Testimony from the Primary Care Development Corporation to the Joint Senate Finance, Assembly Ways and Means Public Hearing on the 2018-19 Executive Budget Proposal: Health and Medicaid
February 12, 2018

Thank you for the opportunity to testify before the committee today. I am Louise Cohen, Chief Executive Officer of the Primary Care Development Corporation (PCDC). Headquartered in Manhattan, PCDC is a non-profit organization and Community Development Financial Institution providing services throughout New York State and across the country. Our mission is to create healthier and more equitable communities by building, expanding, and strengthening primary care through capital investment, practice transformation, and policy and advocacy.

Since our founding 25 years ago in 1993, PCDC has worked with over 600 health care sites across the state, including seven DSRIP (Delivery System Reform Incentive Program) Performing Provider Systems (PPS) in all corners of New York. Nationally, we have invested almost $875 million in 130 primary care health center projects, leveraging more than $5 of private investment for each $1 of public investment. These projects have provided primary care access for more than 1 million patients, created more than 8,500 jobs in low-income communities, and transformed more than 1.6 million square feet of space. PCDC has also trained and coached more than 7,000 health workers to deliver superior patient-centered care. We have assisted more than 450 practices to become recognized as Patient Centered Medical Homes.

We thank the legislature for appropriating a $19.5 million Community Health Care Revolving Capital Fund (Revolving Capital Fund) in previous years. Administered by PCDC in partnership with the New York State Department of Health (DOH) and DASNY, the Revolving Capital Fund provides flexible low-cost loans to health care providers across the state for capital projects that will improve access to care for all New Yorkers. Our agreement with DASNY was executed in January 2017, and since then, we have been working closely with DOH, the Office of Mental Health, and the Office of Alcoholism and Substance Abuse Services to identify appropriate and needed projects. We have one loan that we plan to close soon for an Article 28 $5.5 million loan, one that we are actively underwriting for $2.3 million for an Article 32 upstate facility, and to date, have had inquiries totaling almost $130 million. As you can see, there is substantial interest which far exceeds the available funding.

Strengthen Primary Care Infrastructure for Healthy, Thriving Communities

PCDC believes that primary care is a cornerstone of healthy, thriving communities and helps keep families healthy, children ready to learn, and adults able to pursue their careers. Access to primary care must be the foundation of our health care system and imperative for better health outcomes, healthier families, and lower costs. Investment in high-quality, culturally competent primary care for all New Yorkers is essential, particularly amidst larger uncertainties about looming federal actions that undermine health care access, services, and funding.

Primary care is the first point of comprehensive care, addressing all that contributes to a person's health and well-being, from childhood through old age. It is the critical, cost-effective care and

services that help prevent, identify, and treat common conditions such as asthma, diabetes and heart disease before they become more serious, costly, and difficult to treat. It is screening, diagnosis, and treatment; referral to and coordination with other care settings and providers; health education, preventive services, and more. It includes family and adult medicine as well as community behavioral health, women's health care, and geriatrics. It is the steady, incremental care provided in doctors' offices, large group practices, federally qualified health centers, women's reproductive health centers, and hospital ambulatory care.

Without primary care, families risk illness that can threaten their well-being and financial security as well as worsen health, social and economic inequities.

Primary Care is Undervalued and Underfunded, Despite Evidence That It Improves Health Outcomes and Reduces Costs

While primary care accounts for more than half of health encounters nationwide, it receives only about 5-8% of the total health care spend. Yet when the health system looks for cost reductions, primary care – or enabling services such as care management or population health -- are often the first services to be cut. This approach is both short-sighted and counterproductive. A 2013 study[i] comparing costs associated with Patient Centered Medical Home (PCMH) providers in the Adirondack Medical Home Pilot and those in the same region without the PCMH designation showed that primary care costs were 43% higher but inpatient costs, pharmacy, and other outpatient costs were 24% less, leading to a significant decrease in the total cost of care. The Oregon State Health Authority, which has a legislative requirement to measure, report, and increase spending on primary care, tells the same story.[ii] Other studies have shown a correlation between high-quality primary care and better outcomes. This kind of transformed, patient-centered primary care system is what PCDC aims to support.

We are encouraged that many primary care transformation efforts are underway statewide through DSRIP, the State Health Innovation Plan (SHIP), and other initiatives. However, we are concerned that while these programs rely heavily on primary care to deliver better health outcomes and lower costs, they do not provide the full and necessary support to ensure success. We must make the necessary investments to support primary care providers and systems if we hope to achieve better health care, healthier communities, and lower costs statewide.

- First, the DSRIP program must fulfill its promise by providing a larger proportion of funding directly to primary care providers, which will support transformation of services and operations, and assure quality and sustainability.

- Second, New York State health care capital programs should increase the proportion of dollars directed to primary care and community-based health care providers.

- Third, the pace of regulatory reform that supports improved primary care access, including integration of behavioral health and primary care, should be accelerated.

- Finally, we encourage the development and use of a primary care definition across all payers that can then be used to measure, track, and increase New York State spending on primary care. Several other states – with Oregon as a notable example – have undertaken similar initiatives, and PCDC believes that New York State should be a national leader in its commitment to funding a strong primary care system.

