

## 2018-2019 New York State Executive Budget Proposal

### OVERVIEW

On January 16<sup>th</sup>, Governor Andrew Cuomo released a \$168.2 billion Executive Budget proposal for State Fiscal Year (FY) 2019. Additional information on important health care-related proposals is provided below.

The full Executive Budget proposal is available [here](#).

### HEALTHCARE SHORTFALL FUND

- Develop a \$1 billion reserve called the Healthcare Shortfall Fund to address the uncertainty related to federal funding of health care programs, Cost-Sharing Reduction (CSR) payments, and changes to the Affordable Care Act (ACA).
- The fund will support programs currently funded with support of the Federal Government, including the loss in federal aid attributed to the Children's Health Insurance Program (CHIP) and the loss of funding for the Essential Plan.
- The fund will be initially populated with funds from insurer conversions, which are estimated to be \$2 billion in total from 2018-2022.
- The budget also authorizes program modifications in CHIP to preserve vital services and mitigate risks associated with the loss of federal health care funds.

### GENERAL MEDICAID PROPOSALS

- State spending under the Medicaid Global Cap will increase \$593 million (3.2%) to \$18.9 billion.
- Total State share of Medicaid spending is expected to increase to \$20.6 billion, and total Medicaid spending is expected to increase to \$70.2 billion.
- Provide \$450 million to support minimum wage increases for health care providers.
- Provide \$425 million in new health care capital to be funded by bonds and monetary settlements.
- Provide \$396 million in continuing funding to support critical health care providers through the State's Vital Access Provider (VAP), Vital Access Provider Assurance Program (VAPAP) and Value Based Payment Quality Improvement (VBP QIP) Programs.

### Medicaid Reforms

The budget provides for the continued funding of the implementation of the Medicaid Redesign Team initiative, as described below:

- Manages enrollment growth in Managed Long Term Care (MLTC) by reducing administrative costs, banning contracted provider marketing, eliminating contracts with poorly performing social adult day care providers, increasing the eligibility threshold for the provision of MLTC services, and limits the number of contracts that health plans can have with licensed home care service agencies (LHCSAs).
- Expands the Assisted Living Program by redeploying authorized slots that have not been used.
- Expand Medicaid covered telehealth services to residential settings.

- Expand community paramedicine programs to provide non-emergency care in residential settings.
- Incentivize providers and Medicaid Managed Care plans to establish new value-based payment arrangements.
- Subject manufacturers that are unable to reach prescription drug rebate agreements with the Department of Health (DOH) to Drug Utilization Review Board referral.
- Extend the pharmacy drug cap within the Medicaid program for an additional year.
- Create a comprehensive medication management program and implement a medication adherence program.
- Authorize retail practices to provide treatment and referrals for common health care needs in convenient commercial settings such as pharmacies and grocery stores.
- Expand authority of the Office of the Medicaid Inspector General (OMIG) to recover overpayments to Medicaid Managed Care Organizations (MMCOs).
- Authorize Certified Registered Nurse Anesthetists to practice to the full extent of their training to increase access to cost-effective anesthesia services.
- Reduce State payments to managed care plans that recommend unnecessary laboratory tests.
- Incentivize Health Home members who access preventative care, stay engaged in health Home care management, and avoid unnecessary use of emergency services.
- Invest in emergency ambulance reimbursement rates for Medicaid providers.

## OTHER PUBLIC HEALTH

- Consolidate 30 public health appropriations that are duplicative.
- Reform Early Intervention (EI) programs to increase reimbursement from third-party insurers.
- Include \$425 million to support capital projects funded by the Statewide Health Care Facility Transformation Program, \$60 million of which will be designated for community-based providers and \$45 million for Residential Health Care Facilities.
- Provide \$600 million to construct a new life sciences laboratory in the Capital region.
- Modernize the American Indian Health Program (AIHP) by implementing a co-pay and formulary structure, mandating generic substitution, and accessing drug rebates and discounts to save \$7.4 million over two years.
- Discontinue Cost of Living Adjustment (COLA) payments to save \$45.4 million on an annualized basis.
- Provide \$500,000 to expand Enhanced Multidisciplinary Teams (EMDTs) to investigate financial exploitation of the elderly.
- Continue the \$200 million multi-year “Ending the AIDS Epidemic” Initiative.

## Other Proposals

- Secure women’s access to reproductive health options by including legislation upholding Roe v. Wade and subsequent rulings in New York State law.
- Include legislation to ensure the accessibility and availability of comprehensive contraceptive coverage for New Yorkers, including emergency contraception.
- Establish a Maternal Mortality Review Board to analyze maternal deaths and develop recommendations to improve care.
- Implement measures to protect children from exposure to lead paint and establish remedies for violations related to required inspections and reporting.

## NEW YORK STATE OF HEALTH (NYSOH) MARKETPLACE

The NYSOH marketplace enrolls individuals in Medicaid and Child Health Plus, as well as the Affordable Care Act's Qualified Health Plans and Basic Health Plan (called the "Essential Plan"). The budget calls for \$694 million in total funding for the operation of NYSOH, which includes marketplace operations as well as state funding for the Essential Plan.

## MARIJUANA LEGALIZATION

Given that several states have legalized recreational marijuana and other states, including New Jersey, have taken steps towards legalizing marijuana, Governor Cuomo has proposed that the New York State Department of Health (DOH) conduct a study on regulated marijuana to determine the following:

- Health impact;
- Economic Impact;
- Criminal justice impact; and
- Consequences to New York State resulting from legalization in surrounding states and federal action.

However, Governor Cuomo noted the complications and uncertainty surrounding the recent announcement by the Attorney General ending the Obama-era policy of non-interference with laws in states that legalized marijuana.

