

# **7 ■ HEALTH CARE**

The FY 2017 Executive Budget builds upon the Medicaid Redesign Team’s historic reforms that are achieving better health care outcomes at a more sustainable cost. The Budget supports more effective models of care, sustains the State’s health benefit exchange, encourages regional collaborations among providers and communities, promotes the State’s Prevention Agenda, and continues investments in health care infrastructure and caregiver supports.

## **Overview**

The Department of Health’s (DOH) mission is to ensure 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 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 regulates all 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 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.

## **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 60,000 health care providers and more than 16 managed care plans. Total Federal, State and local Medicaid spending is expected to be \$63 billion in FY 2017.

Prior to 2011, Medicaid spending had grown at an unsustainable rate while failing to deliver quality outcomes for New Yorkers, despite years of attempted cost containment. 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 results, Governor Cuomo commissioned the Medicaid Redesign Team (MRT), a new and inclusive approach to developing health care policy. Comprised of individuals representing virtually every sector of the health care delivery system, and with widespread public input, the MRT advanced proposals that create models of care to significantly improve health outcomes and tie future spending to a rational measure of growth – the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.4 percent).

The MRT's innovative and collaborative work has bent the cost curve for the Medicaid program and has saved the State and Federal governments over \$17 billion each, through FY 2016. In addition, these efforts have significantly improved the health care landscape. In the Commonwealth Fund's 2015 Scorecard of Health System Performance, New York State improved virtually 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.

Building on this success, and through further collaborations, New York is positioned to continue the transformation of health care for all payers and recipients. The Executive Budget advances this transformation through continued investments that will help introduce integrated models to improve care delivery and positive health outcomes at lower cost through New York's Medicaid waiver.

## Summary of Spending

(All Funds Unless Otherwise Noted)

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollars (millions)	Percent
Medicaid (Total All Funds)*	63,656	63,308	(348)	-0.5
Medicaid (Global Cap)	17,104	17,692	588	3.4
Department of Health Spending (Excluding Medicaid and BHP)	4,052	4,183	131	3.2
Essential Health Plan	1,660	2,461	801	48.2
Office of the Medicaid Inspector General	53	51	(2)	-3.8
Office for the Aging	224	225	1	0.5

\*The decline in the Medicaid All Funds number is primarily associated with shift of Medicaid funds to the Essential plan and a year to year reduction in supplemental Federal Medicaid payments to localities that reflects the approval of multiple years of Federal payments in FY 2016.

## Proposed FY 2017 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 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 saving that has been generated. In April 2014 the Federal government awarded New York State an \$8 billion, 5 year Medicaid waiver. In the first two years, \$1.7 billion has been awarded under the waiver. This includes \$963 million 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; \$280 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, continue to receive performance based payments reflecting their system transformation, clinical management and population health improvements and

progress towards the goal of reducing avoidable hospital use by 25 percent over the next five years.

In addition, the State will continue its implementation of the State Health Innovation Plan (SHIP) under the terms of a \$100 million Federal award. Implemented over four years, this plan will provide statewide access to high quality and coordinated 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.

The Budget also maintains \$2.5 billion in capital investments to make infrastructure improvements and provide additional tools to stabilize health care providers to further advance transformation goals.

## **Medicaid Redesign**

The Executive Budget continues the implementation of MRT recommendations. These reforms represent the most comprehensive Medicaid reform in State history, with initiatives designed to improve the full spectrum of health care delivery. A cost neutral package of new MRT initiatives is proposed to make critical investments in health care delivery and support health care

transformation. This package includes increased payments to essential community providers and new payments to enhance population health improvements. These investments are balanced by savings resulting from targeted Medicaid integrity initiatives to eliminate fraud and abuse, improvements in benefits design, greater pharmaceuticals controls, and compliance with the Federal spousal support law.

The Budget also re-institutes the New York City contribution toward financing the growth in Medicaid expenses, effective October 1, 2016. The contribution level is increased by 3.6 percent in FY 2017 and 5.8 percent in FY 2018, with annual growth of about two percent thereafter. The Medicaid cap was introduced as a means of helping counties remain within the two percent property tax cap. Since 2012, all local governments and school districts, except New York City, have been subject to the State's Property Tax Cap. Because of this exception, the City's property tax levy has been growing at a significantly higher rate each year than what is allowed under the tax cap. In 2016, the City's levy is approximately \$3.5 billion more than if it had been held to the property tax cap's growth limits. This makes New York City uniquely positioned to



assume responsibility for a portion of its Medicaid growth.