The following comments and recommendations reflect PCDC's views on specific elements of the FY2019 Executive Budget that impact primary care.

Increase Capital Funding for Community Health Care Providers

- **Allocate a minimum of $100M of the $425M Health Care Facility Transformation Program (HCFTP) funding (about 25% of the pool) to Community Health Care Providers**
- **Maximize HCFTP Grant Funds by Prioritizing Applicants That Leverage Financing**

Although community-based providers are a vital source of primary care – particularly for New York's most underserved communities, they have been disproportionately allocated fewer of New York State's health care capital grants. While the current grant pool financing is strong and critically needed, it is not proportionate to the financing provided to hospitals and other providers. In the last two budget years, HCFTP provided a total of $695 million of capital funding, yet only about 15%, or $105 million, was allocated for community-based providers. This year's executive budget proposes a minimum allocation of $60 million of the $425 million available to community providers, with $20 million of the $60 million allocated for assisted living providers.

While PCDC applauds the DOH for exceeding the minimum allocations for primary care and community-based providers in the last rounds of HCFTP awards, we strongly encourage the legislature to allocate a minimum of $100 million (about 25%) of the $425 million available to community providers. We fully understand and support the need for assisted living providers to access capital dollars; we simply believe that they should have a similar, designated capital pool.

HCFTP is an important and generous investment in community providers yet, as we can see by the interest in our Revolving Capital Fund, it will not meet the substantial capital needs of providers throughout the state.

PCDC urges the legislature to help maximize HCFTP funds by more explicitly prioritizing applicants that request less than their full project costs and leverage the state funding with other financing. Coupling capital grants with additional financing would increase primary care providers' access to capital to allow more centers to fully fund construction projects and to accelerate the pace of development across the state. These investments could be other grants, tax credits, fundraising, and debt – including loans from the New York State Community Health Care Revolving Capital Fund. As many HCFTP-eligible applicants and projects are also eligible for the Revolving Capital Fund, this opportunity would multiply the impact and value of public dollars in two state funds with a shared goal of expanding and transforming New York's health care infrastructure.

While the budget language includes *"the extent to which [an] applicant has access to alternative financing"* as a determination criteria, we urge the legislature and DOH to give strong preference to health care infrastructure projects that identify additional sources of capital to support the total project cost. Enhancing HCFTP capital grants with private investments and other public funding would allow for greater impact, more providers to receive funding, and more robust public-private partnerships.

Restore and increase funding for the Primary Care Development Corporation

- **Allocate $500,000 for PCDC, reflecting the $400,000 in the FY2018 budget plus a $100,000 increase**

The Legislature included $400,000 for PCDC in the final FY2018 budget, and we are very appreciative of your continued support. This funding enabled PCDC to undertake important initiatives to ensure sustainable growth of primary care in underserved communities, assist providers in becoming PCMHs, and support New York's commitment to primary care. Our work is even more critical as health care transformation projects continue to require more from the primary care sector and PCDC works with these providers to help them succeed. To allow us undertake this important work, PCDC respectfully requests restoration of $400,000 and an increase of $100,000 in the FY2019 budget. This request is born of the tremendous need for PCDC's services as New York continues to undertake major health system reforms and respond to unprecedented change in the federal health care landscape.

Last year's allocation enabled PCDC to carry out our critical mission: evaluating primary care access across New York, strengthening the primary care sector by promoting strategies for interdisciplinary care, supporting development of public and payer policies critical to the advancement of primary care, and piloting a statewide survey to examine the impact of primary care transformation activities on practices, among other important successes.

Specifically, the funding supported PCDC programs to:

- **Build Sustainable Primary Care Capacity:** PCDC provided affordable financing across New York. Most recently, and by way of only one example, PCDC completed a $22.5 million financing – including loans and federal New Markets Tax Credits – to transform the Joseph P. Addabbo Family Health Center in the Rockaways, one of the communities hardest hit by Hurricane Sandy. Construction will not only double Addabbo's space to more than 40,000 square feet, but also ensure a storm-resistant infrastructure. PCDC's signature "high touch," knowledgeable staff, and a mix of financial instruments including loans and New Markets Tax Credits brought this project across the finish line. In addition, PCDC conducted financial and operational analysis of 40+ primary care safety net organizations, assessing strength and sustainability as well as developing viable expansion plans.

- **Evaluate Primary Care Access:** PCDC has created a comprehensive report which will be ready for release by March 30, on primary care access in New York. We have assembled county-level data on primary care facilities, practices that are PCMH recognized, and have created an overlay with health status and outcome data. While we are still finalizing the analysis, I can say that, as has been found in other studies, the number of primary care providers in any given county correlates with health status; in other words, people who live in counties with more primary care providers per 100,000

residents have better health. This is of critical importance when considering the New York state budget and how it can support primary care.

- **Ensure Practice Transformation:** PCDC provides expert consulting, training, and coaching to transform the delivery of primary care. With the support of our expert coaching team, over 450 primary care practices have achieved National Committee on Quality Assurance (NCQA) Patient-Centered Medical Home recognition. PCDC is also a DOH Practice Transformation Technical Assistance provider for the NYS Advanced Primary Care Program.

