Health Care

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

I. Overview

The Executive Budget continues historic Medicaid reforms initiated in 2011 as a result of Governor Cuomo's Medicaid Redesign Team to achieve better health care outcomes at a more sustainable cost. The budget supports more effective models of care, reforms the Early Intervention Program, provides substantial spending relief for local governments, and restructures the health care delivery system.

The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers. Consistent with this mission, DOH assures comprehensive health care and long-term care coverage for low- and middle-income individuals and families through the Medicaid, Family Health Plus, Child Health Plus and Elderly Pharmaceutical Insurance Coverage (EPIC) programs.

In addition to its health insurance programs, DOH protects public health, supervises public health activities throughout the State and operates health care facilities including Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees all other health care facilities in the State.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office oversees community-based services provided through a network of county Area Agencies on Aging and local providers.

II. History/Context

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

Upon taking office, Governor Cuomo began the fundamental reform of Medicaid through the work of the Medicaid Redesign Team (MRT), a new and inclusive approach of developing proposals to achieve better health care at lower costs. 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 that will significantly

improve health outcomes and will allow future spending to grow at a sustainable level tied to rational measures of growth, i.e. the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 4 percent).

Overall, $2.2 billion in MRT savings were reflected in the 2011-12 Budget to limit spending growth to appropriate levels. Initiatives included the continued movement of recipients to existing and new programs of care management, use of health homes for complex populations, reimbursement reforms for home and personal care services, the permanent elimination of inflationary trend factors and other savings identified by the health care industry. These savings were instrumental in limiting the annual rate of growth in State Medicaid spending controlled by DOH, after adjusting for enhanced Federal funding actions, between 2010-11 and 2011-12 to just over 3 percent.

Established in 1965, New York's Medicaid program is the largest payer of health care and long-term care services in the State. Nearly five million individuals receive Medicaid-eligible services each month through a network of more than 60,000 health care providers and more than 20 managed care plans. New York's Medicaid program covers nearly all Medicaid services allowed by the Federal government as well as other non-mandated services authorized through Federal waivers.

Total Federal, State and local Medicaid spending will reach $54 billion in 2012-13. New York's Medicaid program is, by far, the most expensive in the nation. According to the most recent Federal data, New York spends more per capita ($2,604) than any other state in the country and more than twice the national average ($1,235).

III. Proposed 2012-13 Budget Actions

Over the last several months, the MRT has continued its innovative work to reform New York's Medicaid system. In addition to monitoring and refining its initial recommendations, the MRT established workgroups with additional expertise to help develop recommendations in complex issue areas, including supportive housing, behavioral health reforms, managed long-term care implementation, payment reforms, quality measurement and streamlining State and local responsibilities.

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in 2011-12 and recommends funding consistent with its provisions. To achieve savings needed to address the State's budget gap, the Budget recommends $19.2 million in reductions to public health and aging programs.

The Executive Budget also provides substantial relief in health care spending for all counties and the City of New York by reducing growth in the local share of Medicaid payments by 1 percent annually beginning in 2013-14, fully eliminating all growth by 2015-16, and beginning a phased-takeover of local government administration of the Medicaid program. These initiatives provide significant administrative mandate relief and will save local governments cumulatively nearly $1.2 billion over five years. Additional relief is provided by reforming the Early Intervention program to reduce counties' administrative burdens and cut their costs by $99 million over five years.

IV. Summary of Spending (All Funds Unless Otherwise Noted)

Category	2011-12 ($ in millions)	2012-13 ($ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total All Funds)	54,175	54,039	(136)	(0.3)
Medicaid (DOH State Funds)	15,327	15,912	585	3.8
Medicaid (State Funds)	21,130	21,780	650	3.1
Department of Health Spending (Excluding Medicaid)	4,437	4,317	(120)	(2.7)
Office of the Medicaid Inspector General	58	56	(2)	(3.4)
Office for the Aging	215	217	2	0.9

V. Major Initiatives

Medicaid Redesign

The Executive Budget continues the implementation of MRT recommendations made in 2011, and adopts a number of new initiatives proposed by the MRT at the end of 2011. These reforms represent the most comprehensive Medicaid reform in State history, with initiatives designed to improve the full spectrum of health care delivery.

The Executive Budget supports implementing health homes for complex high-cost recipients, investments in primary care and affordable housing, and the continued move to care management for all Medicaid recipients, which is expected to be completed in 2015-16. A cost neutral package of new initiatives is also proposed through the MRT to make critical investments in health care delivery, including funding for increased payments to essential community providers, tobacco cessation efforts and maternal child health initiatives. These investments are balanced by savings resulting from improvements in benefits design, more appropriate treatment outcomes and compliance with Federal law that requires that legally-responsible relatives, living in the same household as a Medicaid applicant, have their income and resources counted in determining Medicaid eligibility.

