PRIMARY CARE DEVELOPMENT CORPORATION

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Testimony from the Primary Care Development Corporation
to the Joint Senate Finance, Assembly Ways and Means Public Hearing
on the 2016-17 Executive Budget Proposal: Health and Medicaid
January 25, 2016

About the Primary Care Development Corporation (PCDC)

Thank you for the opportunity to submit this testimony. I am Dan Lowenstein, Senior Director of Public Affairs for the Primary Care Development Corporation (PCDC) – a nonprofit organization dedicated to expanding access to high quality primary care in underserved communities throughout the U.S., primarily in New York State. PCDC provides low-cost capital financing and expert technical assistance to primary care providers in underserved communities, and works with policymakers to develop policies that grow and sustain the primary care sector.

Since 1993, PCDC has created investments of $670 million to develop or expand 115 primary care facilities, leveraging more than $5 of private investment for each $1 of public investment. These projects have created primary care access for more than 860,000 patients, created more than 6,700 jobs in low-income communities, and transformed more than 1.3 million square feet of space. PCDC has also trained and coached more than 1,000 primary care organizations to help them assess and understand their operational issues, develop customized strategies for change, increase productivity and deliver high-quality patient-centered care.

The State of Primary Care

Long in the shadows of the healthcare system, primary care is finally being recognized for the profound impact it can have on the quality and outcomes of patient care and its ability to reduce costs in more expensive parts of the healthcare system.

Decades of underinvestment have severely hampered primary care. More people use primary care providers than any other health care service,[1] *yet primary care makes up only about 5-8% of total healthcare spending.* The result is a major shortage of primary care providers, and a practice model that rewards providers based on how many patients they can see in a given day, with little support for the workforce and infrastructure needed to coordinate the care of patients and help them stay healthy. This

[1] Primary care visits are 55.5% of medical office visits and 47% of total healthcare encounters (office and hospital). Source: U.S. Centers for Disease Control and Prevention. FastStats: Ambulatory and Hospital Care. http://www.cdc.gov/nchs/fastats/physician-visits.htm Accessed 12/18/2015

underinvestment is one reason why more than 23% of emergency room visits in New York State are for primary care-preventable conditions. [2]

Primary care must be expanded and transformed into a patient-centered model of care to ensure that every patient has access to the right care, at the right time, in the right place. We are very encouraged that New York State is embracing this concept. System-wide healthcare transformation through the Delivery System Reform Incentive Program (DSRIP), the State Health Innovation Plan (SHIP) and other initiatives hold the promise of major expansion of high-quality primary care. New York State's roadmap to value-based payment is built on the premise that high quality primary care will lead to better outcomes and greater savings throughout the healthcare system.

Primary care has seen setbacks as well. The sunsetting of the federal Medicaid Primary Care Pay Parity program, which paid private practices Medicaid rates that were no less than what Medicare pays, resulted in a payment reduction of 25% to 58%. This month saw the expiration of another federal law that gave most primary care providers a 10% bonus in Medicare payments. We have also learned that the Uncompensated Care Pool for Diagnostic and Treatment Centers may not receive a federal match, which would result in a loss of $54.4 million dollars for these important community health centers and other primary care safety net providers. In addition, community-based healthcare providers, which struggle to secure the capital necessary to expand and transform, were largely left out of the $1.7 billion in capital investment in the 2015-16 budget.

The success of New York State's healthcare transformation initiatives is heavily reliant on primary care. If we don't enact smart policies and invest sufficiently in primary care reimbursement and capital, the success of this healthcare transformation – and its promise of better health and lower costs – is put at risk.

The following comments and recommendations reflect PCDC's views on key elements of the 2016-17 Executive Budget that impact primary care and others that should be budget priorities but were not included. While there are numerous issues that require resources and supportive policies, we have chosen to focus our testimony on the following priorities:

1. **<u>More Capital Funding for Community-Based Healthcare Providers</u>**
   PCDC Recommendations
   - ***Add $20 million to the Community Health Care Revolving Capital Fund***
   - ***Require that at least $48.75 million (25%) of the Health Care Facility Transformation Program be directed to community-based healthcare providers***
   - ***Require that at least $44.25 million (25%) of the Essential Health Care Provider Appropriation be directed to community-based healthcare providers***

[2] All Payer Potentially Preventable Emergency Room Visit, 2012. Health Data NY. https://health.data.ny.gov/Health/All-Payer-Potentially-Preventable-Emergency-Visit-/f8ue-xzy3 Accessed 11/19/16

Just as New York State has provided billions of dollars to support the transformation of institutional healthcare providers, we urge New York State to invest in community-based healthcare providers in the FY 2016-17 budget. Capital funding must be more fairly distributed and targeted to investment in the front end of the health care system that is being relied upon to improve health and lowers costs. Of the $1.7 billion in new money for the healthcare system in the FY 2015-16 budget, only $55 million – 3.2% – was targeted to community based providers, with the rest supporting institutional healthcare providers.

