

# 2015-2016 State Budget Testimony

Joint Legislative Hearing  
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Thank you Chairman DeFrancisco, Chairman Farrell, Health Committee Chairs Hannon and Gottfried, and Committee members, for the opportunity to comment on the Executive Budget proposal for state fiscal year 2015-2016. We thank you for your longstanding support of healthcare and look forward to working with you during this year's legislative session to address vitally important healthcare policy issues impacting all New Yorkers.

I am Dennis Whalen, President of the Healthcare Association of New York State (HANYS), the only statewide hospital and continuing care association in New York State, representing 500 non-profit and public hospitals, health systems, nursing homes, home care agencies, and other healthcare organizations.

Healthcare providers in New York State have been eagerly embracing innovation and transformation for years. Many hospitals and health systems were voluntarily undertaking changes even before federal and state reform initiatives took shape.

Transforming a healthcare system that serves 19 million New Yorkers is not without substantial challenges. The financial condition of our hospitals is among the worst in the country, while the regulatory landscape creates additional hurdles that stifle innovation and delay necessary changes. And while transforming, we must also ensure the stability of our hospitals and health systems: small community hospitals, critical access hospitals, specialty hospitals, our long-term care partners, and large systems and academic health centers—all play essential roles in serving their communities throughout the state.

Despite the difficult financial and regulatory environment, hospitals and health systems have never been more focused or committed to improving patient safety and quality. Providers also continue to affirm their special role in communities throughout the state. New York's hospitals and health systems are ever ready—continually preparing for the unexpected, whether a natural disaster or disease outbreak, and are the foundations of local economies and local job markets throughout the state.

We are moving toward the healthcare system of tomorrow, which emphasizes preventive, patient-centered care that is transparent to the consumer and delivered by a collaborating team of providers across all settings, areas, and levels of clinical expertise.

To achieve this vision, we look forward to our close partnership with the Governor and Legislature to enact policies that help us on our path to transformation.

## New York's Healthcare Community—Leading the Transformation of Care

Sufficient resources, support, and flexibility are needed to effect real change in our healthcare system. The proposed Executive Budget recognizes the need for financial support and proposes critically needed investments. More is needed to provide meaningful regulatory relief to healthcare providers. We also urge the Legislature to resist proposals that would add new costs or cut vital healthcare funding.

HANYS asks for your careful consideration of our priorities for this year:

- Support healthcare transformation by enacting the Governor's proposals to provide new capital and capital-related investments, transitional bridge funding for financially struggling facilities, and targeted funding for essential community providers in rural and under-served areas. Even with these investments, there remains a significant need for additional capital to address gaps and the statewide need. We also urge flexibility in the uses and distribution of capital dollars.
- Support the Governor's proposal to allow selected existing healthcare provider cuts to expire, reduce unnecessary assessments, and create a new pool to incentivize additional quality improvement.
- Keep the promises of last year's budget restorations. Technical issues have held up federal approval of prior state budget agreements to eliminate an across-the-board Medicaid cut and provide Vital Access Provider funding; providers have budgeted for these funds.
- Enact fundamental regulatory reform to eliminate outdated rules that are inconsistent with current national standards and that impede healthcare system reform progress and efficient facility operation. HANYS also urges the state to grant meaningful regulatory waivers within the Delivery System Reform Incentive Payment (DSRIP) program.
- Oppose harmful proposals and new mandates that obstruct real change.

## Transforming the Healthcare Delivery System

New York's hospitals and health systems are leading numerous innovative, coordinated care initiatives that create a better patient experience and reduce costs.

These healthcare reform initiatives are:

- shifting care from inpatient to outpatient settings;
- testing new models of care and payment, such as accountable care organizations, bundled payments, health homes, and patient-centered medical homes;

- quality and patient safety collaboratives to improve care and outcomes;
- using various risk-based payment methodologies;
- utilizing health information technology systems to provide access to real-time health information and align clinical data systems; and
- focusing on population health management.

Many reform efforts, including DSRIP, emphasize collaboration between providers, with the ultimate objective of reducing avoidable hospitalizations.

DSRIP seeks to reduce avoidable hospitalizations by 25% over the next five years. Collaboration is integral to this effort, between hospitals and health systems, and across the continuum, including providers of primary care, continuing care, behavioral health, social and human services, and community-based organizations offering housing and other support services.

