

The FY 2018 Executive Budget advances the Medicaid Redesign Team’s (MRT) critically important reforms that are improving the health of New Yorkers at a sustainable cost. It does this by delivering more effective models of care, sustaining the State’s health benefit exchange, encouraging regional collaborations among providers and communities, promoting the State’s Prevention Agenda, and building on investments in health care infrastructure and caregiver supports.

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), the Essential Plan (EP) and the 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 Center for Laboratories and Research. The Department also regulates all health care facilities in the State.

The Office of the Medicaid Inspector General preserves 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.

Budget Highlights

Mandate Relief to Counties.

The Budget maintains support for the takeover of county Medicaid costs by eliminating required growth over the prior year. Local Medicaid savings will total \$3.2 billion in FY 2018.

Controlling Health Care Costs.

The Budget proposes a cost-neutral package of savings and investments in the Medicaid program as part of the MRT’s initiatives.

Waiver Implementation.

The State will continue implementation of the \$8 billion Medicaid waiver, achieving successes in transitioning towards value based payment arrangements and reducing avoidable hospitalizations.

Fighting HIV/AIDS.

The FY 2018 Executive Budget continues the \$200 million multi-year commitment to combat HIV/AIDS and end the epidemic.

Performance Profile

New York State of Health Marketplace. Since its inception in 2014, the NY State of Health has enrolled more than 3.4 million New Yorkers in affordable health coverage. 2.7 million New Yorkers are receiving coverage under the Affordable Care Act. The number of uninsured New Yorkers has declined by nearly 850,000. Between 2013 and 2015 the rate of uninsured in the State declined from 10 percent to 5 percent.

Bending the Cost Curve. Between 2011, when the MRT began, and 2016, State Medicaid spending per recipient dropped from \$9,556 to \$8,543, or 11 percent.

Medicaid Spending Declines. In FY 2017, total Medicaid spending is expected to decrease by 0.2 percent from prior year levels, the first decline in five years.

Improved Outcomes. In 2015, the Commonwealth Fund’s Scorecard of Health System performance ranked New York 13th among states in overall health system performance, nine spots better than the 2009 measurement. New York State also moved up 24 spots to 26th among all 50 states in avoidable hospitalizations.

Assuring 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. Over six million individuals receive Medicaid-eligible services through a network of more than 80,000 health care providers and over 90 fully and partially capitated managed care plans. Total Federal, State and local Medicaid spending is expected to be \$65 billion in FY 2018.

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

Recognizing the need to control spending growth and improve health care outcomes, Governor Cuomo commissioned the MRT, a new and inclusive approach to developing health care policy. Composed 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 tie future spending to a rational measure of growth – the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.2 percent).

The MRT’s innovative and collaborative work has bent the cost curve for the Medicaid program, reducing per recipient spending by 11 percent since 2011. In addition, these efforts have significantly improved the health care quality. In the Commonwealth Fund’s 2015 Scorecard of Health System Performance, New York State improved across-the-board, achieving a rank of 13 among states in overall health system performance and climbing 24 spots to 26th among all 50 states in avoidable hospitalization.

The Executive Budget builds on this success and advances the transformation through continued investments that will help introduce integrated models to improve care delivery and health outcomes at lower cost through New York’s Medicaid waiver.

Table 8: Summary of Spending

(All Funds Unless Otherwise Noted)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollars (millions)	Percent
Medicaid (Total All Funds)	63,158	65,158	2,000	3.2
Medicaid (Global Cap)	17,692	18,259	567	3.2
Department of Health Spending (Excluding Medicaid and BHP)	4,362	4,794	434	10.0
Essential Health Plan	3,731	4,224	493	13.2
Office of the Medicaid Inspector General	51	48	(3)	-5.3
Office for the Aging	247	235	(11.5)	-4.7

Proposed FY 2018 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 (currently estimated at 3.2 percent). The Budget achieves modest savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

Health Care Transformation

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. The Federal government has recognized the success of New York’s efforts and the generated savings. In April 2014, the Federal government awarded New York State an \$8 billion, 5 year Medicaid waiver, which was granted a further 5 year extension in December of 2016 to operate through March 31, 2021. This extension will allow New York to further implement the work of the MRT and ensure improvements are sustained through reforms of New York’s Medicaid payment system. In the first three years, \$3.3 billion has been awarded under the waiver. This includes \$2.1 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; \$401 million for Health Homes and other reform initiatives; and \$500 million for financially distressed safety net hospitals whose viability is critical to achieving ongoing reforms.

Over the next year, these PPSs will increase their participation in value-based payment arrangements. They will also continue to receive performance-based payments reflecting their system transformation, clinical management and population health improvements and progress toward the goal of reducing avoidable hospital use by 25 percent by 2020.

In addition, the State will continue its implementation of the State Health Innovation Plan (SHIP) under the terms of a \$100 million Federal award. Currently, in the third year of a four year phase-in, this plan will foster statewide access to high quality and coordinated primary care. The intent is to build upon Medicaid reform efforts and translate these efforts to achieve similar outcomes across New York's entire health care system.

