

New York State



Special Edition

Medicaid Update

2009-10 New York State Budget: Health Reform Highlights

On April 3, 2009, the New York State Legislature approved the State Fiscal Year 2009-10 Health Budget. This Budget enacts landmark healthcare reforms advanced by Governor Paterson to enable eligible New Yorkers to get and keep public health insurance coverage and to ensure that Medicaid buys the right care, in the right setting, at the right price.

Last year's Budget overhauled the Medicaid reimbursement system for hospital clinics and community clinics; this year's Budget overhauls the reimbursement system for hospital inpatient services and nursing homes, and establishes a work group to review home care reimbursement. The Budget also reduces hospital inpatient rates and increases rates of payment for hospital clinics, community health centers, and practitioners, and incentivizes the adoption of "medical home" standards. Of particular importance in this economic downturn are significant changes in eligibility and enrollment rules that will allow more New Yorkers to sign up for public health insurance. Finally, this Budget includes major initiatives to strengthen Medicaid's pharmacy operations.

This Special Edition of the Medicaid Update highlights the reform measures advanced in this year's Budget. Additional information about the implementation of these provisions will be included in future issues of the Medicaid Update.

PART 1 - Reforming Inpatient Reimbursement

■ *Updating the Inpatient Payment Methodology* – This year’s Budget continues the State’s ongoing effort to modernize and rationalize Medicaid reimbursement methods and levels of payment for both inpatient and outpatient care. On December 1, 2008, Medicaid successfully implemented a new payment method, Ambulatory Patient Groups (APGs), for hospital *outpatient* services. Effective December 1, 2009, Medicaid will implement a new *inpatient* payment method which:

- > **Updates costs from 1981 to 2005.**
- > **Bases payments only on the costs of Medicaid patients.**
- > **Uses a statewide base price with adjustments for hospital-specific wage and teaching costs.**
- > **Adopts an updated case mix system (APR DRGs) that more accurately measures and reimburses for patient acuity.**
- > **Updates and implements a new prospective payment system for inpatient psychiatric services.**
- > **Authorizes hospital-based physicians to bill Medicaid outside the facility fee effective February 1, 2010.**
- > **Provides for updates of the cost basis at least every three years.**

The Budget also reduces inpatient rates by \$225 million annually as part of a multi-year effort to bring inpatient rates more in line with inpatient costs. Most of this money will be reallocated to hospital clinics, community clinics, and doctors and practitioners.

■ *Supporting Hospitals Transitioning to Reform* – To assist hospitals in adapting to the new reimbursement system, creating efficiencies in their operations and re-aligning their business models to, among other things, effectively integrate primary care and chronic care management, this Budget includes several targeted funding opportunities:

- > **\$75 million in transitional operating support for hospitals that will see the largest decreases in their Medicaid inpatient rates. This transition support will continue at decreasing levels over four years and will be predicated on Board adopted business plans.**
- > **\$50 million in capital support to assist hospitals to reconfigure their capital infrastructure consistent with the State’s health care priorities and patient need.**
- > **\$24.5 million for academic medical centers to support their work on developing quality standards under payment reform, with a particular emphasis on medical home, obstetrical and psychiatric services as well as reforms to the residency training curriculum.**

PART 2 - Investing in Primary and Preventive Care

■ *Improving Funding for Clinic and Community Based Care* – Clinics are essential settings for the delivery of primary and preventive services to Medicaid beneficiaries. Supporting accessible, quality ambulatory care is a vital component of the State’s strategy for reducing expensive and avoidable hospitalizations and improving the health of all New Yorkers. Last year, the State took an important step towards reversing the long-standing underpayment of hospital and community clinics by investing significant new funds and by implementing the new outpatient methodology (APGs), which more accurately reimburses based on the intensity of the services provided. This year’s Budget makes additional investments to increase reimbursement to these clinics.

- > **Hospital Ambulatory Services:** The 2009-10 Budget invests another \$92 million on a full annual basis. When combined with last year’s commitment, the total investment in hospital clinics amounts to \$180 million annually. Including last year’s \$90 million investment in emergency and ambulatory surgery services brings the total investment in hospital ambulatory services to \$270 million.
- > **Community Clinics:** This Budget invests another \$37.5 million on a full annual basis. When combined with last year’s funding, the total investment in community based clinics is \$50 million.
- > **Community Based Detoxification Services:** As part of a multi-year effort to move uncomplicated detoxification services out of expensive inpatient settings this Budget invests \$2.7 million in community based detoxification services.

■ *Increasing Physician Fees* – Improving access to services begins with improving payment to professionals that provide these services, namely physicians, nurse practitioners, midwives and other practitioners. In the 2009-10 Budget, the State dedicates \$68 million to increasing reimbursement to these providers. When combined with last year’s investment, the State’s total investment in physician and other practitioner fees will reach \$188 million.