Providers are working together through Performing Provider Systems (PPSs) to undertake a variety of system transformation and clinical improvement projects. These projects include integrating primary care and behavioral health, creating integrated delivery systems that use evidence-based medicine and population health management, and implementing care coordination and transitional care programs.

The members of HANYS are committed to continue leading these reforms to benefit every New Yorker. We also want to emphasize that with more reform efforts coming forward, such as the State Health Innovation Plan (SHIP)—which represents the state’s vision for the commercial and Medicare markets—it is always essential to understand the breadth of transformation work underway and the capacity for the system to absorb more, as well as the significant financial stability issues that could be raised by over-regulating the commercial market.

## The Financial Condition of New York’s Hospitals

New York’s hospitals and health systems are undertaking the monumental task of transforming care delivery while facing serious financial challenges. The financial health of hospitals in New York is generally weak compared to the rest of the nation. Many providers are unable to make the investments necessary to make capital improvements and reconfigure daily operations.

The investments proposed in this state budget recognize the financially precarious state of New York’s hospitals and health systems:

- Hospital operating margins in New York State are barely break-even, at 0.22% in 2013.
- According to the American Hospital Association, New York hospital operating margins are the third worst in the country, and far below the national average of 6.5%.

- Nearly three-quarters of New York’s hospitals are in fair or poor financial condition, according to the NYS Financial Strength Index, which is a composite measure of financial indicators.
- Medicare and Medicaid do not pay hospitals the full cost of care; therefore, New York’s hospitals lose money treating Medicare and Medicaid patients.
- Since 2000, 37 hospitals and 79 nursing homes have closed in New York State.

These facts highlight the importance of enacting the investments proposed in the Executive Budget.

The state’s support is even more critical when considering the environment that hospitals and health systems must contend with in Washington, D.C. Cuts enacted as part of the Affordable Care Act (ACA) will be implemented over the next several years, reducing Disproportionate Share Hospital (DSH)/indigent care funding. In total, hospitals and health systems face \$27 billion in cuts that are already on the books, over the next ten years. Further, as Congress negotiates a Medicare “physician fix” and other budget-related issues, hospitals will be targeted for more cuts.

This is happening as Medicare Recovery Audit Contractors (RACs) continue to implement audits beyond their scope and inappropriately take millions of dollars from hospitals in New York State, forcing expensive and drawn-out appeals.

## Improving Healthcare Quality

Despite pervasive financial difficulties, hospitals and health systems in New York State have demonstrated a tremendous commitment to improving quality and patient safety. Patients in New York State are safer and outcomes are better because of hard work undertaken by hospitals.

The New York State Partnership for Patients (NYSPFP) is a just-ended, three-year initiative where hospitals worked together and utilized evidence-based approaches to improve quality and achieved national recognition in a 2014 report from the U.S. Department of Health and Human Services.

- Through NYSPFP, the 169 participating hospitals worked in ten key clinical areas to achieve the federal Partnership for Patients’ goal of reducing preventable hospital-acquired conditions by 40% and preventable readmissions by 20%.
- Patients experienced over 30,000 fewer injuries or complications since January 2012:
  - more than 25,000 readmissions were avoided within 30 days of discharge, translating to a decrease of 11%;

- there were 1,832 fewer babies delivered before full term when not medically necessary, which is a 90% decrease, giving them a healthier start and reducing risk for mothers; and
- there were 1,279 fewer infections resulting from the use of central intravenous lines, a decrease of more than 40%.

These results show the commitment of New York's hospitals and health systems to continuously improving quality, safety, and the efficacy of care. Our providers continue to engage in numerous quality improvement collaboratives, including efforts that focus on sepsis, pressure ulcers, and diabetes.

## The Special Role of Hospitals

In addition to working every day to improve quality and patient safety, hospitals fill a very special role in communities throughout the state. Hospitals are relied on for the traditional services of treating disease and illness, but their true role is much broader, including:

- Hospitals are always open; treat everyone regardless of ability to pay; provide special services such as trauma, obstetrics, and burn care; and serve as centers of medical education and clinical research.
- New York's hospitals provide community benefits that total an average of more than 10% of total expenses; these benefits include free care, financial assistance, and other community health improvement programs.
- New York's hospitals and health systems annually generate nearly \$129 billion in economic activity, accounting for more than 10% of the state's Gross Domestic Product, and provide more than 760,000 jobs across the state.
- Our hospitals treat more than 2.4 million inpatients each year; have 56.6 million outpatient visits, including 8.4 million emergency room visits; deliver more than 233,000 babies; and provide about \$2 billion in uncompensated care.
- Hospitals are relied upon to prepare and respond to emergencies and disasters.

