



Division of
the Budget

HEALTH CARE

\$100 MILLION

eliminates co-pays for low-income New Yorkers and adds 100,000 New Yorkers to the Essential Plan

95%

**of New Yorkers
are insured**



NOURISH NEW YORK

The state has invested \$35m to purchase 17 million pounds of food from more than 4,000 farms for more than 1 million households

NYS nearly tripled its bed capacity statewide in



23 public



200 private

hospitals



COVID SAFE STATE

testing and vaccination programs for nearly 20 million New Yorkers as we work to make New York the first COVID-safe state in the nation



200,000+
COVID-19 TESTS PER DAY
(among the most in the nation)



Budget Highlights

COVID Safe State. The Budget reflects New York's commitment to ending the COVID-19 pandemic and advancing New York to becoming the first COVID-safe state in the nation. This will be achieved by expanding diagnostic capacity to reduce community spread, and implementing a statewide vaccination program to ensure the fair and equitable distribution of the vaccine to nearly 20 million New Yorkers, with a special focus on underserved and vulnerable populations.

Essential Plan Premium Elimination. The Executive Budget eliminates premiums for Essential Plan coverage for 400,000 New Yorkers earning between \$39,300 and \$52,400 for a family of four. This will promote coverage for 100,000 additional New Yorkers.

Tackling Food Insecurities. The Budget invests an additional \$25 million to continue the State's commitment to providing food to vulnerable populations by continuing the NourishNY program and establishing a pilot program to intercept and redistribute nutritionally-viable, but ugly food surplus.

The FY 2022 Executive Budget strengthens the Department of Health's capability to end the COVID-19 pandemic and address its health and social consequences, including the expansion of regional testing capabilities, contact tracing capabilities and the administration of the statewide vaccination program, with the goal of being the first COVID-safe state. The Budget also preserves critical social supports, promotes the long-term fiscal sustainability of the health care system and continues to advance important reforms aimed at improving the health of New Yorkers at a sustainable cost.

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). Combined these programs provide affordable health insurance coverage for over eight million New Yorkers, through a network of over 80,000 health care providers.

At the forefront in the State's response to the COVID-19 pandemic, DOH also protects public health, funds and supervises community public health activities and critical social supports, 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 (OMIG) 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.

Responding to the Pandemic

Starting with the first known case of COVID-19 on March 1, and in the absence of Federal leadership and guidance, New York State moved quickly to protect New Yorkers with actions that included:

- Nearly tripled the bed capacity across a statewide healthcare system consisting of 23 public and 200 private hospitals and ordered the cancellation of all elective surgeries to free up bed space;

- Developed tests for the virus and implemented a system that has administered more tests than any state in the nation to identify, treat and trace the spread of the virus;
- Established a Hospital Capacity Coordination Center to coordinate the state's healthcare systems and transfer patients as needed;
- Created, in partnership with Bloomberg Philanthropies, a robust system to trace the spread of the virus throughout the state to enable swift actions to contain spread in targeted areas; and
- Issued guidance, in partnership with other agencies, to safely re-open the economy while achieving one of the lowest infection rates in the nation.

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 6 million individuals receive Medicaid-eligible services through a network of more than 80,000 health care providers and through more than 45 fully and partially capitated managed care plans. Total Federal, State and local Medicaid spending is expected to be \$82.9 billion in FY 2022, this includes \$48.1 billion in Federal spending and \$27.6 billion in State spending.

Medicaid provides health insurance coverage and serves as a critical social support. The program's spending trends are counter-cyclical. As the pandemic-driven economic downturn has driven up unemployment rates, it in turn has raised Medicaid costs as enrollment has grown by nearly half a million.

Despite the economic downturn, the uninsured rate in New York State has remained relatively flat with 95 percent of New Yorkers now covered. For quality measures, New York achieved an overall rating of 10th among states compared to 24th in 2012 in the Commonwealth Fund's 2020 Scorecard of Health System Performance.

Under the Governor's leadership the State has approached its finances with discipline, including slowing the growth in Medicaid spending while improving the quality of care. The Governor has twice convened an inclusive Medicaid Redesign Team (MRT) – for FY 2012 and most recently for FY 2021 -- 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. Both MRTs 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 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 (currently 2.9 percent).

As a result of the MRT I reforms and the Global Cap, from 2013 to 2020, New York State held Medicaid state-share funds spending growth to an average of 3.1 percent compared to a national average of state funds spending of 4.8 percent. In fact, New York's Medicaid spending growth was slower than 28 other states. By keeping spending below the national average, the reforms implemented by Governor Cuomo and the Legislature saved taxpayers over \$28 billion from FY 2013 through FY 2020.

