

## Health

The Executive proposal includes recommendations for reductions, cost shifts and new revenue actions that would provide total State share health care reductions of \$70.5 million in State Fiscal Year (SFY) 2008-09 and \$3.5 billion in SFY 2009-10 (see Table 5 & Table 6). The total All Funds reductions recommended by the Executive are: \$70.5 million for SFY 2008-09 and \$5.1 billion for SFY 2009-10.

Table 5

<b>Executive Healthcare Actions (\$ in Millions)</b>		
	<b>SFY 2008-09</b>	<b>SFY 2009-10</b>
Deficit Reduction Plan (DRP)	(70.5)	(1,669.6)
Executive Budget SFY 2009-10	-	(1,838.7)
<b>Total Actions</b>	<b>(70.5)</b>	<b>(3,508.3)</b>

Table 6

<b>Components of the Executive Healthcare Actions (\$ in Millions)</b>	
	<b>SFY 2009-2010</b>
Reductions	(2,184)
Insurance Department Shifts	(371)
Medicaid Payment Deferrals	(400)
New Revenue	(906)
Total	(3,862)
New Investments	354
<b>Net Actions</b>	<b>(3,508)</b>

### *SFY 2008-09 Deficit Reduction Plan*

In coordination with the release of the Executive Budget, the Governor has advanced a Deficit Reduction Plan (DRP) to close the immediate SFY 2008-09

budget gap and provide additional actions for SFY 2009-10 (see Table 7).

Table 7

<b>Deficit Reduction Plan Actions (\$ in Millions)</b>		
	<b>SFY 2008-09</b>	<b>SFY 2009-10</b>
Hospital Services	(50.6)	(534.0)
Nursing Home Services	(4.2)	(252.4)
Pharmacy Services	-	(25.2)
Home Care Services	-	(142.3)
Insurance Department Shifts	-	(278.8)
Other Proposals	(15.7)	(70.9)
New Revenue Actions	-	(366.0)
<b>Total Actions</b>	<b>(70.5)</b>	<b>(1,669.6)</b>

### *SFY 2009-10 Executive Proposal*

In addition to the DRP, the Governor advances the SFY 2009-10 Executive Budget which contains a variety of measures intended to make health care in New York State more affordable and effective. The Executive Budget proposal includes total Medicaid spending of \$45.4 billion, an increase of \$400 million or 0.9 percent over SFY 2008-09.

The Executive now proposes significant changes in the manner by which health care providers are reimbursed under the Medicaid program. The actions proposed would translate into approximately \$1.8 billion in health care actions to the State in SFY 2009-10 above those recommended in the DRP (see Table 8).

Table 8

<b>Executive Budget Actions (\$ in Millions)</b>	
	<b>SFY 2009-10</b>
Hospital Services	(164.4)
Nursing Home Services	(167.8)
Pharmacy Services	(76.2)
Home Care Services	(47.1)
Utilization Management Savings	(24.0)
Managed Care Savings	(83.7)
Insurance Department Shifts	(92.6)
Other Proposals	(575.3)
New Revenue Actions	(540.4)
Public Health	(67.2)
<b>Total Actions</b>	<b>(1,838.7)</b>

The Executive proposes a continuation of reforms enacted as part of last year's budget. This includes a change in the Medicaid reimbursement system to place a greater focus on primary and preventive care, coupled with measures to deal with chronic diseases such as childhood obesity, diabetes, asthma and heart disease. The Executive Budget proposal also includes important measures to provide health coverage for New York's uninsured children and to address the shortage of doctors in certain areas of the State.

Considerable public attention has been focused on the fact that a relatively small percentage of patients with chronic illnesses are responsible for a disproportionately large share of medical costs. Reforms must be advanced to ameliorate this reality in order to improve health care delivery to all persons in New York State. Nearly 70 percent of Medicaid expenditures in 2004 were incurred by elderly and disabled patients—a population that represents only 22 percent of Medicaid beneficiaries

(see Figure 6). If an increased focus on preventive measures is taken to reduce the prevalence of chronic conditions, it is not only likely that this population will be able to enjoy a better life, but the intensity of services required under the health care system is also likely to decline.

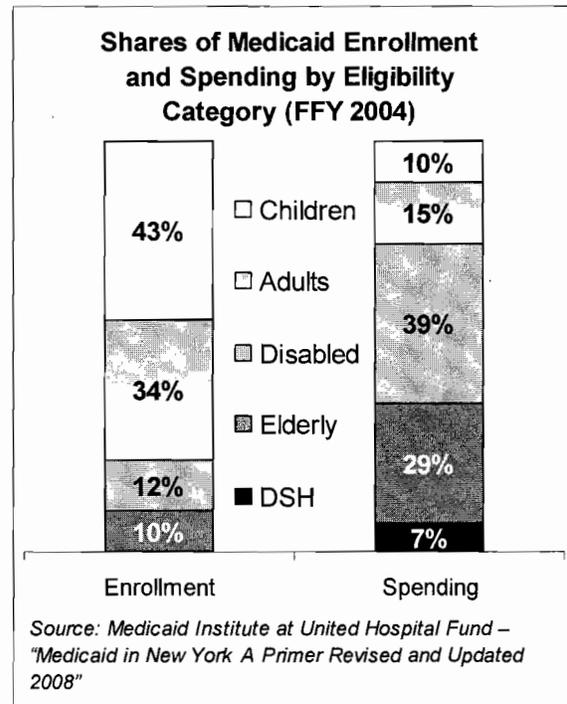


Figure 6

### Improving Primary Care

The Executive Budget continues measures enacted in the SFY 2008-09 budget that are intended to place a greater focus on primary and preventive care to help New Yorkers avoid illness and otherwise reduce the number of unnecessary hospitalizations and trips to the emergency room. The Executive's proposal continues the recently-enacted "Doctors Across New York" program to improve access to health care in underserved areas of the State. As part of

