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Senate Finance and Assembly Ways and Means

Joint Legislative Hearing on the 2016-17 Executive Budget

Health and Medicaid

January 25, 2016

Thank you for the opportunity to provide testimony on the Governor's FY 2016-17 budget proposal. My name is Beverly Grossman and I am the Senior Policy Director of the Community Health Care Association of New York State (CHCANYS), the State's Primary Care Association for federally qualified health centers.

CHCANYS: Supporting New York's Primary Care Safety Net Providers

CHCANYS serves as the voice of community health centers as leading providers of primary care in New York State. We work closely with more than 60 federally qualified health centers (FQHC) that operate over 600 sites statewide. FQHCs, also known as community health clinics, are non-profit, community run centers located in medically underserved areas that provide high-quality, cost effective primary care, including behavioral and oral health services, to anyone seeking it, regardless of their insurance status or ability to pay. Each FQHC is governed by a consumer-majority board of directors who seek to identify and prioritize the services most needed by their communities.

FQHCs serve 1.8 million New Yorkers annually. In 2014, 86% of patients served were below 200% of poverty, 55% received Medicaid, and 18% were uninsured. One quarter of New York's FQHC patients are best served in a language other than English, and three-fourths are racial and/or ethnic minorities. In short, FQHCs are New York's primary care safety net providers.

Specific Comments and Requests Regarding the 2016-17 Executive Budget Proposal

While we are grateful that the Administration has emphasized how community-based primary care is central to the State's health care delivery system and payment reform efforts, the

resources have not followed the rhetoric. Indeed, in the current State Fiscal Year, as well as in SFY16-17, CHCANYS is deeply concerned that not only are there insufficient funds to assist community-based providers to affirmatively participate in reform efforts, but that there are "hidden" cuts that are undermining the ability of FQHCs to cover day-to -day operational expenses.

FQHCs are currently experiencing a $54.4 million funding deficit in addition to the prospect of additional costs due to numerous factors—including the transition to value-based payment, the closure of Health Republic, and the proposed minimum wage increase—for which the state has proposed no corresponding funding increases. A majority of community healthcare providers are small, with lean budgets and limited ability to absorb unexpected costs, such as a loss of indigent care funding, unpaid claims as a result of the closure of Health Republic, and the increase in minimum wage. What may appear to be a small amount of increased costs or lost funding may in fact represent a large percentage of a small provider's budget and severely impact their bottom line.

Taken together, these upfront and "hidden" cuts will impact FQHC's financial viability and their ability to continue to provide high-quality, comprehensive, community-based primary care, a signature component of New York's wide-ranging healthcare delivery system and payment reform initiatives. It is therefore critical that the State make funds available to community healthcare providers, including FQHCs, to support their ongoing participation in transformation efforts.

A. **FQHCs Are Experiencing a $54.4 Million Deficit in Indigent Care Funding**

FQHCs are eligible to receive up to $108M annually through the Diagnostic and Treatment Center Uncompensated Care Pool (D&TC UCP), comprised of $54.4 M in state funding and an equal federal match. This funding partially reimburses FQHCs for the cost of caring for the uninsured, the rate of which is much higher at FQHCs than in the general New York State population. On average, 18% of patients seen at FQHCs are uninsured, compared to 8%

throughout New York State. However, at some health centers, more than half of patients are uninsured. Although the D&TC UCP is underfunded, it does provide vital assistance to community health centers, thereby helping to off-set the overall cost of caring for the uninsured. The more uninsured care a health center provides, the greater proportion of the pool the center receives.