■ *Expanding Covered Services* – Last year’s Budget authorized Medicaid to expand coverage to include important services including self-management training by certified diabetes and asthma educators and smoking cessation counseling for pregnant women. This year’s Budget makes an additional \$21.2 million available to cover the following services:

- > **Cardiac rehabilitation services when ordered by an attending physician and when provided in a hospital-based or free-standing clinic or a physician’s office.**
- > **Smoking cessation counseling for post partum women and children and adolescents aged 10-19.**
- > **Screening, brief intervention and referral to treatment (SBIRT) in emergency departments for individuals at risk for substance abuse.**

PART 3 - Advancing Medical Homes and Improving Care Coordination

■ *Encouraging Adherence to Medical Home Standards* – At the forefront of the national effort to improve primary and preventive care is the medical home initiative. This Budget authorizes Medicaid incentive payments for the development of patient-centered medical homes in New York. Hospitals and community clinics as well as doctors and nurse practitioners that coordinate and integrate their patients care in accordance with medical home standards will receive additional fee-for-service and managed care payments through this initiative. The Department will work with providers and other stakeholders over the next seven months to finalize applicable medical home standards.

■ *Adirondack Medical Home Pilot* – The Budget authorizes a multi-payer medical home pilot initiative in the Adirondack Park area of the State. Developed by a group of local health care providers and other partners, the pilot will receive \$3 million in Medicaid funding. Participating health care providers must meet medical home standards for care quality and care coordination to receive the enhanced reimbursement rates provided through pilot funding. The medical home standard offers an increased emphasis on primary and preventive care, improved care coordination, better management of chronic diseases, greater communication with patients – including patient reminders for check-ups and screenings – and the use of electronic health records and electronic prescribing, as well as adherence to higher quality and safety standards.

■ *Primary Care Case Management* – The 2009-10 Budget authorizes Primary Care Case Management (PCCM) programs in rural counties of the state that lack Medicaid managed care programs. Under primary care case management, each participating beneficiary voluntarily chooses a primary care provider that has entered into an agreement with Medicaid and will receive additional reimbursement for coordinating that patient's care, helping them to navigate the medical delivery system, and attending to the patients overall health and well-being. Similar models have proven successful in improving quality of care and containing costs in other state Medicaid programs.

PART 4 - Supporting Public Hospitals

This Budget updates the calculation of disproportionate share funding available to public hospitals by updating the base year and incorporating losses related to this Budget, making more than \$500 million available to public hospitals.



PART 5 - Supporting Services for Uninsured Patients

With hospitals and community health centers reporting increasing numbers of uninsured patients seeking care, this Budget takes important steps to enhance the level of provider support for the cost of care of uninsured New Yorkers, by:

- > Making an additional \$269.5 million available to teaching hospitals to cover the costs of uninsured patients.
- > Making \$25 million available to voluntary safety net hospitals (with Medicaid discharges of 40% or greater) to cover the costs of uninsured patients.
- > Making \$16 million available to community hospitals to cover the costs of uninsured patients.
- > Making \$25 million available to voluntary safety net hospitals (with Medicaid discharges of 40% or greater) to provide assistance with residual Medicaid and self pay losses in FY 09/10.
- > Making an additional \$71 million available to community health centers to cover the cost of uninsured patients, subject to federal approval.

PART 6 - Improving Access to Coverage

This Budget expands and simplifies eligibility so that more low-income New Yorkers qualify for New York's public insurance programs. It also reduces the administrative barriers associated with eligibility verification and enrollment that have hindered participation in the past.

■ *Simplifying and Aligning Coverage* – This Budget simplifies eligibility determination for parents and children by aligning eligibility levels and basing eligibility on gross, rather than net, income. These proposals maximize coverage for family members within the same program, reduce documentation requirements, and lessen confusion about eligibility rules.

<i>ELIGIBILITY GROUP</i>	<i>REVISED INCOME LEVEL BASED ON GROSS INCOME</i>
Children aged 1 to 19	Medicaid eligibility set at 160% of Federal Poverty Level (FPL). Child Health Plus continues for all children above 160% of FPL.
19 and 20 year olds	Medicaid eligibility set at 100% FPL. Family Health Plus eligibility set at 160% FPL.
Parents	Medicaid eligibility set at 100% FPL. Family Health Plus eligibility set at 160% FPL.
Pregnant Women and Infants	Medicaid eligibility set at 230% of FPL.



PART 6 - Improving Access to Coverage *(continued)*

■ *Reducing Administrative Barriers* – This Budget continues the efforts of the prior two budgets to eliminate barriers which have prevented eligible uninsured New Yorkers from getting and keeping coverage.

- > **Eliminates the face to face interview requirement for Medicaid and Family Health Plus.**
- > **Eliminates the resource test for most Medicaid and Family Health Plus applicants (does not apply to SSI or SSI-related).**
- > **Eliminates finger imaging requirement for adults applying for Medicaid.**
- > **Permits public employees who meet income requirements to enroll in the Family Health Plus premium assistance program.**

■ *Taking Steps to Expand Eligibility* – As a part of the State’s on-going effort to reduce the ranks of the uninsured in New York, the 2009-10 Budget gives the Department of Health the authority to seek federal approval and financial support to expand Family Health Plus coverage for low-income adults up to 200 percent of the federal poverty level, which would make 400,000 additional adults eligible for coverage.