- **Strengthen Care Coordination and Care Management Capacity:** Front-line health care workers ensure effective care coordination and care management in the medical home model With new attention focused on the needs of complex high-risk patients, as well as those with "rising risk," PCDC has provided technical assistance and trainings to support primary care's population health imperative. Over 350 care coordinators, care managers, patient navigators, residents, and medical assistants have participated in PCDC's care management and care coordination trainings, helping to build sustainable capacity in their organizations. For example, PCDC has had a longstanding relationship with the Bronx Partners for Healthy Communities, one of New York's DSRIP Performing Provider Systems. We have also worked with care teams and medical residents to support their successful adoption of patient centered medical home principles and effective care coordination and team-based care approaches to address their population's needs.

- **Integrate HIV/AIDS Prevention into Primary Care:** Primary care has never been more important to preventing the transmission of HIV. PCDC's High Impact Prevention (HIP) in Health Care, a U.S. CDC-funded capacity-building assistance program, provided free training and technical assistance to over 130 health care organizations, helping more than 1,000 staff integrate high-impact HIV services into their practices. We are proud to be an active partner in New York State's effort to end the HIV/AIDS epidemic by 2020.

Promote Engagement and Innovation: PCDC brings together leaders and provides important resources designed to build strong primary care that works for everyone. For example, we welcomed 300 New York State health care professionals at the Primary Care Innovation Circle, our annual policy event, to discuss measuring the primary care spend. We reached many hundreds more at state and national conferences, presenting on topics such as value-based payment, primary care capacity building, and the need for measurement and investment in primary care.

Protect PCMH Incentive Program

- **Reject $20M decrease in medical home incentive payments in the NYS Medicaid Program**

Since 2008, PCDC has provided technical assistance to 450 primary care practice sites to support them to achieve NCQA PCMH recognition. As a result, we have developed an in-depth understanding of PCMH concepts and competencies, the technicalities of the recognition process, as well as the range and scope of primary care practice operations and approaches to practice transformation.

PCDC recognizes and applauds DOH's efforts to set New York on a pathway towards a health care system that rewards quality, cost containment, provider and patient satisfaction.

PCDC recognizes that the January New York State Medicaid Update, which includes revised PCMH incentive payments and updated billing guidance, reflects the State's efforts both to contain costs under a constrained budget as well as to promote this five-year vision and objectives related value based outlined in the State's Roadmap.

As of May 2017, there were 6,791 practices in New York that had achieved NCQA PCMH 2014, 75% of which had achieved Level III, the highest level of achievement, many incentivized and supported by DSRIP.[iii] Statewide, this is an average of 25% of practices, although there is significant variation at the county level, ranging from less than 16% to over 50%.

Research shows that it takes an average of almost $14,000 per provider FTE[iv] to achieve PCMH, and an additional average of more than $8,600 per provider FTE annually to maintain it[v]. According to research, studies show that the longer a practice has been transformed, the overall impact of practice transformation, particularly the cost savings, is increased. [vi]

Across the state, primary care practice leadership, staff and providers made extensive commitments to this practice transformation journey, knowing that there would be incentive payments from the Medicaid program to help support continued sustainability of their often comprehensive redesign, quality improvement, care management, and staffing activities and investments.

NYS Medicaid PMPM (per member per month) incentive payments for PCMH 2014 practices have been critical in allowing practices to sustain PCMH activities. The NYS Medicaid program's robust PCMH incentive payments of $7.50 PMPM are significant to primary care providers and are essentially one form of value-based payment (VBP) that enables practices to establish the policies, procedures, work flows and track outcomes that are essential to improved outcomes as well as participation in other types of VBP programs, particularly those with so-called "downside risk," i.e., reduced payments for failing to meet particular benchmarks or quality measures.

The proposed drastic reduction of the NYS Medicaid PMPM incentive payment in May and June from $7.50 PMPM to $2 PMPM – even if temporary – places a significant burden on practices that have integrated the incentive payment into their budget projections as well as to newly recognized practices who may have made up-front investments in health information technology, care management, and other infrastructure, with the understanding that they would be able to earn incentive dollars over the short term. DOH's budget scorecard estimates this as a $20 million reduction in FY2019.

In light of the above, PCDC urges the legislature to strongly request that DOH find another way to reduce Medicaid costs rather than penalize the primary care providers who have made a commitment to patient-centered and high quality medical care.

This is particularly important as primary care providers continue to receive a very small share of the DSRIP dollars. We urge you to work closely with DOH to ensure that Medicaid reimbursement and

waiver funds are spent as close to the primary care system as possible, as the most effective route to improve care and outcomes, while reducing cost.

Conclusion

With overwhelming evidence of its positive impact on improving health care quality and outcomes while lowering health care costs, primary care is the most reliable means of ensuring patient and community health. To meet its responsibility, primary care must be reinforced with sound policies and adequate resources. We look forward to working with the Governor and Legislature to ensure that the FY2019 New York State Budget supports these goals.

Thank you for your consideration of PCDC's recommendations.

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