Part of that 3.2% was $19.5 million to establish a Community Health Care Revolving Capital Fund. Many community healthcare providers struggle to secure affordable financing. This revolving fund will support the work of responsible, community-focused investors to bring public and private capital together for the purposes of investing in primary care and restructuring our healthcare system. However, it currently is not nearly enough meet the enormous demand for capital in the community based healthcare sector, and therefore we urge an expansion of the Fund through an additional appropriation from the upcoming fiscal year.

2. **Restore and Increase Funding for the Primary Care Development Corporation**

PCDC Recommendation

- ***Restore and Increase to $600,000 funding to support PCDC initiatives to support primary care***

We are grateful that the Legislature included $400,000 in the final 2015-16 budget. We are requesting restoration of this funding and an increase of $200,000. While there is now broad recognition that primary care is critical to a more effective, efficient and accessible healthcare system, getting to this future state requires focused attention in an increasingly complex healthcare environment. Additional funding would enable PCDC to meet emerging challenges and strengthen the primary care sector as New York State implements major health system reforms.

With the Legislature's support over the past year, PCDC has been able to undertake important initiatives to ensure sustainable growth of primary care in underserved communities:

Ensuring Sustainable Growth of Primary Care Safety Net by conducting financial and operational analysis for more 30 NYS primary care safety net organizations to ensure they are strong and sustainable. PCDC is also providing technical assistance to 20 current and potential borrowers, helping them develop viable business plans to expand primary care access.

Ensuring Strong Primary Care Role in Delivery System Reform and Value-Based Payment. "DSRIP" and "Value Based Payment" represent major changes in how we deliver and pay for health care. PCDC developed the "Principles of Primary Care Success" and worked with NYS DOH to ensure that all health care provider systems in DSRIP are implementing a "Primary Care Plan." PCDC also hosted forums, educated policymakers and participated in work groups to ensure that primary care remained central to health care transformation.

Building a Sufficient Care Coordination Workforce: With a major shift toward community-based, prevention-focused health care, nonclinical health care staff must have new skills and assume greater

levels of responsibility for patient care. PCDC's "Care Coordination Fundamentals"– which has already assisted over 2,000 frontline workers – was updated and distributed free of charge to health care organizations across New York State. PCDC and 1199SEIU also conducted a study and issued a report on how New York State can build a strong and effective care coordination and care management workforce.

Increasing Overall Primary Care Investment: To address the inequities in primary care funding in the healthcare system, PCDC is hosting an expert forum to determine how to measure and increase primary care spending.

3. **Indigent Care Support for Primary Care**

PCDC Recommendations

- ***Provide $54.4 Million in contingent funding for the Diagnostic & Treatment Center Uncompensated Care Pool***
- ***Ensure uncompensated primary and preventive care is prioritized in the Hospital Indigent Care Pool***

While health insurance and Medicaid expansion are covering a great many lives, there remains a significant population for whom health insurance is beyond their reach or who are ineligible. Recently, we learned about that the Center for Medicare and Medicaid Services may not be supporting a federal match for the $54.4 million Diagnostic and Treatment Center Uncompensated Care Pool. The 2015 federal match did not materialize, and there is considerable uncertainty about whether CMS will provide the match retroactively or into the future. This would represent a major current and future loss for health centers. Many would face operational deficits, and have to reduce staff, forego hiring and delay expansion plans. Further, we are concerned that such a loss could undercut health centers' ability to secure financing for facility expansion and practice transformation at the very time that we need to scale up high-performing primary care safety net provider capacity for health system transformation.

It should be noted that the problem of uncompensated primary care also impacts other safety net providers. NYC Health + Hospitals, for instance provides 69% of all uninsured outpatient visits in New York City, and loses $360 million a year from primary and preventive care provided to indigent patients. Given the fragility and importance of the primary care safety net, supporting these providers' ability to care for indigent patients should be a priority.