This year, the Ebola virus threat highlighted the dependence of our communities on the expertise and commitment of hospitals to prevent the spread of emerging infectious diseases. Hospitals have worked closely with federal and state partners to coordinate response efforts and have been a model for Ebola preparedness across the country. All of New York's hospitals dedicated a tremendous amount of time and resources to put protocols into place to identify, isolate, and evaluate a possible Ebola case through rigorous staff training, drills, and the purchasing of new equipment. In addition, New York's ten designated hospitals voluntarily undertook enormous responsibility to create new space or update existing units to provide the care necessary for a patient with Ebola.

In recent years, New York's healthcare community has demonstrated time and time again its leadership in emergency situations. This year, it was the Ebola virus. In prior years, it was the terrorist attacks of September 11, 2001, Superstorm Sandy, the severe acute respiratory syndrome (SARS) outbreak, anthrax exposures, and preparations for H1N1 pandemic flu. But each year, day in and day out, our providers stand ready to effectively handle the trauma cases, the influenza outbreaks, and the urgent medical emergencies that occur hour by hour in our communities, as each and every New Yorker relies upon them to do.

## Achieving the “Triple Aim”

Hospitals and health systems across New York State are working every day to achieve the Triple Aim of improving population health, enhancing the quality of patient care, and reducing the per capita cost of healthcare.

Every week, HANYS highlights how members from every region of our state are transforming by reducing readmissions and length of stay, improving quality outcomes, supporting their communities, and providing maternal and childhood healthcare. HANYS' *NYS Triple Aim Campaign* has been recognized by the Institute for Healthcare Improvement and *Becker's Hospital Review*.

## Transparency

As consumers take a more active role in their healthcare choices, access to information about healthcare costs is imperative. Hospital and health system leaders want consumers to have access to information so they can make informed decisions. To make it easier, HANYS and our members have been working to create tools, including a consumer guide.

To achieve meaningful price transparency, collaboration must continue between healthcare providers, government, insurers, and patients. Pricing information should be relevant, useful, accessible, easy to navigate, and explain how and why prices can vary.

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## Recommendations to the Legislature

The following are key issues on HANYS' advocacy agenda for this year. We look forward to working with the Senate and Assembly during the 2015 session.

### **Support Transformation through Investment**

The Executive Budget recognizes the weak financial condition of hospitals and proposes bridge funding to help struggling facilities, much-needed capital investment, and targeted funding for essential community providers in rural and under-served areas. For reform to succeed, we must support providers and enact these important investments that will enable them to reconfigure operations and make capital investments.

- HANYS supports the proposed \$1.4 billion in new capital funding.
- The statewide need for capital dollars far exceeds the amounts included in last year's final budget and proposed in this year's budget. Therefore, HANYS recommends increased capital funding beyond what is proposed in the Executive Budget. State funding for capital is even more crucial when considering hospitals' inability, in many cases, to access the capital markets. Further, hospital physical plants in New York State are the ninth oldest in the nation. The state should be flexible in the distribution of capital funding.
- HANYS supports the proposed increase in Vital Access Provider (VAP) funding to serve as a bridge to help hospitals and health systems adapt to a changing healthcare environment and reduce avoidable hospitalizations.
- HANYS supports the expiration of arbitrary Medicaid payment penalties and supports the reduction and elimination of hospital assessments enacted in prior budgets.
- HANYS supports the enactment of a hospital quality pool to incentivize and facilitate quality improvements in hospitals.

HANYS has long advocated for additional funding for hospitals and health systems serving rural and under-served areas of the state. The proposed budget includes targeted investments for rural providers, in addition to funding for essential community providers.

- HANYS supports proposed funding dedicated to essential community providers and rural hospitals designated as Critical Access Hospitals and Sole Community Hospitals.