the SFY 2008-09 budget, Medicaid reimbursement for outpatient and clinic services was increased over a four year period. The Executive proposes an acceleration of this phase-in and makes these new rates effective July 1, 2009. Further, the Executive proposes an additional physician reimbursement that would increase payments by 80 percent over 2007 levels. The Executive also proposes an increased investment in mental health and chemical dependency clinics and enhanced payments to providers that meet certain medical home standards.

#### *Long Term Care*

The Executive Budget modifies the Medicaid reimbursement rates for nursing homes and certified home health agencies. The new reimbursement rates would be based on an average cost methodology, as opposed to the current methodology which is based on individual provider costs. The Executive also proposes the establishment of a nursing home quality incentive pool, which will pay nursing homes that provide better quality care. The pool will utilize a nationally recognized standard for providing incentives.

The Executive proposes several measures that promote care in community settings. As part of its nursing home rate reforms, the Executive proposal provides incentives to relocate nursing home residents with lower intensity conditions to community settings. Also, the Governor proposes the phasing out of 6,000 nursing home beds and the phasing in of 6,000 assisted living program beds over the next five years.

The Governor also proposes establishing a long term care nurses scholarship and loan repayment program to provide financial assistance to RNs and Nurse Practitioners to ensure that these medical professionals can afford to work in a field where they are urgently needed. The Executive projects that this initiative would assist 300 Resident Nurses and Nurse Practitioners annually.

#### *Managing Chronic Conditions*

The Assembly has traditionally supported programs that address the root causes of chronic conditions. Specifically, the Assembly has long recognized the link between obesity and the development of heart disease and diabetes, and has taken the lead in supporting programs designed to reduce childhood obesity. The Assembly has also supported programs to reduce the incidence of childhood asthma and childhood lead exposure, which can also lead to the development of chronic health conditions.

The Governor continues funding enacted in SFY 2008-09 for several chronic disease management initiatives, including increased funding for diabetes self-management education and asthma self-management education and new funding for community coalitions. The Governor proposes new support for community coalitions for obesity prevention and also proposes expanding Medicaid coverage to cover smoking cessation, cardiac rehabilitation, and screening and counseling for substance abuse patients in emergency rooms.

### *The Uninsured*

The Assembly has also consistently fought to reduce the number of uninsured persons in New York State. A long-standing Assembly proposal to streamline the recertification process for Medicaid and Family Health Plus was finally enacted last year. This initiative eliminates unnecessary red tape and provides twelve months of continuous coverage for adults in these programs to reduce gaps in health insurance coverage. In SFY 2008-09 the Governor and the Legislature worked together to expand eligibility for the Child Health Plus program from 250 percent to 400 percent of the federal poverty level (FPL). As part of the SFY 2009-10 budget, the Governor proposes expanding Family Health Plus eligibility for adults from 150 percent of the FPL to 200 percent of the FPL. Additionally, the Governor proposes to eliminate many of the barriers to enrollment in the Family and Child Health Plus programs, through eliminating requirements to conduct face-to-face interviews, finger imaging, and asset tests. The Executive also proposes additional support for cancer screening of the uninsured and underinsured.

### *Medicaid Fraud*

The Governor expects Medicaid spending to total more than \$45.4 billion for SFY 2009-10, \$7.4 billion of which will be paid for by local governments across New York State. Federal and State funds comprise the remaining \$38 billion in Medicaid spending, which represents nearly one-third of the Governor's proposed All Funds budget. Although most of the spending on Medicaid in New

York is legitimate and necessary to address the health care needs of the most vulnerable New Yorkers, fraudulent activities and erroneous overpayments must continue to be pursued and addressed in an aggressive manner. The combined efforts of the Office of the Medicaid Inspector General (OMIG), the Office of the Attorney General (OAG) and the Office of the State Comptroller (OSC) have resulted in the coordinated attention needed to scrutinize the integrity of this single largest portion of State budget expenditures. The Governor expects Medicaid audits to yield \$820 million in recoveries in SFY 2009-10, in increase of \$125 million over SFY 2008-09.

### *Stem Cell Research*

The Assembly has consistently been supportive of stem cell research, and has passed legislation in support of this promising scientific endeavor since 2003. The enacted budget of 2007-08 finally included a multi-year commitment to support stem cell research in New York State by setting aside \$600 million for a newly created Stem Cell Research Fund. The SFY 2009-10 Executive Budget proposal includes \$50 million in funding to continue the long term commitment to this important cause.