For FY 2021, the MRT II identified \$2.2 billion in spending growth reductions recommendations, including efficiencies in Managed Care and Managed Long-Term Care. Additionally, policy initiatives, including the carve out of services from Managed Care within pharmacy and the centralization of a transportation broker will lead to better transparency and greater efficiencies. MRT II also focused on greater program integrity and included reforms to modernize regulations to eliminate fraud, waste, and abuse.

The FY 2022 Executive Budget builds on the successes of the MRT through continued program reforms and targeted investments that will help introduce integrated models to transform care delivery, expand access to cost effective models of care, support providers in these programmatic transitions, and improve health outcomes at lower cost through New York's Medicaid program.

Table 9: Summary of All Funds Health Care Spending

Category	FY 2021 (millions)	FY 2022 (millions)	Change	
			Dollars (millions)	Percent
Medicaid	\$79,212	\$82,913	\$3,701	4.7%
Medicaid (Global Cap)	\$19,993	\$20,572	\$579	2.9%
Department of Health (Excluding Medicaid and EP)	*\$4,875	\$5,174	\$298	6.1%
Essential Health Plan	\$4,460	\$5,526	\$1,066	23.9%
Office of the Medicaid Inspector General	\$48	\$47	(\$1)	-2.6%
Office for the Aging	\$246	\$245	(\$0.3)	-0.1%

*Note that these indicated values include significant Federal COVID response funding

Proposed FY 2022 Health Care Budget Actions

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in FY 2012 and recommends funding consistent with its provisions. The cap ties growth to the 10-year rolling average of the Medical Consumer Price Index. The Budget achieves modest savings from public health and aging programs through program reforms and general cost-control efforts.

Continuing Medicaid Redesign

The Executive Budget addresses lessons learned in response to the COVID-19 pandemic and continues the progression of MRT recommendations. These reforms represent critical modifications to reallocating State support in areas that require more need, continued controls on Medicaid pharmaceutical costs, and advancing a comprehensive reform package for telehealth, which will sustain much of the transition of care from in-person to remote.

Medicaid Budget highlights include:

- **Telehealth.** The COVID -19 pandemic has transformed the healthcare delivery system as methods for accessing care have expanded. Accordingly, the State is advancing a

comprehensive package of telehealth reforms that will increase access to telehealth services. These include:

- Increasing access to services through comprehensive reform with changes to a variety of methods, including continuing telephonic delivery of care and establishing interstate licensure, allowing certain unlicensed staff (e.g. Credentialed Alcoholism and Substance Abuse Counselor trainees) to deliver substance use disorder services, expanding covered telehealth providers, eliminating obsolete location requirements, expanding reimbursement for patient monitoring, integrating telehealth into New York's state-of-the-art health information network, the Statewide Health Information Network for New York (SHIN-NY), requiring telehealth in commercial insurance and expanding access to mental health and addiction services.
 - Promoting innovative technologies and approaches by increasing training and education opportunities, establishing a pilot program to facilitate telehealth for vulnerable populations, requiring insurers to offer e-Triage and Virtual Emergency Department, and allowing insurers to satisfy contractual care management requirements by utilizing emerging telehealth solutions that enhance care management efforts and integrated multi-disciplinary teams.
- **Medical Respite Pilot Program.** The Budget establishes additional medical respite programs to provide care to homeless patients who are too sick to be on the street or in a traditional shelter, but not sick enough to warrant inpatient hospitalization. The pilots are designed provide temporary room and board and the arrangement of health care and support services in order to improve the health of medically impacted homeless individuals while also decreasing costly hospital use.
- **Minimum Wage.** In April 2016, the Governor signed into law the nation's first statewide \$15 minimum wage plan. The Budget includes nearly \$2.0 billion to fully support the direct cost of the FY 2022 minimum wage increases for health care workers that provide Medicaid services reimbursed by the Department of Health. This includes funding to reconcile any identified underpayments in prior years. Wages in New York City met the \$15 minimum wage standard as of December 31, 2019 while growth continues towards the \$15 minimum wage outside of NYC.
- **State Takeover of Local Medicaid Costs.** The Budget continues the Governor's commitment to relieve local governments of Medicaid expenditure growth. In FY 2022, the State will assume nearly \$4.8 billion in costs that would have otherwise been incurred by localities.
- **Pharmaceutical Efficiencies.** With enactment of the FY 2018 Budget, New York became the first state in the nation to pass sweeping legislation to control the skyrocketing cost of prescription drugs by setting the growth in Medicaid drug spending to an annual limit and providing the DOH with enhanced authority to negotiate additional rebates with manufacturers to maintain spending within the Global Cap.