Finally, as the Legislature determines how to compensate providers who suffered losses from the Health Republic collapse, the same principle should apply: primary care providers with limited ability to absorb losses should be prioritized.

4. **Oversight of Retail ("Limited Service") Clinics**

PCDC Recommendation

- ***Support Regulation of Retail Clinics for greater integration with primary care and the healthcare system***

Limited service or "retail clinics" fill a niche in the market by providing care that is often more convenient than other options because of location, hours of operation and ability to accommodate walk-in visits. To the extent that retail clinics prevent avoidable hospital use, they are providing a clear benefit to patients and the State. However, if patients are using retail clinics as a substitute for primary care, these clinics have the potential to fragment care and undermine primary care practices, particularly in underserved communities. With the right policies, these entities can be partners with primary care providers and make important contributions to New York's efforts to lower health costs and improve outcomes.

The Executive Budget language to authorize establishment of "Limited Service Clinics" in retail settings, will enable the Department of Health to define the retail clinic role in the health care system, and require closer connections with primary care. The budget language reflects PCDC's recommendations to the NYS Public Health and Health Planning Council (PHHPC) which the PHHPC largely adopted in its 2014 recommendations on Oversight of Ambulatory Care Services.[3] This measure would promote and strengthen primary care by requiring limited services clinics to ask patients if they have a primary care provider; maintain, update and provide a list of primary care providers for patients who do not have one; refer patients to their primary care provider as appropriate; exchange health records electronically with primary care providers; and participate in Regional Health Information Organizations (RHIOs) and the Statewide Health Information Network for New York (SHIN-NY). Further, retail clinics would be required to take all payment types, including Medicaid, and would have to commit to serving medically underserved areas. We are also encouraged by the provision allowing community health centers to operate limited service clinics.

5. **Integration of Primary Care with Alcohol and Substance Abuse Services**

PCDC Recommendation

- **Support regulatory changes that encourage integration of primary care with alcohol and substance abuse services.**

The Executive Budget authorizes licensed alcohol and substance abuse treatment facilities to also operate traditional Article 28 physical health care clinics while remaining eligible for funding under a DASNY financing program that supports OASIS-funded facilities. Too often, patients have both physical and behavioral health issues that can be much better treated in one location. New York State has taken important steps to integrate outpatient services, including streamlining certificate of need approval in

[3] NYS Public Health and Health Planning Council: Oversight of Ambulatory Care Services. January 7, 2014. https://www.health.ny.gov/facilities/public_health_and_health_planning_council/meetings/2014-01-07/docs/ambulatory_care_services_recommendations.pdf. Accessed 1/21/2016

certain circumstances. PCDC would support additional reforms that break down the regulatory barriers dividing physical and behavioral health care.

6. **Enabling Community-Based Providers to Increase Minimum Wage**

PCDC Recommendation

- ***Increase state funding for community-based healthcare providers to support increased staff costs from a minimum wage increase***

As a Community Development Financial Institution, PCDC supports economic policies that lift people out of poverty and promote the health and well-being of families and communities. We also support fair and dignified compensation for frontline, often low-income, healthcare workers such as community health workers and peer counselors, who are essential to the successful transformation of New York State's healthcare system. To be effective in their roles, these staff need jobs with dignity, fair wages, training and career ladders that fully recognize their importance to patients, healthcare organizations and those who pay for care.

A recent PCDC and 1199SEIU study of community based healthcare organizations found that a significant majority reported recruitment challenges (88%) and retention challenges (78%) for workers involved in care management and patient outreach and engagement, with more than half reporting insufficient salary as a barrier to recruitment and retention. For these organizations to increase salaries, sufficient reimbursement needs to be provided. Until these costs are covered either by DSRIP funds or value-based payment arrangements, public funding for a public mandate must be made available, even as we aim for returns on our investment in the health care delivery system from reduced health care costs in the out years.

Conclusion

With overwhelming evidence of its positive impact on improving healthcare quality and outcomes while lowering healthcare costs, primary care faces a growing responsibility for patient and community outcomes in the value-based payment environment. To meet this responsibility, primary care must be supported with sound policies and adequate resources. We look forward to working with the Governor and Legislature to ensure that the 2016-17 New York State Budget accomplishes these goals.

Thank you for your consideration of PCDC's recommendations.

Contact: Dan Lowenstein, Director of Public Affairs, 212-437-3942, dlowenstein@pcdc.org