

## Health Care

The 2007-08 Executive Budget proposes steps towards redesigning New York's health care delivery system with the stated goal of addressing rising Medicaid costs and ensuring that resources are used more efficiently and effectively to improve patient care and outcomes. To this end, the Executive proposes shifting health care policy from an "institution-centered" approach to one that is "patient-centered."

### *The Uninsured*

In line with this policy shift, the Executive advances several actions to expand access to health insurance coverage to the 2.6 million New Yorkers currently uninsured, of whom nearly 400,000 are children. Funding is recommended to expand eligibility for Child Health Plus from 250 percent to 400 percent of the Federal Poverty Level. This would provide access to all of New York's 400,000 uninsured children. Currently, 900,000 uninsured adults and children are eligible for Medicaid or Family Health Plus. In order to ensure that they can access and retain such coverage, the Governor proposes enhancing public education and outreach efforts so that eligible individuals receive care under these programs. Moreover, the budget proposal echoes an Assembly-championed proposal for streamlining 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. These actions are intended to reduce the number of uninsured by one half over the next four

years. The Governor's budget also proposes implementing measures to guard against eligibility fraud.

The Executive is proposing a program to require persons, otherwise eligible for Family Health Plus, who have access to employer-sponsored health insurance coverage, to enroll in the employer-sponsored plan as a condition of receiving or continuing to receive Family Health Plus benefits. Any cost-sharing obligations for the person's employer-sponsored coverage that exceeds the amount of the person's co-payment responsibilities under Family Health Plus would be assumed by the State. The Governor proposes to expand the Managed Long Term Care program by removing the current cap on the number of plans that can participate. This would allow more individuals access to this health care option and allow them to remain in the community for longer periods.

### *Administration*

In order to achieve more effective administration of the Health Department's programs and maintain the patient-centered objective, the 2007-08 Executive Budget provides for a re-organization of responsibilities through the creation of three new offices. The Office of Health Insurance Programs is designed to bring together all of the State's public insurance programs. By coordinating, streamlining and simplifying these programs, they reach the maximum number of eligible people. The Governor establishes the Office of Long Term Care Services and Programs to

focus efforts to expand options for long term care. In recognition of the increasing importance of technology both to improve the quality and delivery of health care services and to combat fraudulent activities, the Office of Information Technology is created.

*Reimbursement*

The Executive proposes significant changes in the reimbursement of health care providers. Actions proposed by the Governor in Medicaid, HCRA and Public Health translate into \$1.3 billion in overall savings to the State in SFY 2007-08. Critical changes for hospitals include modifications to Graduate Medical Education (GME) funding methodology, a proposed re-weighting of the hospital DRG system to reflect more recent shifts in cost centers, and a new rate adjustment to direct more funding to public hospitals serving a high percentage of Medicaid recipients. The Governor proposes to move forward with the new nursing home methodology enacted last year, but modifies rates to reflect actual Medicaid case mix by excluding from the reimbursement base high cost Medicare patients whose care is paid for by Medicare.

The Executive proposes several actions to control pharmacy costs. In addition to proposed reductions in pharmacy reimbursement rates, the Executive proposes a \$1 increase in the dispensing fee for generic drugs to pharmacies to encourage their use. There are plans to explore other ways to achieve savings, such as bulk purchasing and the federal 340-B drug discount program. In addition, inclusion of the Elderly Pharmaceutical

Insurance Coverage (EPIC) program in the State's Preferred Drug Program is proposed to be accelerated to start on January 1, 2008, rather than April 1, 2008, to realize savings from supplemental rebates in the 2007-08 fiscal year. The Governor proposes to require all eligible EPIC participants to enroll in Medicare Part D unless such enrollment would create a financial hardship for the EPIC participant.

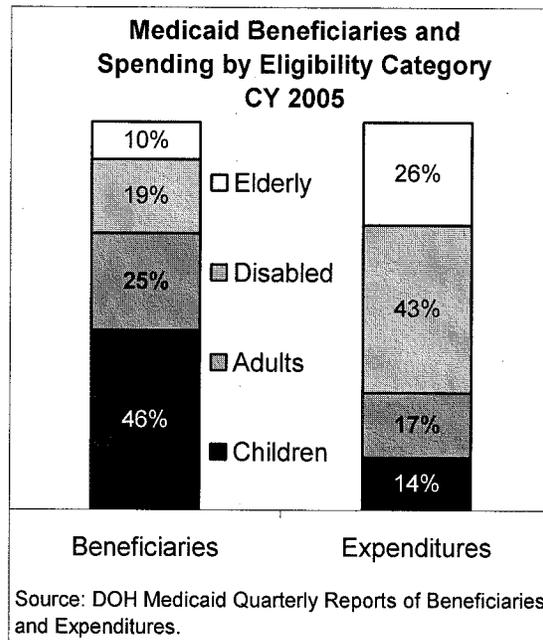


Figure 4

*High Cost Beneficiaries*

Considerable public attention has focused recently on the fact that a relatively small percentage of Medicaid beneficiaries are responsible for a disproportionately large share of the cost (Figure 4). Nearly 70 percent of expenditures are incurred by the elderly and disabled who represent only 29 percent of beneficiaries. Although the data may vary in other studies, the underlying fact remains that a small segment of the Medicaid population is

responsible for a majority of the cost. The 2007-08 Executive Budget proposes a series of demonstration programs to provide better integration and coordination of care between health and behavioral health services for persons with co-occurring disorders and other medically complicated cases. Other programs would manage the care of nursing home patients more effectively. Such demonstration projects are intended to avoid the need for costly hospitalizations and other institutional care while improving the quality of life for the recipient of these services.

### *Fraud*

Medicaid dollars should be spent on Medicaid recipients, not on fraudulent claims for unnecessary services or for services never rendered. The Executive proposes several initiatives to strengthen the Office of the Medicaid Inspector General and the ability of the State to combat fraud and abuse in the Medicaid program. These actions are estimated to produce savings of approximately \$400 million in the Medicaid Program.

### *Stem Cell*

The Executive also proposes a Stem Cell and Innovation Fund which would provide State support for projects that will foster research and development.