## **Keep the Promises of Last Year's Budget**

Technical issues have prevented federal approval of significant resources promised to hospitals and health systems. HANYS and our regional partners have been providing technical assistance to the Centers for Medicare and Medicaid Services (CMS) and Department of Health (DOH) as they work to resolve these technical issues.

Most notably, the following agreements have not been implemented because of a lack of federal approval:

- The 2% across-the-board Medicaid cut, which was eliminated in last year's final budget as of April 1, 2014, has remained in place because federal approval has not been granted.
- Full VAP awards have not been distributed because of outstanding federal approval.

We continue to work with the state to address the technical issues holding up federal approval of these important funds and to devise temporary enhancements to help provide cash relief to hospitals. Additionally, we are working closely with our elected representatives in Washington. A HANYS-supported letter was authored by both U.S. Senators and all House Delegation members representing hospitals receiving VAP awards, and sent to CMS, urging the swift resolution of outstanding issues to facilitate the approval of remaining VAP funding.

## **Delivery System Reform Incentive Payment (DSRIP) Program**

Healthcare providers across the state are coming together in 25 PPSs to implement projects designed to meet the state's overall Medicaid waiver goal of reducing avoidable hospitalizations by 25% over the next five years.

HANYS has been assisting and supporting hospitals and health systems throughout this process, including sponsoring educational programming, participating in working groups to help shape implementation, and collaborating with other provider associations.

More work is needed before waiver projects are implemented. HANYS continues to recommend the following:

- The state should provide maximum flexibility to providers by granting comprehensive, robust, and meaningful regulatory waivers.
- Providers working together at the urging of the state to implement waiver projects need appropriate anti-trust protection since the often-referenced Certificate of Public Advantage (COPA) could be inadequate and undone by the State Attorney General or the Federal Trade Commission.
- A flexible process should be used to award capital funding through the Capital Restructuring Financing Program.

- As we begin implementation of the waiver projects this year, the state should clarify concerns raised by providers related to data sharing, governance, and many other operational issues.

DSRIP currently includes a goal of moving 90% of payments from volume to value. The state's draft roadmap does not provide the flexibility needed for the efficient exploration and execution of new payment models. The rigidity of the process outlined is not helpful given the complexity of value-based payment (VBP) arrangements and is unnecessary given the ability of the state to revise these plans annually to reflect the evolution of VBP.

## **State Health Innovation Plan (SHIP)**

The state was recently awarded a grant from the federal government to support SHIP. Mirroring many of DSRIP's goals for the Medicaid program, SHIP is the state's multi-year, multi-payer blueprint to reducing avoidable hospitalizations in the commercial and Medicare markets and includes broad and significant policy changes, including: creation of a new advanced primary care model; movement to 80% VBP; transparency initiatives; workforce strategies, incentives, and potential mandates; continued health information technology efforts; and more. The state intends to use its regulatory levers, especially in the commercial health insurance rate setting arena, to accomplish the goals of this plan.

The first year of the SHIP grant is for planning, and the state has established workgroups and plans to create additional workgroups to focus on each of the major areas. While HANYS is fully supportive of better primary care and integrated and coordinated healthcare, we continue to have concerns about many components.

The state has indicated plans to design SHIP based on the DSRIP VBP structure, which, as mentioned earlier, HANYS has serious issues with regarding its inflexible and rigid approach.

Ultimately, HANYS is concerned that under SHIP, as currently proposed, commercial payment arrangements between payers and providers could be controlled by the state. The ability to negotiate commercial rates is critical and supports the ongoing provision of vital healthcare services in communities throughout the state.

## **Value-Based Payment**

The Executive Budget would authorize DOH to use value-based payment methodologies and to approve managed care contracts that utilize value-based payments, both within and outside of the DSRIP program.

- It is unclear to HANYS why statutory language is needed and exactly what this provision intends to accomplish. This provision appears overly broad and could extend state authority well beyond DSRIP.

## **Indigent Care/DSH Payments**

The Executive Budget would extend the current distribution methodology for hospital indigent care/Disproportionate Share Hospital payments. The distribution methodology was modified two years ago to comply with new federal requirements and to avoid further federal payment reductions. The budget proposal would also continue to include a cap on maximum losses, which increases over time. HANYS supports extending the current methodology and including a loss cap, which is important for facilities experiencing the largest losses.