Over the next year the Department of Health will seek Federal approval of a new Medicaid 1115 waiver that is expected to redirect Federal Medicaid funding over a five-year period and allocate a part of the resulting savings to provide ongoing support for implementation of restructuring of the State's health care delivery system.

State Relief for Local Medicaid Expenses

The Executive Budget reflects significant reforms to provide spending relief for counties and New York City. Currently, local governments are subject to the pressures of rising Medicaid costs and constrained local revenues. The Executive Budget addresses these challenges by taking over the growth in the local share of Medicaid over a three-year period beginning 2013-14 and fully eliminating all growth by 2015-16. The Budget also proposes a phased-takeover of local government administration of the Medicaid program, financed initially by capping local Medicaid administration spending at calendar year 2011 levels. These proposals also help New York achieve MRT and Federal health care reforms that require greater administrative centralization to achieve efficiency and effectiveness goals. These initiatives, which provide significant administrative mandate relief, will save local governments nearly $1.2 billion over a five year period.

New York Health Benefit Exchange

The Executive Budget includes legislation to establish a New York Health Benefit Exchange, as a public benefit corporation that will serve as a centralized marketplace for the purchase and sale of health insurance, in accordance with Federal health care reform law. Once the Exchange is implemented, one million more New Yorkers will have health insurance and small businesses will see the cost of providing coverage to their employees drop by 22 percent, all financed by the Federal government at no cost to New York.

Restructuring Health Care Delivery Systems

Legislation is included to facilitate the restructuring of the health care delivery system in Brooklyn and elsewhere by improving hospital board effectiveness, allowing temporary operators and extending authorization for the Dormitory Authority of State of New York to create subsidiaries to assist in debt restructuring.

Public Health and Aging Programs

The Department of Health and the State Office for the Aging administer programs that support New York's public health and senior care systems. The Budget proposes improvements to the Early Intervention (EI) Program and reduces costs by discontinuing planned cost of living adjustment (COLA) payments, reductions in program funding and administrative efficiencies in government operations. These actions will save $19.2 million in 2012-13 and $36.2 million in 2013-14.

- **Reform Early Intervention Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (i.e., autism, cerebral palsy) or developmental delays. The program serves approximately 72,000 children annually and is jointly financed by Federal, State and local governments. The Executive Budget recommends a series of program modifications, without impacting services that provide significant fiscal and administrative mandate relief to counties and generate cumulative local savings totaling $99 million over five years. These proposals would:

  - **Expand Insurance Coverage.** Require commercial health insurance to include EI service providers in their networks.

  - **Centralize Fiscal Oversight.** The State will centralize fiscal administration of the EI program through a fiscal intermediary contract. Counties will be relieved of responsibility for contracting with EI providers, administering provider payments and seeking third party reimbursement.

  - **Reduce Local Costs.** Counties will immediately benefit from a reduction in their share of EI program costs. State savings will also be applied to improving the timeliness of State reimbursement of local program costs.

- **Discontinue Human Services COLA.** Currently, certain providers receive automatic payment increases with no relation to actual cost growth or performance outcomes. The 3.6 percent human services COLA is eliminated for 2012-13 which will impact certain public health and aging providers. A new program will be established for 2013-14 which will provide increases based on appropriate provider costs and meeting performance outcomes. (2012-13 Savings: $11.4 million; 2013-14 Savings: $26.4 million)

- **Reduce Tobacco Control Funding.** Funding for tobacco prevention and control activities will be reduced. (2012-13 Savings: $5.0 million; 2013-14 Savings: $5.0 million)

- **Reduce Naturally Occurring Retirement Communities (NORC) Funding.** Funding for NORC and Neighborhood NORC programs will be reduced. (2012-13 Savings: $0.46 million; 2013-14 Savings: $0.46 million)

- **Discontinue State Funding for Regional Caregivers Centers of Excellence Program.** This grant program was intended to develop regional centers of excellence in caregiver training and program development and provide regional technical assistance. To minimize duplication of caregiver support functions, this funding is eliminated and the functions will continue under other programs, including existing Caregiver Resource Centers, Family Caregiver Council and New York Connects. (2012-13 Savings: $0.1 million; 2013-14 Savings: $0.1 million)

- **Roswell Park Cancer Institute.** Up to $25 million in existing HEAL funding will be available to Roswell Park, bringing total State support to over $100 million. However, future funding is conditioned on Roswell expanding its collaboration in the Buffalo region and restructuring to allow a transition from State support by March 31, 2014.

- **Implement Electronic Death Registration System.** DOH will partner with the funeral industry to implement an Electronic Death Registration System (EDRS) to update and modernize the administratively burdensome process of filing death records and to improve the validity of data and processing timeframes.