The FY 2021 Enacted budget furthered the effort to create efficiencies within Medicaid pharmacy spending by lowering the drug cap by two percentage points to achieve greater savings, and by carving out the Medicaid pharmacy benefit from Managed Care and placing it into Fee for Service to increase transparency, maximize rebates and reduce administrative costs. As part of the Pharmacy Carveout proposal, savings were reinvested to 340B entities no longer receiving excess reimbursement for 340B drugs under Managed Care.

The FY 2022 Executive Budget continues the 340B investment in subsequent years. Additionally, the FY 2022 Executive Budget continues efforts to limit the rising cost of prescription drugs by extending the Medicaid drug cap through FY 2022. Further, the Budget enhances pharmacy oversight by eliminating “prescriber prevails” and coverage for certain over-the-counter products.

- **Hospital Actions.** The Executive Budget continues the implementation of MRT II recommendations to discontinue the State funded portion of the Public Indigent Care Pool (ICP) and to reduce the hospital capital rate add-on by 5 percent. Public Hospitals still have the ability to fund the non-Federal share of ICP payments and can therefore still maximize Federal funding sources. Additionally, the Executive Budget continues the State’s commitment to supporting financially distressed health care facilities.
- **Programmatic Administrative Efficiencies.** The Budget proposes reducing supplemental pools for certain health care plans and providers.

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 nearly 800,000 New Yorkers enrolling at the end of FY 2020. It has also generated over \$1.5 billion in State savings by transitioning certain individuals from State-only Medicaid benefits 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.

The Executive Budget makes significant investments through the Essential Plan through a three-point strategy as follows:

- Eliminating premiums for Essential Plan coverage for more than 400,000 New Yorkers earning between \$39,300 and \$52,400 for a family of four. This will promote coverage for upwards of 100,000 additional New Yorkers.
- Investing \$420 million in rates of payments to insurers who cover Essential Plan enrollees. This rate change will enhance provider reimbursement, which will promote and support access to vital healthcare services.
- Establishing a \$200 million Essential Plan Quality Pool to promote high quality of care. These funds strengthen provider networks, incentivize providers based on performance, and ensure provider access for all Essential Plan members.

Supporting the New York State of Health

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

To date, over 5.7 million New Yorkers have enrolled in coverage through the marketplace as the number of uninsured New Yorkers declined by 1.3 million since 2010. The spike in unemployment caused by the COVID-19 pandemic is projected to drive over one million new enrollees into public health insurance programs through the NYSOH Exchange. The Executive Budget includes \$442 million in total gross funding for the operation of the NY State of Health in FY 2022.

Transforming the Health Care System

As a result of the Governor's Medicaid Redesign Team II initiatives, the Department of Health is building on prior successes in transforming the State's ability to provide Medicaid services by preparing a waiver extension of the Medicaid Redesign Team 1115 waiver. The Department of Health is preparing to file a three-year extension to the existing MRT 1115 Waiver by March 2021.

Once the MRT Waiver is extended, additional funding requests can be pursued. New York will explore new initiatives through amendments to the approved waiver on Medicaid policy priorities including telehealth, alternative payment methodologies, workforce and Health Equity and Social Determinants of Health, and to address the COVID-19 pandemic impact on the State's health care delivery system.

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 \$295 million to support services provided by local governments, makes new investments, and reduces costs by restructuring programs and implementing administrative efficiencies. Actions will save an estimated \$145 million in FY 2022 and \$175 million in FY 2023. These spending reductions may be restored if the State receives requested Federal COVID relief funds. Key initiatives include:

- **Continue COVID Response and Implementation of Vaccine Distribution.** The Budget will support the implementation of a statewide COVID-19 vaccination program that will be available to all New Yorkers within the year, ensuring a fair and equitable distribution to vulnerable and underserved communities within all regions of the state. The vaccine program will cover nearly 20 million residents at no cost, driving New York towards becoming the nation's first COVID-safe state and accelerating the State's re-opening effort.
- **Create the New York Public Health Corps.** The New York Public Health Corps will assist in supporting COVID-19 vaccination operations and establishing a best-in-the-nation emergency response public health capacity that lasts beyond the COVID-19 pandemic. Fellows participating in the program will include students in undergraduate and graduate public health programs, nursing schools and medical and pharmaceutical schools, recent

graduates, retired medical professionals, volunteer first responders, and other New Yorkers who will receive an intensive public health training curriculum developed by Cornell University. After the COVID vaccination program is completed, New York will build on this Public Health Corps model by continuing to recruit and train public health professionals to be available and prepared to serve the State in any future crisis.