## **Medicaid Global Spending Cap**

New York State's healthcare providers continue to work to keep costs below the Medicaid global cap since it was instituted in April 2011, even while Medicaid enrollment increased substantially over that same period.

- It is critically important that funds within the global cap stay in the healthcare system and are not diverted for other uses.
- We urge the state to implement the global cap dividend provision enacted in last year's budget to share savings under the cap with healthcare providers and plans.
- We urge the state to provide transparency in actual and projected spending trends under the global cap.

## **The Basic Health Program**

Last year's budget authorized the state to establish a Basic Health Program (BHP), which is an optional, federally subsidized health coverage program for low-income individuals that can be established pursuant to ACA. New York is one of only two states establishing a BHP.

BHP would cover individuals whose income falls between 138% and 200% of the Federal Poverty Level, as well as undocumented, legally present individuals, including People Residing Under Color of Law (PRUCOL), who are currently covered by state-only Medicaid funding.

BHP is expected to produce state savings because the state would receive federal tax subsidy dollars to offer subsidized coverage to people who would otherwise be eligible for coverage through Medicaid or the New York State of Health (NYSOH) exchange.

The Executive Budget proposes to provide DOH with rate-setting authority for BHP.

- HANYS is concerned about the potential financial impact on hospitals that would result from granting rate-setting authority to DOH for BHP. Many enrollees will shift from commercial coverage in the state's exchange to

BHP, and many hospitals already accept heavily discounted payment rates for exchange enrollees.

- HANYS strongly recommends that BHP payment rates be subject to negotiation between providers and insurers, as rates are in NYSOH.

## **Health Insurance Exchange Funding**

ACA requires that state-based health exchanges be financially self-sufficient by January 1, 2015 and allows states to consider the use of plan assessments as a means for future funding. To date, NYSOH has received \$575 million in federal funding to offset start-up costs and fund administrative and enrollment activities. HANYS supports NYSOH and its success in reducing the number of uninsured individuals in our state. In fact, we helped provide training to hundreds of Certified Application Counselors throughout the state to assist with enrolling individuals into the exchange.

The Executive Budget would place a new assessment on health plans to fund the ongoing operations of NYSOH.

- HANYS supports the state in establishing a reliable funding mechanism to ensure the ongoing operation of NYSOH. When participating on the Health Insurance Exchange Regional Advisory Council, we opposed the use of provider assessments as a potential funding source and are pleased the state proposed a funding source that would not put added financial pressure on New York's hospital and health system community.

## **CMS Disallowance of OPWDD Medicaid Costs**

The Executive Budget reserves \$850 million of the funding received through settlements with banks and insurance companies to address a potential significant risk to the state financial plan as the state continues to appeal a federal disallowance of Medicaid costs. CMS previously issued a notice of disallowance to the state totaling \$1.26 billion in federal financial participation for claims reimbursed to certain facilities operated by the Office for People with Developmental Disabilities (OPWDD). The state is appealing this disallowance.

HANYS is working with the state and the New York State Congressional Delegation to resolve this issue and has asked CMS to refrain from issuing further disallowances during the current state appeal.

A recoupment of this magnitude could create significant pressure on the state budget. This also occurs at the same time that investments need to be made in the healthcare system to facilitate transformation.

- If CMS' recoupment efforts are ultimately allowed to move forward, it is crucial that the state use existing resources, such as the litigation settlements or budget surpluses, to address the recoupment. Taking funding

out of the healthcare system at this juncture would prove detrimental to the success of reform efforts currently underway.

- HANYS supports the proposal to create a reserve fund to address this possible disallowance.

## **Ebola Preparedness**

With limited resources, hospitals and health systems are challenged to continuously prepare for the ongoing threat of disasters, emergencies, and disease outbreaks. Current funding mechanisms, including reimbursement for patient care, do not account for emergency preparedness.

The only steady source of emergency preparedness funding is from the federal Hospital Preparedness Program (HPP). This source of funding has decreased substantially since it began in 2002 (a 45% decline from peak levels and a 39% decline last year alone). Historically, additional support for healthcare preparedness was provided in one-time allotments shortly after each disaster. Further, priorities for HPP funding have shifted away from direct support of healthcare providers to broader community-based health emergency preparedness initiatives, while the needs of providers persist.

