments administer and monitor programs and determine eligibility and they must also find efficiencies and savings, as well as rooting out waste, fraud and abuse in our system. Because the State takeover of 100 percent of the growth in local Medicaid costs was intended to assist counties in staying within the 2 percent property tax cap, the Budget ensures that counties that adhere to the 2 percent property tax growth cap continue to receive full benefit of the State takeover of Medicaid spending growth while penalizing those that don't by limiting the State's financing of growth in Local Medicaid expenditures to 3 percent annually. Additionally, the Commissioner and the Director of the Division of the Budget are empowered to access any data necessary to manage the Medicaid program.

Enhancing Program Integrity and Efficiency

The Budget includes a comprehensive plan to ensure that the Office of the Medicaid Inspector General (OMIG) and DOH have the tools necessary to expand program integrity efforts to weed out programmatic fraud, waste and abuse within the Medicaid program and enhance program efficiency. Since the creation of the OMIG, the Medicaid program has transformed dramatically reflecting the State's initiative to provide care management for all. To more appropriately respond in the face of program changes, OMIG will add 69 staff to promote program integrity, including the establishment of a dedicated unit responsible for monitoring and investigating Medicaid Managed Care payments. Further, DOH and OMIG will collaborate to explore opportunities to improve program efficiency and take advantage of new data tools to further inform Medicaid policies and procedures and recover improper payments. Continuous improvement of data management and advanced analytics capabilities is critical to government effectiveness. New York collects vast amounts of Medicaid data that holds tremendous potential to effectively evaluate government programs, inform policy and budget decisions, contribute to economic growth and ultimately better serve New Yorkers and the State's Medicaid program will have access to all information necessary to effectively manage the program.

Transforming the Health Care System

The success of the MRT and other State initiatives demonstrates that through constructive collaboration, unsustainable spending trends can be reversed while improving care delivery and health outcomes. A groundbreaking Federal waiver positioned the State to reinvest \$8 billion in Federal savings generated by MRT reforms. The waiver enabled New York to implement the MRT action plan, facilitate innovation, lower health care costs over the long-term, and improve the financial sustainability of essential safety net providers. In the first six years, \$6.4 billion has been paid out under the Federal waiver, which has been extended through March 31, 2021. This includes \$4.6 billion to 25 Performing Provider Systems (PPSs) statewide so that these consortiums of regional providers can implement approved Delivery System Reform Incentive Payments (DSRIP) program transformation projects, among them: \$1.08 billion for Health Homes and other reform initiatives; and \$500 million for financially distressed safety net hospitals whose viability is critical to achieving ongoing reforms.

Building on the successes and lessons learned from the current waiver, the New York State Department of Health has submitted a new \$8 billion 1115 Medicaid waiver amendment that establishes a framework for ongoing efforts to drive value, including but not limited to:

- **Improving the health outcomes and patient experience** of our Medicaid population, including deeper integration across physical health, behavioral health (mental health and substance use disorder services), managed care organizations (MCOs), and social services to collectively meet the myriad, evolving needs of our Medicaid members to live healthier lives in their communities;

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- **Improving the efficiency of our delivery systems**, particularly as providers operationalize interventions addressing social determinants of health (SDOH);
- **Incentivizing MCOs and providers** as they continue to engage in more highly integrated networks (including community-based organizations) in value-based care, supporting deeper and more sophisticated levels of risk contracting; and
- **Building new workflows** that create efficiencies across programs, and advance existing value-based arrangements and support new payment models to ensure ongoing sustainability of Medicaid as a critical safety net program.

In the new waiver amendment, New York State seeks to build upon the transformation started in the current waiver and continue on the road to value-based care. Of the \$8 billion requested, \$5 billion will be invested in Value Driving Entities; \$1 billion for workforce development; \$1.5 billion Developing Social Determinants of Health Networks; and \$0.5 billion in the Interim Access Assurance Fund, which supports distressed hospitals.

Over the next year, performing provider systems will continue to build upon their value-based payment arrangements. They will continue to receive performance-based payments reflecting system transformation, clinical management and population health improvements, and progress toward the goal of reducing avoidable hospital use by 25 percent.

Promoting the Essential Plan

The Essential Plan (EP) was launched in January 2016 as a more affordable health insurance option for low- and moderate-income New Yorkers. The program has been extraordinarily successful, with over 770,000 New Yorkers enrolling in four years. It has also generated over \$1.5 billion in State savings by transitioning certain individuals from State-only Medicaid benefit to federally funded coverage in the EP. The State continues to promote this important public health insurance program to preserve affordable health insurance options for New Yorkers.

