PRIMARY CARE DEVELOPMENT CORPORATION | 20TH ANNIVERSARY

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Testimony from the Primary Care Development Corporation
to the Joint Senate Finance, Assembly Ways and Means Public Hearing
on the 2014-15 Executive Budget Proposal: Health and Medicaid
February 3, 2014

About the Primary Care Development Corporation (PCDC)

Thank you for the opportunity to submit this testimony. My name is Dan Lowenstein, and I am Senior Director of Public Affairs for the Primary Care Development Corporation (PCDC) – a nonprofit dedicated to expanding access to high quality primary care in underserved communities throughout 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 489 million in more than 100 primary care health center projects, leveraging more than $5 of private investment for each $1 of public investment. These projects have created primary care access for more than 725,000 New York residents, created more than 4,800 jobs in low-income communities, and transformed more than 925,000 square feet of space. PCDC has also trained and coached more than 900 primary care organizations to deliver high-quality patient-centered care, increase productivity, effectively implement electronic medical records, and prepare for emergencies.

The Primary Care Crisis

Today, 2.3 million New York State residents lack access to primary care. It will take more than 1,100 primary care providers and more than $1 billion in capital to build the primary care capacity to meet this need.

Our primary care shortage is the chief reason that New York ranks highest in the nation in avoidable hospital use and cost, fourth highest in emergency room wait times, and sixth highest in total health care spending, yet we are in the middle of the pack in health outcomes. More than 40% of emergency room visits and 24% of hospital admissions or readmissions statewide are for primary care preventable conditions. If we reduced hospital admissions in New York to the national average (an 11.6% reduction) we could save $10 billion per year (Medicaid,

Medicare, uninsured and private insurance combined). Not only would this lead to healthier families and communities, it would reduce government health care spending and health care costs for all of us.

As more people gain private health insurance and Medicaid through the Affordable Care Act, Under the Affordable Care Act, this primary care crisis is expected to worsen, not get better. Demand for primary care will increase as newly insured patients seek care. Some practices may stop taking new patients, and New York State residents could face longer waits for appointments. Shortages will be worse where hospitals are in crisis, but communities across New York State will be impacted.

Right now, primary care makes up a paltry 5% of the health care spending in New York State – public and private payers alike. If we are going to make any kind of progress in primary care expansion, that spending has to increase markedly.

The 2014-15 Executive Budget

There are some important initiatives in the Executive Budget which are designed to expand access to primary care and move New York's healthcare system toward the "Triple Aim" – better patient care, lower per capita healthcare costs, and better population health. But on whole, we need to invest in primary care in much greater and more strategic ways than are in this budget.

Access to Capital: We support the Governor's proposal to expand the "Health Facility Restructuring Program" – a loan fund that had been exclusively for hospitals – to other providers, including diagnostic and treatment centers.

The Governor has also proposed a "Capital Restructuring Program" - $1.2 billion in grants over seven years. While the intention is to transform our health care "into a more rational, patient-centered care system," and the Commissioner of Health is earnest in his commitment, we are concerned that these funds are too open ended. The last time New York had a pool of restructuring funds for health care was through the HEAL program. We saw scant HEAL funds awarded for the expansion of primary care. Hospitals and nursing homes were the primary beneficiaries, and while the intention was for them to restructure, shed excess capacity, and become more nimble and patient-centered, there is little evidence that these funds had the desired effect. We must build the front end of the health system. PCDC recommends that at a minimum, one-third of funds be specifically designated to diagnostic and treatment centers and other nonprofit community based providers.

We also believe a pure grant program is inefficient, vastly limits resources that could be brought to the primary care sector and reduces the stakes of those who receive the funds. Grant programs also have the effect of putting providers' capital plans on hold while everyone waits for grant funds. Grants should be used to leverage private investment, whether it comes from the provider or external sources, multiplying many-fold the total resources available, applying the business discipline that assures financial sustainability and ensuring grantees have "skin in the game."

Finally, much of the controversy seems to revolve around the Governor's proposal for a pilot program to increase private investment in healthcare facilities. We don't have a position on whether private equity should or should not be introduced into the healthcare system, but we should recognize that we do have private investment now. It just comes in the form of debt instead of equity. That's what PCDC has employed to catalyze nearly half a billion in primary care investment over the last 20 years. That investment would not have been possible without New York State's strong commitment to quality healthcare. New York State needs to work with responsible, community-focused investors to bring public and private capital together for the purposes of investing in primary care and restructuring our healthcare system.

Retail ("Limited Service") Clinics and Urgent Care Centers: Limited service or "retail clinics" and urgent care centers 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. They are rapidly becoming the front end of the patient experience.