■ *Child Health Plus Co-Premium Increase* – Effective July 1, 2009 family contributions for Child Health Plus coverage will increase for children above 250% of the Federal Poverty Level as follows. Total family contribution will continue to be capped at three children.

<i>ELIGIBILITY CATEGORY</i>	<i>CURRENT AMOUNT</i>	<i>REVISED AMOUNT</i>
Below 160% FPL	None	None
160-222% FPL	\$9	\$9
223-250% FPL	\$15	\$15
251-300% FPL	\$20	\$30
301-350% FPL	\$30	\$45
351-400% FPL	\$40	\$60
Above 400% Full Premium	\$162 (on average)	\$162 (on average)



PART 7: Long Term Care

■ *Reimbursement for Nursing Homes* – For the period April 1, 2009 through March 31, 2010, rates of payment for nursing homes will be increased by \$210 million. Effective April 1, 2010, the method used to reimburse nursing homes for services to Medicaid patients will be revised to encourage efficiency and reward quality. The new nursing home payment method:

- > **Uses a regional base price with adjustment for nursing home specific costs based on 2007 costs.**
- > **Continues to pay only for the costs of Medicaid patients.**
- > **Enhances rates for hard to serve patients.**

Coincident with the April 1, 2010 change in reimbursement method, the Budget establishes a quality of care incentive pool or pools to be distributed to eligible nursing homes that meet established quality of care criteria and a transition pool to assist nursing homes that face challenges in adapting to the new reimbursement method and meet certain criteria. A workgroup will be convened during the year to refine elements of the new reimbursement system. In addition, the budget authorizes an increase up to \$300 million in the amount of funding public nursing homes can access under federal upper payment limits.

■ *Financially Distressed Nursing Homes* – Struggling nursing homes will receive financial assistance through an improved financially disadvantaged nursing home program, which has been restructured to more effectively target funding to nursing homes facing financial challenges and ensure funding is used effectively to improve operations.

■ *Home Care Reimbursement* – This year's Budget also creates a workgroup of industry representatives, consumers, workers and experts to inform the development of a new home health care reimbursement methodology. Specifically, the workgroup will address prospective payment approaches as well as quality incentives and subcontracting arrangements within the home care industry.



PART 7: Long Term Care (continued)

Ensuring Care in the Right Setting

- *Additional Assisted Living Program Beds* – This budget doubles the availability of Medicaid assisted living by closing 6,000 unnecessary nursing home beds to be replaced by 6,000 new Assisting Living Program beds over the next five years. Up to \$100 million in existing HEAL funding has been earmarked to facilitate this transition and to focus funding for nursing home infrastructure improvements to ensure environmental safety for residents.

- *Creation of a Uniform Assessment Tool* – This Budget provides \$5 million to support the creation of an automated, state-wide assessment instrument to evaluate patient care needs, determine program eligibility and generate care options for consumers.

- *Long Term Care Assessment Center* – This Budget authorizes a three-year demonstration program under which two regional long-term care assessment centers, one located in a NYC county, and the other in another region of the state consisting of two or more neighboring counties will be established. The long-term care assessment centers will be responsible for reviewing the long-term care needs of patients and for authorization of services and participation in the personal care services program, the consumer directed personal assistance program, the assisted living program, and the long-term home health care program. The long-term care assessment center will also be responsible for determining the need for continued certified home health care services beyond 60 days and for determining eligibility for enrollment in a managed long term care plan.

- *The Consumer Directed Personal Care Program* – This year’s Budget enacts changes to the Consumer Directed Personal Care Program that will increase participation by requiring additional outreach to home care recipients and county implementation plans. County implementation plans will be submitted annually.

PART 8 - Pharmacy Initiatives

- *Incentivizing E-Prescribing* – This Budget allocates funding to provide an additional 80 cents per electronic prescription to Medicaid prescribers and an additional 20 cents per script to pharmacies dispensing electronic prescriptions. Over the long term, E-prescribing will reduce medication errors, encourage pharmaceutical practices that produce better patient outcomes, and yield savings.
- *Strengthening the Supplemental Rebate Program* – The 2009-10 Budget authorizes the Department of Health to negotiate directly with drug manufacturers to more effectively leverage Medicaid's significant purchasing power to secure greater discounts on prescription drugs. This change will expand the Preferred Drug Program beyond the drug classes currently included and allow Medicaid to receive rebates on a wider array of preferred drugs.
- *Step Therapy* – The 2009-10 Budget also authorizes a step therapy program similar to that used by many commercial insurers. Under step therapy, patients will be required to try the clinically recommended first line therapy, which is typically less costly, before coverage is authorized for a second line drug.
- *Quantity, Frequency and Duration Limits* – This Budget also authorizes the State's Drug Utilization Review Board, which is comprised of physicians and other health care professionals, to set quantity, frequency and duration limits for certain drugs in order to encourage greater adherence to clinical guidelines.
- *Brands when Less Costly than Generics* – This Budget also allows Medicaid to cover brand name drugs when they are less costly than their generic equivalents after rebates.