Supporting the New York State of Health

The Exchange – NY State of Health – serves as a centralized marketplace to shop for, compare, and enroll in a health insurance plan. The health plans offered through NY State of Health are, on average, 55 percent less expensive than those available in 2013, prior to the creation of the marketplace.

To date, over 4.7 million New Yorkers have enrolled in coverage through the marketplace as the number of uninsured New Yorkers declined by nearly one million. The Executive Budget includes \$519 million in total funding for the operation of the NY State of Health.

Strengthening Public Health and Aging Programs

DOH and SOFA administer programs that support New York's public health and senior care systems. The Executive Budget provides more than \$328 million to support services provided by local governments, makes new investments, and reduces costs by restructuring programs and implementing administrative efficiencies. Savings actions will save an estimated \$233.3 million in FY 2021 and \$177.8 million in FY 2022. Key initiatives include:

- **Child Health Plus.** The Budget includes savings associated with claiming enhanced Federal funding through a health services initiative for non-Medicaid programs that support children.

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- **Early Intervention.** While 42 percent of children receiving early intervention services have commercial health insurance, only 2 percent of early intervention services are paid for by commercial health insurance. As a result, the State and localities are paying for medical services that should otherwise be covered under the recipient's private health insurance. The Budget includes a series of reforms designed to ensure commercial insurers pay their share including:
 - Market conduct examinations led jointly by DOH and DFS to ensure insurers are enforcing current rules and regulations and that providers are complying with current requirements.
 - Clarifications of benefit coverage that specify coverage rules, including that insurers cannot offset coverage limits for therapies.

New regulations on network adequacy to specify that plans that have an adequate network must also have an adequate early intervention network.

- Updated billing codes to allow for more accurate billing
- Streamlined provider agreement process to accept existing Insurance Plan credentialed/approved practitioners as approved EIP.
- **Defer Cost of Living Adjustment (COLA) Payment.** The Budget defers FY 2021 SOFA COLA payment, saving \$3.6 million in FY 2021.
- **Capital Financing for Essential Health Care Providers.** The FY 2021 Executive Budget continues \$3.8 billion in capital investments for health care providers to transition into fiscally sustainable systems and to support capital projects, debt retirement, working capital and other non-capital projects.
- **Life Sciences Laboratory Public Health Initiative.** The FY 2021 Budget continues \$750 million in support for a life sciences laboratory public health initiative in the Capital Region, which will develop life science research, innovation and infrastructure through a joint effort between Empire State Development and the DOH. This initiative positions New York to attract private investment and jobs, a key component of the life science initiative.
- **Ending the AIDS Epidemic.** In 2014, Governor Cuomo launched the Ending the Epidemic initiative to significantly reduce HIV infections by the end of 2020. In 2018, the most recent year for which data is available, the number of new diagnoses reached an all-time low of 2,481, an 11 percent drop from 2017 and a 28 percent drop since 2014. The decrease from 2017 to 2018 is more than double that of the five years leading up to the 2014 launch of the Ending the Epidemic initiative. The FY 2021 Executive Budget continues the \$200 million multi-year commitment towards these efforts.

Advancing the Women's Agenda

In 2019, Governor Cuomo succeed in advancing the Women's Justice Agenda -- a bold, comprehensive set of proposals that expanded on the success of prior accomplishments to improve reproductive, economic and social justice for all New York women. The FY 2021 Budget includes additional reforms to advance the women's agenda:

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- **Defend Reproductive Health Rights.** Title X was a federal program established in 1970 to support state programs that deliver high-quality comprehensive family planning and reproductive health care to low income, uninsured, or underinsured individuals. In 2019, the Federal government implemented unnecessary, unethical and potentially illegal rules for the Title X program that undercut the very purpose of the funding itself. New York can no longer accept federal funding to support New York's family planning program. As part of Governor Cuomo's Women's Agenda, the Budget includes \$14.2 million in funding to support the loss of Title X funding to launch a State funded program that will ensure access to a full array of high-quality reproductive services Statewide.
- **Expand Actions to Address Maternal Mortality.** As part of Governor Cuomo's Women's Agenda, the FY 2020 Budget invested \$8 million to improve maternal health outcomes and signed legislation creating of a Board of experts within the Department of Health to review each and every maternal death in the New York State and develop actionable recommendations to improve care and management. The FY 2021 Budget continues the FY 2020 investment and implements additional actions to improve maternal mortality in New York, including developing implicit bias training and incentivizes an expansion of community health workers across New York State.