Ongoing support to maintain this level of readiness for threats of disaster is imperative for adequate preparation and resilience of the healthcare community. Further, hospitals and health systems have expended tremendous resources in the past year to respond to the existing threat of Ebola and to prepare for future outbreaks.

HANYS recommends that the state provide the following:

- sufficient and timely reimbursement to healthcare providers during and after disasters to ensure that the enormous financial burden does not impede their ability to continue providing care; and
- a stable funding source for healthcare providers to continually bolster and update their emergency preparedness capacity.

The Executive Budget would appropriate \$150 million to prepare and respond to emergencies, disasters, and other risks to public safety and health.

- HANYS requests that the state provide funding to address gaps not covered by federal funds for expenses incurred while hospitals prepared for this most recent threat of Ebola.
- HANYS urges the state to use the proposed funding to provide financial incentives and employment protections to encourage healthcare professionals to travel to West Africa to provide assistance to Ebola patients and to assist in other response activities. These incentives could take the form of education loan forgiveness grants, housing allowances, and salary assistance for returning workers who are quarantined.

- HANYS supports the proposed “bill of rights” that includes protections for these healthcare professionals.

## **Doctors Across New York**

Doctors Across New York is a vital tool in addressing New York State’s physician shortage. Many areas of the state continue to experience physician shortages, particularly primary care physicians. Since the Doctors Across New York program was originally enacted seven years ago, only three cycles of awards have been made, despite demand that far exceeds the number of awards. The Legislature enacted improvements to streamline the process several years ago, in which HANYS was actively engaged; however, there is still a need for significant improvement.

- HANYS recommends that Doctors Across New York awards be distributed on an annual basis and on the same date each year, which could encourage more medical students and residents to choose primary care.
- HANYS recommends that state funding be increased to allow for 100 loan repayment awards.

## **Long-Term Care**

Long-term care facilities are a key focus of the state’s healthcare reform efforts, including the transition to “care management for all.” Additionally, nursing homes and home health agencies continue to identify and develop new cross-setting relationships and to seek more integration between settings. As the healthcare system moves to new models of care, long-term care providers are challenged with defining distinct roles, responsibilities, and shared partnerships.

Right now, long-term care providers are implementing reform to achieve care management for all: the transition of nursing home patients into managed care is scheduled to start this week in New York City; the three-year Fully Integrated Duals Advantage (FIDA) demonstration program just started implementation in January in six of the eight downstate counties for community-based individuals dually eligible for Medicare and Medicaid; and dual-eligible individuals in need of home care are being enrolled into managed long-term care in 44 counties, with the rest of the state planned for later this month.

Significant implementation issues still exist. HANYS recommends the state provide much-needed support, guidance, and education to our nursing homes and home health agencies to tackle implementation issues as they arise.

## **Consolidation of Public Health Programs**

The Executive Budget proposes to consolidate 41 public health programs into five funding pools and reduce the overall funding by 15%. These programs fund important public health initiatives that focus on maternal and child health, chronic disease prevention and control, health workforce and training, and rural healthcare

development and access. By removing separate appropriations for each of these programs and bundling them together, the proposed budget would create uncertainty for many programs. Further, by reducing overall funding, many programs will be unable to provide the same level of services and benefits to communities throughout the state.

- HANYS recommends that the budget proposal to consolidate and reduce funding for public health programs be rejected.

## **Nurse Staffing Ratios**

HANYS urges the Legislature to oppose harmful proposals that would impose arbitrary staffing ratios and not improve care quality. The number one priority of New York's hospitals and health systems is to provide high-quality, patient-centered care, and nurses and other healthcare professionals are central to the care of patients.

Instead of legislation that imposes prescriptive nurse staffing ratios, we offer five recommendations to support the nurses and other caregivers who we rely on every day to provide the highest quality care to our patients:

- enact legislation to require future nurses to obtain a Baccalaureate of Science Degree in Nursing within ten years of initial licensure;
- provide scholarships and loan forgiveness and look at the needs of nursing schools;
- increase the use of evidence-based protocols to improve patient outcomes;
- ensure that registered nurses can work to the fullest extent of their education and preparation; and
- reduce unnecessary documentation to free up time for patient care.