## MENTAL HYGIENE

The Budget includes the following spending totals for the following agencies:

- \$3.6 billion for the Office of People with Developmental Disabilities (OPWDD)
- \$2.9 billion for the Office of Mental Health (OMH)
- \$603.9 million for the Office of Alcoholism and Substance Abuse Services (OASAS)

Major budget proposals for each agency are described below.

## OPWDD

- Provide \$120 million in new funding on an annual basis for program priorities, including new service opportunities.
- Commit nearly \$60 million in new funding for residential services (OPWDD recently awarded 459 certified opportunities to 83 service providers across New York State).
- Commit \$15 million in new capital funding to develop and expand independent living housing for individuals with intellectual and developmental disabilities.
- Direct OPWDD to collaborate with OMH to develop a specialized transitional program at the Bernard Fineson Campus in Queens for adults dually-diagnosed with developmental disabilities and behavioral health issues.
- Allocate \$39 million to support the transition from OPWDD's Medicaid Service Coordination Program to a comprehensive care coordination model operated through Care Coordination Organizations/Health Homes (CCO/HHs)
- Utilize existing federal Medicaid rates rather than an additional State supplement to support the cost of programs that convert from the Immediate Care Facility Model to Individualized Residential Alternative Settings.

## OMH

- For the third consecutive year, provide an additional \$10 million to maintain current supported housing and single residence occupancy programs.
- Expand community-based services, including 200 additional supported housing community beds and other community-based services in areas where 100 vacant inpatient beds are closed, with the use of additional funds.
- Authorize \$50 million in new local capital spending to expand crisis respite capacity;
- Support additional residential capacity, including additional homeless residential beds;
- Provide \$5 million for peer support and in-reach services for high-need individuals currently residing in impacted adult homes;

## OASAS

- Increase of \$26 million (4.5%) in operating and capital support for prevention, treatment and recovery programs, residential service opportunities, and public education activities.
- Add 350 new Opioid Treatment Program (OTP) slots.
- Develop four new adolescent clubhouses for teens and young adults in recovery or are at-risk for substance use disorders (SUDs).
- Fund scholarship program for 250 new Certified Peer Recovery Advocates (CPRAs) to receive certification.
- Develop seven new Problem Gambling Resources Centers.
- Allocate \$55 million to support capital projects in the development of new beds/treatment spots and the maintenance and renovations of OASAS-funded community-based programs and State-operated facilities providing services for individuals with SUDs.

## Opioid Epidemic

- Include more than \$200 million in funding to address the heroin and opioid crisis.
- Increase operating and capital support for the Office of Alcoholism and Substance Abuse Services (OASAS) by \$26 million (4.5%).
- Expand residential treatment beds and outpatient treatment programs.
- Implement Opioid Epidemic Surcharge to drug manufacturers in order to offset the costs the State is spending to fight opioid addiction and abuse.

## Multi-Agency Initiatives

- Provide \$60 million over three years to behavioral health providers transitioning to a value-based payment model (these awards were announced January 4<sup>th</sup>).
- As part of the \$450 million to support minimum wage increases, \$106 million is included for not-for-profit health care workers and \$262 million for direct care professionals and clinical workers employed by not-for-profit agencies that provide OMH, OASAS, and/or OPWDD services.

## **SUPPORTIVE AND AFFORDABLE HOUSING**

- Provide funding to support the creation or preservation of more than 100,000 units of supportive and affordable housing, despite federal cuts, as part of the ongoing, multiyear \$20 billion Affordable and Homeless Housing and Services Initiative.

## **ECONOMIC DEVELOPMENT**

- The Governor has proposed that \$750 million be invested for Round Eight of the Regional Economic Development Councils to fund regional priority projects.
- The budget provides \$100 million for Round 3 of the Downtown Revitalization Initiative, with \$10 million for awards in each region.
- The budget also provides funds to expand the Upstate Revitalization Initiative.

## **CONTINUITY OF UPSTATE DEVELOPMENT PROJECTS**

The Governor reaffirmed his commitment to ongoing health facility projects, as follows:

- Buffalo Children's Hospital (\$270 million);
- University of Buffalo School of Medicine (\$385 million); and
- Utica Hospital (\$480 million).

## **REVENUE RAISERS**

The Governor proposed several measures, including a health care conversion program, to raise over \$1 billion in revenues in FY 2019 to help offset a \$4.4 billion deficit. Major health care-related proposals are described below.

### **Health Care Conversion**

- Encourages the conversions or acquisitions of not-for-profit health insurance companies into for-profit entities (under Insurance Law, State retains 90% of proceeds from such conversions).
- The Division of the Budget believes that conversions and comparable transactions are likely to occur in the current health insurance market and anticipates revenues of \$500 million annually over four years.
- Revenues will be used to populate the newly established Healthcare Shortfall Fund.

### **Health Insurance Windfall Profit Fee**

- Enact surcharge of 14% on underwriting gains from health insurance policies in order to offset State's increased burden of health care costs incurred from health insurance companies receiving 40% corporate tax cut under new federal tax plan.
- Surcharge is anticipated to raise \$140 million per year to be reinvested in vital health care services.

## Opioid Epidemic Surcharge

- Subject opioid manufacturers to a surcharge that requires them to pay 2 cents per milligram of a prescription drug's active opioid ingredients.
- This surcharge is anticipated to raise \$298 million in revenues over the next two years.
- All proceeds would be earmarked for the Opioid Prevention, Treatment and Recovery fund.

## Health Tax on Vapor Products

- Levies an excise tax on distributors of 10 cents per fluid milliliter for vapor products to reduce the use of e-cigarette and tobacco products.