Other Initiatives

- **Enact a Comprehensive Nicotine Vaping and Tobacco Control aimed at Youth.** The comprehensive package will prevent death, addiction and disease associated with nicotine and tobacco use, as well as protect taxpayer dollars due to the high cost of health care expenses for nicotine and tobacco-related illnesses, estimated at \$9.7 billion annually, including \$2.7 billion in Medicaid costs. Smoking prematurely kills over 22,000 New Yorkers each year – more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined. In a 2012 report on youth tobacco use, the U.S. Surgeon General characterized tobacco uses as a pediatric epidemic.

Governor Cuomo has already taken unprecedented steps to ensure the health and safety of all New Yorkers by combatting the use of harmful tobacco and nicotine products. In 2017, Governor Cuomo expanded the Clean Indoor Air Act to prohibit e-cigarette use in nearly every workplace to protect workers and the public from harmful secondhand tobacco smoke and vaping aerosols. In 2019, e-liquid retailers were required to register with the Department of Taxation and Finance (DTF) and a 20% sales tax on e-liquids will take effect on January 1. In November of 2019, the legal age for purchasing tobacco and e-cigarette products was raised to 21, further discouraging youth from accessing tobacco.

The Executive Budget includes proposals including, prohibiting the sale of flavored nicotine vaping products, and the sales of tobacco and nicotine products, including e-cigarettes, in all pharmacies; and restricting advertising of vapor products targeting youth, among other proposals.

- **Prescription Drugs.** The Budget includes a three-part plan to lower prescription drug costs for all New Yorkers. The Governor's proposal caps insulin co-payments at \$100 per month for insured patients to help address the rising cost of insulin that has resulted in diabetes patients rationing, skipping doses and not filling prescriptions. The proposal empowers the State Department of Financial Services to investigate and hold drug manufacturers accountable for unjustifiable, exorbitant increases in drug prices. Finally, the proposal establishes a commission of experts to study the feasibility and benefits of a Canadian drug importation program and submit a plan to the U.S. Department of Health and Human Services for review.

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- **Pharmacy Benefit Managers (PBMs).** PBMs act as the middle man between health insurers and pharmacies. When a patient fills a prescription, he or she pays a copay. The PBM collects the balance of the payment from the insurer, passes a portion of that on to the pharmacy that dispensed the drug, and pockets the rest. The difference between what the PBM collected and what it passed on is the spread. PBMs — which set both amounts — do not have to disclose to insurers how much they pass on to pharmacies or disclose to pharmacies how much they collect from insurers. The Budget requires PBMs to register with the Department of Financial Services and to disclose financial incentives they receive for promoting specific drugs as well as other financial arrangements affecting customers to bring transparency to their operations and control to skyrocketing prescription drug costs.
- **Centralize Medical Cannabis Supervision.** The Executive Budget proposes a first-in-nation comprehensive cannabis regulatory framework administered by the newly established Office of Cannabis Management (OCM) that centralizes all the licensing, enforcement and economic development functions in one entity. The OCM will administer all licensing, production, and distribution of cannabis products in the adult-use, industrial, and medical cannabis markets.

In the medical cannabis market, the OCM will supervise the continued expansion of the current medical cannabis program and institute reforms that expand patient access and product affordability while also encouraging research opportunities among medical cannabis providers, health care providers, and medical insurers.

- **Water Supply Regionalization:** New York State has been a leader in addressing emerging contaminants and assuring the delivery of clean drinking water to all New Yorkers. Governor Cuomo is committed to exploring all avenues for providing clean drinking water to residents, including exploring regional approaches to providing access to alternative clean drinking water. The Budget includes funding for the Department of Health and the Department of Environmental Conservation to conduct a comprehensive feasibility study that will evaluate using New York City's water supply to provide Nassau County with an additional source of drinking water. The study will evaluate several factors, including:
 - the cost of connecting Nassau County to New York City's water supply and potential funding mechanisms,
 - the capacity of the New York City system to supply water; and
 - technical issues, necessary infrastructure improvements or other limitations.
- **Healthcare Cost Transparency.** The Budget supports the development of "NYHealthCareCompare"- a website that will allow New Yorkers to look up charges for medical services, the quality of services provided, and access information about financial assistance programs. Additionally, the website will include information about what to do about a surprise medical bill.
- **Medication Assisted Treatment.** Under Governor Cuomo's leadership, more New Yorkers than ever have access to Medication-Assisted Treatment (MAT) for Opioid Use Disorder. The number of medical professionals who are designated to prescribe addiction-treatment medication has increased and the settings in which such medication can be prescribed has expanded. In 2020, the State will take still further steps to expand access to MAT by breaking down unnecessary barriers to care.