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 package of new MRT initiatives is proposed to make critical investments in health care delivery and support health care transformation. Medicaid Budget highlights include:

- **Care Management for All.** The Budget continues the goal of Medicaid care management for all enrollees by April 2018. Proposals will tighten eligibility for Medicaid Managed Care for enrollees who are also eligible for Medicare but are not enrolled in the Federal program, and also by reducing supplemental payments. Additionally, the Managed Long Term Care benefit is streamlined by requiring a nursing home level of care determination, and by eliminating supplemental payments and marketing costs. Care management will improve benefit coordination, quality of care, and patient outcomes over the full range of health care, including mental health, substance abuse, developmental disability, and physical health care services.
- **Pharmaceutical Pricing Efficiencies.** The Budget continues efforts to control the rising cost of prescription drugs. In Medicaid, gross prescription drug costs have grown by \$1.7 billion or approximately 38 percent over the last three years. This year, the Governor is proposing a three-point plan to protect consumers and taxpayers from the health and economic consequences of the rapidly rising cost of prescription drugs as follows:
 - Create a price ceiling for certain high cost prescription drugs reimbursed under the Medicaid program by requiring a 100 percent additional supplemental rebate for any amounts in excess of a benchmark price as recommended by the DOH's Drug Utilization Review Board. The plan will also limit year-over-year price increases for generic drugs paid for by the Medicaid program.
 - Impose a surcharge on high-priced drugs when they are sold into the State. The proceeds collected from the surcharge will be reallocated to insurers to lower insurance premiums for New Yorkers the following year so the cost is not passed on to consumers.
 - Regulate Pharmacy Benefit Managers (PBMs) to protect consumers and ensure that PBMs are not contributing to the rising costs of prescription drugs through unfair business practices.

- **Efficiencies in Long Term Care.** Consistent with Federal law, the Budget proposes to require legally responsible relatives to support the cost of caring for an institutionalized family member receiving Medicaid. Additionally, hospice services covered by Federal Medicare reimbursement will no longer be eligible for payment by Medicaid.
- **Support Essential Health Care Providers.** The Budget provides \$334 million in continuing funding to support critical health care providers through the State's VAP and Value Based Payment Quality Improvement (VBP QIP) programs. This funding provides transitional operating assistance to financially distressed health care providers to facilitate the redesign of their healthcare delivery systems to improve their financial stability and the availability of vital health care services.
- **Minimum Wage.** The Medicaid Budget reflects \$255 million to support the direct cost of the FY 2018 minimum wage increases for health care workers that provide services reimbursed by Medicaid.
- **School Supportive Health Services.** The Budget reflects savings associated with the joint development of a plan to improve the Medicaid claiming of School Supportive Health Services (SSHS) in New York City. The City, in consultation with DOH, will identify opportunities to enhance Federal funding for SSHS and lower State and New York City Medicaid costs. In the event that the plan is insufficient at generating the required savings levels, DOH will have the authority to reduce Medicaid Administration payments to the City.

New York Health Benefit Exchange

In 2013, in accordance with the Federal Affordable Care Act, 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. The health plans offered through NY State of Health are, on average, 50 percent less expensive than those available in 2013, prior to the creation of the marketplace. To date, over 3.4 million New Yorkers have enrolled in coverage through the marketplace, 2.7 million of which are receiving coverage under the Affordable Care Act. The number of uninsured New Yorkers declined by nearly 850,000 between 2013 and 2015. The Executive Budget includes \$553 million in total funding for the operation of the NY State of Health, including \$17.2 million in recently extended Federal grant support for the Exchange.

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 \$350 million to support services provided by local governments, makes new investments, and reduces costs by restructuring programs and implementing administrative efficiencies. These actions will save an estimated \$100.6 million in FY 2018 and \$125.2 million in FY 2019. Key initiatives include:

- **Consolidate Health Care Resources to Achieve Savings.** DOH separately administers multiple public health awareness and prevention programs for a variety of priorities, including disease prevention, maternal and child health, public health workforce support, and programs that serve the health care needs of individuals. These programs range in size, have different contract periods, and allow for limited coordination to address emerging public health needs or improve health outcomes. The Budget recommends consolidating 39 public health appropriations that are duplicative and overlap into 4 pools. Funding for each pool is reduced by 20 percent, achieving savings of \$24.6 million, and flexibility is provided to support ongoing programs or new investments to meet new or emerging public health priorities.
- **Rationalize General Public Health Work (GPHW) Reimbursement to New York City.** Through the GPHW program, DOH reimburses New York City and county health departments for core public health services by providing base grants and covering 36 percent of the remaining net costs. The Budget reduces New York City's rate from 36 to 29 percent, generating a savings of \$11 million in FY 2018. This is in recognition that the City, unlike other counties, is able to directly access other forms of public health funding, including Federal Centers for Disease Control and Prevention funding. The 36 percent reimbursement rate is preserved for all other county health departments.
- **Reform Early Intervention (EI) 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 Budget includes a series of reforms to increase reimbursement from third-party insurers that will result in a State savings of \$3.9 million in FY 2018 and \$14.3 million in FY 2019. These actions also provide fiscal and administrative mandate relief to counties, and generate cumulative local savings of more than \$74 million over five years without impacting service levels. Reforms include facilitating the collection of insurance information, maximizing appeals of insurer payment denials, and requiring insurers to pay for benefits covered by the child's health insurance policy and to abide existing prompt pay requirements.
- **Discontinue Underutilized Cost of Living Adjustment.** Funding was enacted in 2015 to provide a wage increase targeted to direct care workers and direct service providers. DOH and SOFA providers have not adopted this COLA as anticipated, citing the complexity of identifying the targeted workers. The Budget recommends elimination of this funding for both DOH and SOFA to generate a savings of \$4 million annually.
- **Preserve Aging Supports.** The Budget continues the \$1 million increase in the Community Services for the Elderly (CSE) Program from FY 2017. In addition, the Budget provides \$1.1 million in discrete transportation funding to CSE to provide localities the flexibility to direct resources where they are needed most.

- **Maintain New York Connects Funding.** The Budget realigns direct SOFA funding for New York Connects to Federal funds through the Balancing Incentive Program without impacting existing service levels.
- **Capital Financing for Essential Health Care Providers.** The Budget provides \$500 million in additional capital support for essential health care providers, including a minimum of \$30 million directed to community-based providers, to support capital projects, debt retirement, working capital and other non-capital projects that facilitate health care transformation. Included within this amount is \$50 million that is directed to Montefiore Medical Center to expand the availability of affordable healthcare. This investment will bring the total amount of capital support provided to health care providers for transformation efforts to \$3.3 billion over 4 years.
- **Life Sciences Laboratory Public Health Initiative.** The Budget includes \$150 million to support a life sciences laboratory public health initiative which will develop life science research, innovation and infrastructure through a joint effort between Empire State Development and the Department of Health.
- **Ending the AIDS Epidemic.** New York's investments in the prevention and care for individuals with HIV/AIDS have linked more people to care and decreased new infections. New York leads the nation in the percent of at-risk individuals on pre-exposure prophylaxis and linkage to care efforts have had a success rate of about 75 percent. In 2016, Governor Cuomo signed legislation that eliminates barriers to HIV testing, increases STD screening and access to treatment, and furthers HIV/AIDS research. The FY 2018 Executive Budget continues the \$200 million multi-year commitment towards these efforts.
- **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 annual funding at \$8.5 million. Since its inception, the Spinal Cord Injury Research Board has provided funding for over eighty contracts, some of which have contributed to advancements such as the development of a spinal nerve retraining technique, and the development of a novel cell therapy that promotes rapid recovery of function.
- **Continue Alzheimer's Caregiver Supports.** The Budget continues the \$25 million investment in care and support services for individuals living with Alzheimer's disease and other dementias, and their caregivers. This initiative provides support through investments in regional contracts for caregiver support organizations, funding for Centers of Excellence that specialize in treating this disease, and funding for the Alzheimer's Community Assistance Program (AlzCAP), which is implemented through local chapters of the Coalition of Alzheimer's Associations.

Other Initiatives

- **Reforming Health Care Regulations.** The rapid pace of health care innovation and reform has outpaced the ability of New York State’s regulatory structure to adapt, resulting in complex and outdated regulatory barriers. To address this, the Budget proposes a stakeholder engagement process, modeled off the successful MRT, to review existing health care regulatory structures and recommend appropriate changes, including regulations involving the intersection of physical health and behavioral health. The goals of this effort will be to: increase the speed with which providers can complete construction projects; support the delivery of services across an integrated system of care; modernize regulations that serve the core purposes of ensuring access and protecting patient safety; use achievement of quality and other performance outcomes as factors in determining the frequency and extent of inspection activities; and create an environment where the State and providers can collaborate to further explore new and innovative models of care.
- **Test and Monitor Drinking Water.** The Executive Budget includes two initiatives to help achieve the State’s goal of maintaining a safe water supply and informing New Yorkers when potentially hazardous substances contaminate their drinking water. First, every public water system is required to test drinking water for the presence of emerging contaminants once every three years and report the findings. Second, the testing of private wells will be required for new wells as a condition of sale of any residential property and once every five years for leased residential property. Testing results will be reported to DOH.
- **Regulate and Tax Electronic Cigarettes.** To further safeguard public health, the Budget requires the regulation of vapor products (electronic cigarettes) in the same manner as tobacco products and includes these products under the Clean Indoor Air Act. Recent studies have shown that emissions from many of these products, which typically contain nicotine, also contain cancer causing agents. These substances accumulate in indoor air impacting nonusers as well. Regulating the use of these products indoors sends a consistent message to youth and the non-smoking public about the acceptability of indoor smoking and vaping.