## **Private Equity Pilot for Capital Financing**

The Executive Budget includes authorization for private equity pilots, modified from similar proposals incorporated in recent executive budget proposals. HANYS' member hospitals and health systems strongly support the need for more capital funding and for alternative mechanisms to access capital. The use of private equity for capital financing continues to be viewed differently among the HANYS membership, with enthusiasm by some and with reservation by others.

## **Regulatory Reform**

Meaningful across-the-board regulatory relief is needed for hospitals and health systems to successfully implement state and federal healthcare reform. While the DSRIP program gives the state authority to grant regulatory waivers, that does not address the overwhelming need for real reform of regulations governing the entire healthcare system. HANYS urges your support of the following proposals:

- Establish tighter timeframes for DOH's review of Certificate of Need (CON) applications for construction. HANYS also supports the Executive Budget proposals to streamline the CON process for certain projects, which are a starting point, but much more reform is needed.
- Workforce flexibility is needed to support innovative models of care; examples include:
  - Allow hospital outpatient clinics and diagnostic and treatment centers to provide and be paid for house calls in certain circumstances.
  - Allow for greater use of practice protocols, established by hospital medical staffs, that have demonstrated the ability to improve patient care quality and response.

## **Managed Care Reform**

HANYS continues to advocate for new laws to address imbalances in the managed care and insurance marketplace. This has become even more important as new business practices and dynamics emerge with implementation of the federal ACA and insurance exchange. This year, HANYS will advance proposals to:

- provide coverage of court-ordered behavioral health and substance abuse treatment;
- allow for the payment of premiums by certain third parties on behalf of enrollees, so they can continue their insurance coverage;
- require plans to disclose whether coverage is exchange coverage, self-insured coverage, or narrow-network coverage when eligibility is determined; and
- further limit the acceptable use of administrative denials.

## **Behavioral Health**

The proposed Executive Budget makes important investments in the planned transition of Medicaid behavioral health services into managed care plans and Health and Recovery Plans (HARPs). This transition is part of the Medicaid Redesign Team (MRT) Care Management for All initiative, a multi-year initiative to move previously carved-out Medicaid services and populations into care management models. Behavioral health services are scheduled to be transitioned into Medicaid managed care beginning July 1, 2015.

- HANYS supports investments targeted to ensure the seamless transition of behavioral health patients and services into managed care plans. Sufficient state oversight of this transition is necessary to ensure that investments are appropriately distributed in communities and that the care delivered to patients with behavioral health needs improves under a new managed care model.
- HANYS supports the continuation of VAP funding designated for behavioral health providers.

## **Electronic Prescribing Mandate**

New York's e-prescribing mandate takes effect March 27, requiring all prescriptions, including controlled and non-controlled substances, to be transmitted electronically. HANYS supports the goals of the mandate, and our member hospitals and health systems are working on behalf of their practitioners to achieve compliance. However, as the implementation date nears, it has become clear that numerous challenges beyond the control of providers will make compliance with the deadline unlikely for many. HANYS has been working with DOH to develop a flexible waiver process that would allow for a "glide path" to implementation; the new waiver materials have not yet been released.

- A statutory delay is important to address ongoing implementation challenges that might have otherwise been accommodated through a waiver glide path to implementation.
- HANYS continues to work with DOH's Bureau of Narcotics Enforcement to encourage rapid release of a streamlined waiver process. However, we believe at this point in time the Legislature should consider a statutory delay of the mandate for one year.
- HANYS sent a letter to the legislative health committee chairs, the Governor's office, and DOH urging such a delay.

## **Medicaid Co-Payment for Dual Eligibles**

The Executive Budget proposes to reduce Medicaid co-insurance payments for certain services delivered to patients who are dually-eligible for Medicare and Medicaid.

- HANYS urges the Legislature to reject this proposal, which would result in reimbursement reductions to physicians, hospitals, and other outpatient providers.

## **Outpatient Prescription Drug Billing for 340B Providers**

The Executive Budget proposes to require that claims for outpatient prescription drugs submitted to a Medicaid managed care plan by a provider participating in the federal 340B program be billed at the actual acquisition cost (invoice price) minus discounts.

- HANYS urges the Legislature to reject this proposal, which would reduce reimbursement to these federally-designated providers.

**Thank you again for the opportunity to comment. HANYS looks forward to working with you on these and other issues in the coming months.**