

CALLEN-LORDE

TESTIMONY BEFORE THE JOINT LEGISLATIVE BUDGET HEARING ON HEALTH February 25, 2021

Submitted by Wendy Stark, MBA
Executive Director

Good Afternoon. Thank you Chairs and Members of the Committees, for the opportunity to testify today. My name is Wendy Stark, and I am the Executive Director at **Callen-Lorde Community Health Center**, which is a federally-qualified health center that primarily serves the LGBTQ community and is open to all regardless of ability to pay. We are proud that our flagship clinic is in Chair Gottfried's district, and we have clinics in the South Bronx and Downtown Brooklyn as well.

Callen-Lorde patients have been systemically excluded from healthcare, housing, and economic stability. They also live, or come from, disinvested geographic communities. One quarter of our patients are people living with HIV and a third identify as transgender or gender non-binary. More than half of Callen-Lorde's patient population are people of color and 47 percent are under 40 years old. Fully one-third of Callen-Lorde patients are uninsured, and 35 percent use public insurance.

Our model integrates access to pharmacy, mental health, substance use screening and referral, and oral health services with medical primary care for LGBTQ communities who face barriers in accessing care and thus often have poorer health outcomes. Research suggests that LGBT individuals face health disparities linked to societal stigma, discrimination, and denial of their civil and human rights.¹ This coordinated and comprehensive care improves health outcomes by emphasizing care management of patients facing extensive challenges due to multiple health care needs and social determinants of health.

I am testifying before you today in strong opposition to the Department of Health's plan to carve-out the Medicaid Pharmacy Benefit from managed care. The state's plan to transition the Medicaid pharmacy benefit from Managed Care to Fee-for-Service (adopted in the FY21 state budget) will eliminate the mechanism that enables safety net providers – like Callen-Lorde - to receive revenue generated by the federal drug discount program known as 340B.

¹ HealthyPeople.Gov 2020 <https://www.healthypeople.gov/2020/topics-objectives/topic/lesbian-gay-bisexual-and-transgender-health>

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It is not hyperbolic to suggest that the loss of this revenue and the 3430B reimbursement mechanism will decimate our state's health care safety net. It will do so in the middle of a global pandemic. The carve-out poses an existential threat to Callen-Lorde and clinics like it across New York. It will wreak havoc for thousands upon thousands of patients and likely cost lives.

340B resources are the foundation for New York's safety net, and these resources are critical to achieving public health goals key to addressing health inequities based on race, poverty, and marginalization. The Medicaid pharmacy carve out will disrupt efforts to achieve health equity in New York City and State.

340B resources have far-reaching impacts for our clinic and patients. Consider the homeless patient who connected with Callen-Lorde at an outreach event, where he tested positive for HIV. He was disengaged from healthcare. The outreach worker he met that day persuaded him to come clinic where he was able to see a nurse, case manager and a primary care doctor. Later he was diagnosed with Hep C. But, with the care and the referrals Callen-Lorde provides, he was housed, linked to care, and today he is virally suppressed and has been treated – and cured – of Hep C. In early 2020, he was living safely in his own apartment and holding down three jobs until the pandemic hit when he lost all three of his jobs and his apartment. If that was not enough, he tested positive for COVID-19. Our nurses helped him with his COVID diagnoses and once again we were able to refer him a place to stay. He's back at one job and is now eligible for the vaccine. He trusts us and is ready to receive it.

His story is a success. He is connected to quality, comprehensive health care and supportive services that have kept him out of the hospital, connected him to lifesaving treatments and supported his overall well-being. The revenue from 340B is making this possible. Furthermore – everyone from the outreach worker to the triage nurses – is supported with 340B revenues and the carve-out threatens their jobs.

At Callen-Lorde alone, if the Medicaid pharmacy carve out is forced through, it will result in a loss of \$12 million dollars annually and impact hundreds (maybe thousands) of our patients' lives and leave an irreparable dent in our workforce. These losses will come on top of enormous losses we have experienced because of the COVID-19 pandemic.

While the Department of Health has stated the carve-out will achieve \$87M in State savings in FY22, it will likely result in an approximately \$250M annual loss to the most vulnerable healthcare providers in the State: FQHCs, alone, stand to lose a collective \$100M per year. A survey of just 15 FQHCs and Ryan White clinics that provide HIV prevention and care found they would lose at least \$56M annually, and a small subset of hospitals reported that they would lose an additional \$87M in the first year.

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Further, as a former member of the state's 340B Advisory Council, which met three times late last summer and into the fall 2020, I'd like to express my grave disappointment in the process to implement the carve-out. My colleagues and I were eager to work collaboratively with the state to develop recommendations that could generate savings while allowing 340B covered entities to continue to serve communities throughout the state. Instead we were met with a process that was not collaborative. We were not allowed to present data that demonstrated that the carve-out – as constructed now – not only wouldn't save money, it would cost the state money. One such data point comes from analysis generated from The Menges Group. The Menges Group refutes the State's projected savings, calculating that the State actually will lose \$154 million in the first year of the carve-out and a total of \$1.5 billion over five years, largely due to increases in avoidable emergency and inpatient costs.

Importantly, the report also highlights a rather significant error in calculation made by DOH regarding projected savings in New York. This error relates to the premium tax. For-profit health plans pay a premium tax. To achieve actuarially sound rates, the amount of the premium tax must be included in Medicaid plan premiums. Pharmacy is approximately 30% of the premium, so removing it reduces the amount of the tax paid based on that portion of the premium. While DOH accounted for the *savings* related to the state share amount that would no longer have to be paid after carve-out, it did not account for the *loss* of related federal funds, which accrue to the benefit of the General Fund and which Menges estimates to total \$39 million on a full annual basis for FY22. This is clearly a significant error.

The carve-out plan also does not account for the \$177 million that New York will have to return to the Federal Government. At a time when the New York healthcare safety net is facing losses from COVID-19 and the economic downturn, we need every dollar we can get in our state.

Governor Cuomo's FY22 Executive Budget (HMH Article VII Part C) proposes a **340B Reinvestment Fund** through which the Department of Health will 'reinvest a portion of the savings from the Medicaid pharmacy carve-out - **\$102M** - directly to 340B providers, excluding hospitals, to offset 340B revenue losses in Managed Care and maintain critical services in the community'. First, \$102M is less than half of the projected losses we expect the safety net to experience. Secondly, the budget language does not outline a methodology to allocate these funds. Finally, this annual (not guaranteed) funding will not replace the ongoing 340B reimbursement mechanism. We urge you to reject this proposal and replace with language that mirrors Assembly Member Gottfried's and Senator Rivera's bill (A1671A/S2520), which will delay the carve-out for 340B-covered entities and HIV Special Needs Plans for three years.

In conclusion, I urge you – in the strongest possible terms – to reverse the Medicaid pharmacy carve-out. The carve-out will exacerbate health care disparities for poor people

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and people of color. It will stall the state's efforts to end the HIV epidemic. It will severely hamper our COVID-19 community healthcare response – including being able to effectively administer vaccines for our communities. It will result in the loss of thousands of jobs. And it will diminish access to health care for our most vulnerable New Yorkers.