

Health

The State Fiscal Year (SFY) 2008-09 Executive budget contains measures intended to make health care in New York State more affordable and effective. The Executive budget proposal includes total Medicaid spending of \$46.2 billion, an increase of \$1.2 billion or 2.7 percent over last year.

The Executive proposes significant changes in the reimbursement of health care providers through the Medicaid program. The actions proposed by the Governor would translate into approximately \$634.2 million in Medicaid savings to the State, consisting of \$736 million in spending reductions offset by \$101.8 million in new investments. Specifically, the Executive is proposing action that would generate net savings of \$88 million related to hospital services, \$111 million related to nursing home services and \$160 million related to pharmacy services. The Executive also proposes actions that would provide net savings of \$199.5 million to the Health Care Reform Act (HCRA), including \$52 million in reductions and \$169 million in new revenue which is offset by \$21.5 million in new spending.

Included are measures to change 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 Governor's 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 focused recently on the fact that a relatively small percentage of patients are responsible for a disproportionately large share of medical costs. In order to improve New York's health care system, something must be done to address the relatively small segment of the population that suffers from chronic conditions and are responsible for a majority of medical costs. While 28 percent of Medicaid beneficiaries are either elderly or disabled patients, they account for nearly 70 percent of Medicaid expenditures in 2006. If more of a 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 5).

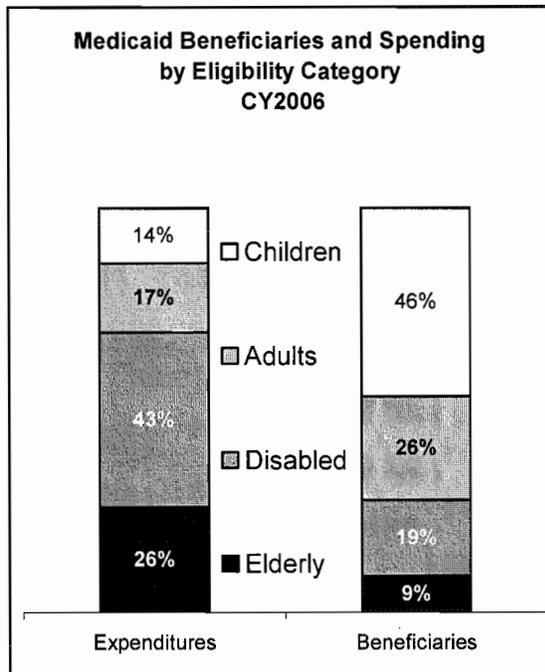


Figure 5

Improving Primary Care

The Assembly has a long history of supporting programs designed to meet the primary care needs of those with little or no ability to pay for medical care, including Community Health Centers and School Based Health Centers. The Governor's proposed budget includes measures intended to place a greater focus on primary and preventive care in order to help New Yorkers avoid illness and reduce the number of unnecessary hospitalizations and trips to the emergency room. To achieve this, additional support will be provided to outpatient services in hospital clinics, community clinics and doctors' offices, and to physicians practicing in underserved areas of the State.

The Governor also proposes a new "Doctors Across New York" program in the Executive Budget to improve access to

health care in underserved areas of the State. This program provides physicians and clinics with grants, enhances reimbursement rates, and establishes a new educational loan repayment program tied to service in underserved communities. It also encourages teaching hospitals and medical schools to support programs for residents who agree to practice in underserved areas by providing access to the Physician Loan Repayment Program and the Physician Practice Support Program.

Managing Chronic Conditions

The Assembly has traditionally supported programs that try to cope with 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 SFY 2007-08 Enacted Budget included a series of demonstration projects that provide better integration and coordination of care between health and behavioral health services for persons with co-occurring disorders and other medically complicated cases, as well as projects to manage the care of nursing home patients more effectively. Such projects are intended to avoid unnecessary hospitalizations and other institutional care, while improving the

quality of life for the recipient of these services.

The Governor's proposed budget for SFY 2008-09 includes several chronic disease management initiatives. The Healthy Schools Act establishes nutritional and dietary standards for foods and beverages served in schools. It also requires school districts to develop local school wellness policies to create healthier schools. Increased funding for diabetes and asthma self-management education, and for community coalitions is also included as part of the Executive budget proposal.

The Uninsured

The Assembly has consistently fought to reduce the number of uninsured in New York State. A long-standing Assembly proposal to streamline the recertification process for Medicaid and Family Health Plus, eliminating unnecessary red tape and providing 12 months of continuous coverage for adults in these programs to reduce gaps in health insurance coverage was finally enacted last year.

Additionally, the Governor and the Legislature worked together to enact measures in the SFY 2007-08 budget to expand eligibility for the Child Health Plus program from 250 percent to 400 percent of the federal poverty level to provide access to many of New York's uninsured children. Unfortunately, the Bush Administration rejected this proposed expansion and, as a result, there will be no federal funding available to implement the changes. This year, the Governor proposes to move forward with the \$37 million expansion with a

combination of State support and an increase in family contributions based on income.

Medicaid Fraud

The Governor expects Medicaid spending to total more than \$46.2 billion for SFY 2008-09, \$7.2 billion of which will be paid for by local governments across New York State. Federal and State funds comprise the remaining \$39 billion in Medicaid spending, which represents nearly one-third of the Governor's proposed budget of \$124.3 billion for SFY 2008-09. 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 detected and funds need to be recaptured. The combined efforts of the Office of the Medicaid Inspector General (OMIG), the Office of the Attorney General and the Office of the State Comptroller have provided the coordination needed to ensure adequate oversight of this, the single largest portion of State budget expenditures. In his proposed budget, the Governor recommends the addition of 55 new auditors within the OMIG to deal with erroneous or fraudulent Medicaid payments. The Governor expects that \$590 million will be collected in the upcoming fiscal year as a result of Medicaid audits, up from a projected \$505 million in SFY 2007-08 and \$300 million in SFY 2006-07.

Berger Commission Implementation

The Assembly recognizes the importance of efficiency in the health sector.

However, while “right-sizing” is important, it is critical that this be accomplished only in the context of improving health care services and maintaining accessibility for New Yorkers. It is also important to be mindful of the impact on working families which results from the disruptions caused by consolidations or closures of hospitals and nursing homes in New York. To assist facilities complying with Berger Commission mandates, awards totaling \$362.3 million to 23 hospitals and seven nursing homes were announced in September 2007. Additional awards totaling \$160.7 million for 13 more facilities were announced by the Commissioner of Health a few weeks ago, and it is expected that another \$187.7 million will be granted in the near future. The Governor expects that these investments will be offset by savings to the State of \$53 million SFY 2008-09 and \$70 million annually thereafter.

Stem Cell Research

The Assembly has supported funding for stem cell research and has passed legislation in support of such research since 2003. The SFY 2007-08 Enacted Budget 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. Just a few weeks ago, the Governor announced the first \$14.5 million in grant awards from the first year commitment of \$100 million. The SFY 2008-09 Executive Budget proposal includes \$50 million in funding to continue the long term State commitment to innovative, cutting edge medical research.