- **Expanding Nation-Leading COVID-19 Diagnostic Capacity.** The FY 2022 Executive Budget will continue to support the expansion of the State's world-leading testing program, currently able to perform over 200,000 COVID-19 tests on a daily basis to identify disease and mitigate community spread. This will include leveraging the research expertise of Wadsworth laboratories, which was the first public laboratory in the United States to have a non-Centers for Disease Control (CDC) COVID-19 test approved by the Food and Drug Administration (FDA). The State will also continue to operate a network of 22 regionally located drive-through and walk-in testing locations available to all New Yorkers completely free of charge, and will establish a network of rapid testing locations by partnering with testing companies to allow business and entertainment centers to safely re-open.
- **Capital Financing for Essential Health Care Providers.** The FY 2022 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, and working capital.
- **Extend the Nourish NY Program.** The Budget continues the Nourish NY Initiative supporting New York's regional food banks and local food providers' ability to purchase surplus locally produced food and goods from New York farmers and dairy manufacturers and deliver it to New York families in need. To date, New York has provided \$35 million for the Nourish NY program, in addition to annual funding of \$36.9 million through the Hunger Prevention and Nutrition Assistance Program (HPNAP) administered by DOH. New investments included in the Budget will bring the total funding commitment for the Nourish NY program to \$60 million.
- **Implement the 'Ugly Food' Initiative.** The Budget includes the creation of a pilot program in the mid-Hudson region that would see the New York State Office for the Aging's Area Agencies on Aging and their commercial kitchens sites intercept and redistribute nutritionally viable but ugly food surplus for processing and flash freezing. The counties identified for the pilot have highly active food rescue groups that will partner with the State on this pilot. The utilization of the statewide kitchens will be a valuable resource that will scale up the ability of Governor Cuomo's landmark legislation to divert more food surplus from landfills and feed hungrier New Yorkers.
- **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 2019, the most recent year for which data is available, the estimated number of new infections fell to an all-time low of 1,700 cases. HIV incidence has declined each year since the start of ETE, with a 38 percent decrease over that time frame. New confirmed HIV diagnoses in 2019 also reached an all-time low of 2,377 — a four percent drop from 2018 and a 31

percent drop since the start of ETE. The FY 2022 Executive Budget continues the \$200 million multi-year commitment towards these efforts.

- **Physician's Excess Medical Malpractice Restructuring.** Excess Medical Malpractice Insurance provides an additional layer of malpractice coverage to doctors practicing in high-risk specialties throughout the State, mitigating the burden of high medical malpractice costs for doctors. This year the Budget will require a payment restructuring to allow \$51 million in savings in the first year. Since the program's creation in 1986, the medical malpractice insurance market has stabilized and strengthened considerably, thereby reducing the need for the State to pay for this supplemental insurance. Additionally, since policy year 2015, enrollment in the program has decreased by 24 percent.
- **Defer Cost of Living Adjustment (COLA) Payment.** The Budget defers FY 2022 Human Service COLA payment, saving SOFA \$2 million in FY 2021.

Other Initiatives

- **Centralize Medical Cannabis Supervision.** The Executive Budget proposes a 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.

- **Pharmacy Benefit Managers (PBMs).** PBMs act as the middleman 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.
- **Local Distressed Hospital Funding Pool.** The FY 2022 Budget continues the Distressed Provider Relief Fund to support financially distressed hospitals and nursing home facilities throughout the state through the collection of a portion of sales tax revenue from counties and New York City, generating \$500 million in designated funding through

FY 2022. These extraordinary resources will be made available based on the evaluation of financial need.

- **Enhancing Nursing Home Quality of Care.** New York's nursing homes are responsible for caring for some of the state's most vulnerable residents. Nursing home staffing is critical in resident care.

The Executive Budget advances a series of actions that advance the goal of ensuring nursing homes spend an appropriate level of their resources on resident care. They include but are not limited to:

- The Department of Health will increase the existing Nursing Home Quality Pool with an emphasis on rewarding quality based on staffing practices.
- The Department of Health will promulgate regulations governing the review and approval of any contracted staffing arrangements between nursing homes and staffing agencies that provide or arrange for direct care staff.
- Medicaid reimbursement rates will include only staffing costs related to staffing contract arrangements that comply with regulatory requirements and only to the extent that such costs are determined by the Department to be consistent with the rates paid for comparable employed clinical staff and/or consistent with fair market value and commercial reasonableness.

Now, more than ever, it is important that nursing homes are staffed to provide high quality care and safety for their residents. The Executive Budget proposals will have a positive impact on nursing home residents and staff, delivering the quality of care needed for the most vulnerable New Yorkers in a safe work environment.