## **New York Health Benefit Exchange**

In 2013, in accordance with the ACA, 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 2.7 million New Yorkers have enrolled in coverage through the marketplace. The Executive Budget includes \$484 million in total funding for the operation of the NY State of Health.

## **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 for local government activities, makes new investments and reduces costs by restructuring programs and

implementing administrative efficiencies. These actions will save an estimated \$87.4 million in FY 2017 and \$106.6 million in FY 2018. Key items include:

- **Access Federal Health Services Initiative Funding.** Through the Child Health Plus program, states have the option to receive Federal funding to support health initiatives that benefit CHP eligible children. To receive additional Federal funding, the Executive Budget shifts a portion of the Medical Indemnity Fund (MIF) and support for Poison Control Centers to CHP. This initiative will result in \$36.2 million in annual State savings, primarily associated with shifting eligible MIF costs and reducing annual State support payments.
- **Focus Excess Medical Malpractice Funding.** The State currently provides a second layer of medical malpractice coverage to qualified physicians and dentists, which supplements their primary individual coverage. This program, however, has become over-subscribed and has strayed from its original intent to enable community hospitals to attract doctors in high-risk specialties. The Budget will modify the existing program and prioritize funding to support doctors in high-risk specialties and high risk areas. This initiative will result in \$25 million in State savings annually.
- **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 program improvements that will result in a net State savings of \$5.0 million in FY 2017 and \$20.3 million in FY 2018. These actions also provide fiscal and administrative mandate relief to counties and generate cumulative local savings of more than \$105 million over five years without impacting service levels. They include:

- **Increase Insurance Reimbursement.** While over 40 percent of EI recipients have health insurance coverage, only two percent of total service claims are reimbursed by health insurers. This reform would require insurers, including Child Health Plus (CHP) plans to pay medically appropriate claims, abide by existing prompt payment requirements, and send payments to the billing provider.
- **Streamline Eligibility Determinations.** The State will take advantage of options under revised Federal regulations to achieve program efficiencies by requiring initial screenings for children who may not require more costly comprehensive medical evaluations and by using medical and other records to establish eligibility where appropriate.
- **Increase Administrative Reimbursement.** To more appropriately reimburse providers for their costs, the Budget increases the administrative component of provider rates

by 1 percent. The administrative component of EI rates has not been modified since 1994 despite changes in program and reimbursement requirements for providers.

- **Empire State Poverty Reduction Initiative.** The Budget includes \$25 million of new funding to significantly expand the anti-poverty initiative, begun in 2015. Planning grants totaling \$5 million will be available in ten communities with high concentrations of poverty. In addition, \$20 million will be available for grants to match private sector and foundation funding. In addition, the Budget continues the \$4.5 million increase enacted in FY2016 to the Hunger Prevention and Nutrition Assistance Program to allow the program to respond to the emergency food needs of hungry New Yorkers, increasing support for the program to \$34.6 million.
- **Continue Support for the Spinal Cord Injury Research Program (SCIRP).** SCIRP supports peer-reviewed research efforts designed to develop, test and validate therapies for the treatment of spinal cord injuries. The Budget continues SCIRP funding at \$8.5 million annually.
- **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.
- **Maintain Aging Supports.** The Budget continues the \$3 million increase in both the Community Services for the Elderly Program and

the Long Term Care Ombudsman Program (LTCOP).

- **Better Target Naturally Occurring Retirement Community (NORC/NNORC) Funding.** NORC programs provide support services to older persons in designated community residential settings statewide, but largely in metropolitan areas. As the housing preferences of older persons change, some existing NORC locations may no longer meet the statutory requirements for funding. This initiative would specifically target funding to those NORC/NNORC programs that continue to meet statutory requirements. This initiative is estimated to save the State \$951,000 annually.
- **Implementation of the Human Services Cost of Living Adjustment (COLA).** The Budget includes \$1.2 million to support the statutory cost of living adjustment for not-for-profits that provide services on behalf of DOH and SOFA.

## **Other Initiatives**

- **Ending the AIDS Epidemic.** New York's successful strategic investments in the prevention and care for individuals with HIV/AIDS places the State in the position of being able to advance a plan for the end of the HIV/AIDS epidemic. The FY 2017 Executive Budget reflects the initial installment of a \$200 million multi-year commitment of new funding toward HIV/AIDS efforts, which is in addition to the \$2.5 billion in public funding that the State

currently directs toward addressing the health care needs of those living with the disease. Specifically, these funds will be used to expand the availability of affordable housing and housing assistance for those living with HIV and identify undiagnosed persons, link them with treatment and facilitate access to necessary medications to keep them HIV negative to prevent spreading the disease.