Testimony from the Primary Care Development Corporation to the Joint Senate Finance, Assembly Ways and Means Public Hearing on the 2015-16 Executive Budget Proposal: Health and Medicaid February 2, 2015

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 $515 million in 105 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 765,000 New York residents, created more than 4,800 jobs in low-income communities, and transformed more than one million 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 why 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 only the middle of the pack in health outcomes. Access to primary care has been statistically proven to reduce utilization of more expensive and complex healthcare utilization. More than 40% of emergency room visits and 24% of hospital admissions or readmissions statewide are for primary care preventable conditions.

More people use primary care providers than any other health care service, *yet primary care makes up only about 6% of total healthcare spending.*

New York State is embarking on major system-wide healthcare transformation through the Delivery System Reform Incentive Program (DSRIP), the State Health Innovation Plan (SHIP) and other initiatives. These initiatives contain major incentives to expand, improve and integrate primary care. But if we don't invest significantly more in primary care *today* to pay providers fairly, coordinate patient care, integrate primary care with other healthcare services and expand primary care facilities we will never reap the rewards of health system transformation.

The 2015-16 Executive Budget

Ensure Primary Care Access to Capital: The Executive Budget contains $1.4 billion in additional capital for healthcare facilities - $700 million for what appears to be a new hospital in Brooklyn, $300 million for a health system in Oneida County, and $400 million which appears to be exclusively for hospitals. This capital is on top of $1.2 billion in the 2014-15 budget intended to provide capital support for the Delivery System Reform Incentive Program (DSRIP).

While we are not arguing against the capital needs of hospitals to restructure, capital funding must be more fairly distributed and targeted to investing in the front end of a new system that improves health and lowers costs – and that means primary care and other community-based services. PCDC recommends that at a minimum, 25% of funds be specifically designated to community health centers and other community based providers.

We also recognize that New York State should not be the sole funder of community-based healthcare expansion. New York State needs to 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. Despite having healthy balance sheets and operating margins, many community healthcare providers struggle to secure affordable financing. A small portion of the $1.4 billion should be used to help community based providers access affordable financing. We recommend that $40 million be used to establish a credit enhancement program that would enable responsible lenders to offer better financing terms to community based healthcare providers. As a community lender, PCDC has found credit enhancement programs enormously beneficial.

Regulate Retail ("Limited Service") Clinics and Urgent Care Centers to Ensure Alignment with Primary Care: 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.

While some healthcare providers fear these new entities, and if not regulated appropriately, they have the potential to confuse the public, 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.

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 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.

Eliminate Certificate of Need (CON) for Primary Care Facilities: PCDC supports the CON exemption for D&TCs and hospitals, which provides an uneven playing field to primary care providers. The certificate of need requirement for primary care has been problematic from the beginning, and as we move toward integrated delivery systems and value based payments, there is less need for CON. CON has primarily been used to prevent oversupply of medical services driven by a fee-for-service reimbursement system, but primary care capacity is in such need that 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. It is only fair to level the playing field.

Authorize Value-Based Payments: The Executive Budget would authorize DOH, working with the Department of Financial Services, to develop its own value-based reimbursement methodologies and authorize managed care organizations to contract with providers for value-based payment arrangements. This work is needed and should proceed quickly. Right now, the majority of healthcare payments are "volume based," and have little to do with the quality of care delivered or the outcomes produced. Integrated primary care would be a key component of value-based payments, giving "Patient Centered Medical Homes" or "Advanced Primary Care" providers more responsibility for managing the total cost of care. This would drive decision making close to the patient and his or her primary care provider, and away from the health plan, which should not come between the patient and provider. This authority is critical to moving New York's Medicaid system toward one that pays for value of care, not volume of care. We note that the federal government is following a similar path, and will be requiring that 85% of Medicare payments be value-based. The outlier is private health plans operating in New York State. While some private payers are taking the lead, for New York State's healthcare system to truly move to quality, all payers need to be on board. New York State should have the authority to regulate all payers operating in New York State with regards to value-based payments.

Restore Medicaid Payments for Primary Care Physicians: New York's primary care providers suffered a major loss in January 2015 when the two year Medicaid Primary Care Pay Parity program ended. Enacted as part of the Affordable Care Act, the program paid primary care providers Medicaid rates that were no less than what Medicare pays. This had a considerable impact in New York State, where Medicaid fee-for-service rates are only 42% of Medicare rates (the second lowest in the U.S.) and payments through managed care are about 75% of Medicare. Without State intervention, primary care providers face a payment cut of between 25% and 58%. A recent New England Journal of Medicine study found that in New Jersey, which had a similar Medicaid increase to New York availability of appointments increased from 70.6% to 81.5%. A survey by the American College of Physicians New York Chapter found that 40% of providers would see fewer patients with Medicaid as a result of the payment cuts, and 8% would drop out of Medicaid altogether. At a time when we are relying so much more on primary care providers to transforming our healthcare system, we cannot afford to pay them less than is needed for them to deliver services.

Support $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. Indeed, community health centers in New York are seeing an increase in their uninsured population.

Invest in 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.

Restore and increase funding for the Primary Care Development Corporation: The Legislature included $400,000 in the final 2014-15 budget. This funding enables PCDC to undertake important initiatives to ensure sustainable growth of primary care in underserved communities, assist providers in becoming Patient Centered Medical Homes, and ensure that New York State maintains its commitment to primary care. Our work intensified and grown more critical as healthcare transformation takes shape. To help us undertake this important work, PCDC respectfully requests restoration of $400,000 and an increase of $100,000 in the 2015-16 budget.

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