We know that some healthcare providers fear these new entities, and if not regulated appropriately, they have the potential to fragment care and undermine primary care practices, particularly in underserved communities. So it is in New York's interest – and primary care's interest - to develop a smart regulatory framework for how they should operate. With the right policies in place, these entities can be partners with primary care providers and can make important contributions to New York's efforts to lower health costs and improve outcomes. Recent studies have shown that retail clinics and urgent care scored much higher on quality indicators than emergency departments, but with costs that are 75-80% lower – including less pharmacy cost. Retail clinics are also a major source of referrals to primary care providers in the states where they operate.

We support the Executive Budget language to authorize establishment of "Limited Service Clinics" in retail settings and standardize Urgent Care Centers, which will enable the Department of Health to define their role in the health care system, and connect them more closely with primary care - like referring patients to a primary care doctor if they don't have one

or haven't seen one in the last year; and using electronic health records and health information exchange so primary care providers can have the information they need to help their patients. The Executive Budget language is the culmination of over a year of careful work by the Public Health and Health Planning Council, working with the Department of Health, the Senate and Assembly Health Chairs, and numerous stakeholders.

Elimination of Certificate of Need (CON) for Primary Care Facilities: PCDC supports the CON exemption for D&TCs and hospitals. The certificate of need requirement for primary care has been problematic from the beginning. CON has primarily been used as tool to guard against oversupply of medical services, but there is so much unmet primary care need that the CON process becomes a barrier to increasing supply. Also, CON applies to D&TCs and hospitals, but not private practices, the rationale being that these facilities received higher Medicaid reimbursements than private practices. But new provider types like private physician groups are beginning to serve low income communities with high quality primary care. These would not be covered by CON. It is only fair that the playing field be leveled, and providers be judged on the quality and value of care they provide.

$54.4 Million for the Diagnostic & Treatment Center Uncompensated Care Pool: We support the Executive Budget provision to maintain this critical source of funds to provide care to the uninsured. While health insurance and Medicaid expansion will cover a great many lives, there will remain a significant population for whom health insurance is beyond their reach or who are ineligible. Health centers will be major providers of care for those patients. Community health centers in New York have seen an increase in their uninsured population, In Massachusetts, even after full implementation of health insurance expansion, health centers saw an increase in the number of uninsured.

Department of Health Operations: DOH has talented people managing multiple complex initiatives worth billions of dollars with the goal of full transformation of New York's health care system. Yet DOH's ranks have been reduced over the last several years, hampering their efforts. The State's vision of a restructured health system cannot be achieved without a sufficient departmental workforce to administer it. We urge the Legislature to invest more in DOH's capacity to help New York achieve these critical health care transformation goals.

Regional Health Improvement Collaboratives (RHICs): We support the proposal to establish Regional Health Improvement Collaboratives and begin the important process of regional health planning. Setting up RHICs will take significant upfront resources, though, and we would recommend a much more robust investment than the $7 million proposed in the Executive budget for 2014-15.

State Health Information Network of New York (SHIN-NY) and All Payer Claims Database: We support the $65 million proposal (leveraging up to $30 million in federal funds) to support these two important health information technology initiatives. The SHIN-NY will provide a statewide network for the exchange of health records among healthcare providers, and the APCD will finally enable us to open the black box of health care costs. These two initiatives are absolutely essential to New York getting a handle on health care costs and quality, and bringing greater accountability into the system.

Medicaid Redesign: We support the actions in the Executive Budget that advance Medicaid Redesign, such as integration of mental health, increased payments to community providers, supportive housing and applying Health Homes to individual in the criminal justice and mental health systems.

Restore funding to the Primary Care Development Corporation: The legislature included $400,000 in the final 2013-14 budget. Restoration of funding for 2014-15 was not included in the Governor's budget. This funding enables PCDC to undertake important initiatives to ensure sustainable growth of primary care safety net; expand the Patient Centered Medical Home (PCMH) model of primary care; and train healthcare providers and staff in this important model of care. We respectfully request restoration of funding in the 2014-15 budget to continue and expand on this important work.

Conclusion

New York spends only 5% of its health care dollar on primary care, yet every single person needs primary care. The Governor's budget makes some important inroads in expanding access to care and investing in initiatives to transform the health care system. But we need investments in primary care on a much more substantial scale. Just as we invest in maintenance of roads and bridges to prevent more expensive repairs down the line, we have to invest substantially in a primary care system that will save money from more expensive health care down the line. Significant investment in primary care should be a priority in the Executive Budget.

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