The Executive Budget proposes to continue funding at $54.4 million for the D&TC Uncompensated Care Pool (UCP). While we appreciate the level state funding for the D&TC UCP in this year's Executive Budget and urge the legislature to approve this amount, FQHCs are facing a crisis regarding the 2015 federal match for the D&TC UCP. The authorization for the federal match was included in New York State's 1115 Waiver, which expired at the end of 2014. CHCANYS has been working with the Department of Health since 2013 to ensure the reauthorization of the federal match. Although DOH has asked for the match to be reauthorized and extended, CMS has yet to approve this request, which has resulted in a $54.4M shortfall for FQHCs. FQHCs have yet to receive any federal indigent care funding for 2015, and it remains unclear when or if they will receive this money at all. Nearly 25% of health centers that receive indigent care funds are currently experiencing or will experience operational deficits in the immediate future if they do not receive the 2015 federal match.

To date, the delay in the 2105 federal match has resulted in more than 20% of health centers foregoing hiring, reducing staff or making other staffing changes, including delaying hiring care managers, increasing staff ratios, and delaying staff salary increases. Health centers are delaying expansion plans or changing services, including delaying expansion of sites that service uninsured patients and expansion of dentistry and behavioral health services.

We expect these impacts to greatly increase with continued delay of this funding. If health centers don't receive the 2015 federal match for indigent care dollars, at least one third of them will be forced to forego filling vacant positions and/or make other staffing changes, including reducing up to 50 FTE (including clinical and support staff), reducing clinical hours, and

increasing staffing ratios. Furthermore, at least 20% of health centers will change expansion plans or services, including delaying or cancelling expansion in sites where the majority of uninsured patients are seen, reducing access to dental and behavioral health services, and cancelling obstetrics and women's health services.

Additionally, behavioral health providers are only eligible to receive indigent care funding through the D&TC UCP if there is a federal match. It is our understanding that the Office of Mental Health is experiencing at $10M deficit in funds for behavioral health providers that serve uninsured individuals because the federal match has not yet been approved for 2015.

CHCANYS continues to work closely with DOH and CMS to secure the federal match for 2015 as well as to extend it, but in the meantime, FQHCs are facing an immediate funding crisis which may result in reduced access to care precisely at a time when New York State is seeking to expand access to primary care services, reduce unnecessary hospitalizations, and improve health outcomes. We urge the legislature to include $54.4M in contingent funding for the D&TC UCP to ensure that FQHCs are able to continue to provide high-quality, community-based primary care to all New Yorkers.

B. **Twenty-five Percent of $195 M Health Care Facility Transformation Funding for Community Health Care Providers**

CHCANYS is pleased that the Executive Budget proposes restructuring $200M of the Health Care Facility Transformation Program capital funding appropriated in last year's budget and making $195M of that funding available to health care providers for facility transformation. It is critical that this funding be available to all health care sectors and that a minimum amount be allocated to community healthcare providers, including FQHCs, behavioral health, family planning and home health providers, to support their ongoing participation in transformation efforts.

New York's stated priority is to transform the healthcare system by providing access to high-quality, coordinated care in every region of the state through the integration of primary care services with other community-based care providers. However, past State budget priorities have not reflected this rhetoric, nor have they provided adequate investment or resources in the community healthcare sector, thus moving New York further from reforming its existing inpatient-focused healthcare delivery system. Transformation of New York's healthcare delivery and payment system through DSRIP and related initiatives, including SHIP and the transition to Value-Based Payment, is a massive undertaking which relies on FQHCs and other community healthcare providers to participate in a variety of intensive projects. However, downstream community partners have yet to receive any meaningful funding under DSRIP compared to the total percentage of dollars available to PPS Leads or have access to any funding streams designed to solely support their capital and working capital needs. In fact, in last year's budget, less than 4% of the nearly $1.7 billion in new funding allocated for healthcare providers was available to non-hospital community-based healthcare providers, including FQHCs, behavioral health, family planning and home health providers. New York State is relying on the work of the community-based healthcare provider sector to transform the State's healthcare delivery system, yet it has not made any equitable investment in the sector to support this work.

The inclusion of the $195M Health Care Facility Transformation Program is a heartening first step, although the funding must be made available to all types of providers participating in the transformation effort, not just hospitals. To ensure the State begins to resize its investments and make the necessary investment needed, a minimum of twenty-five percent of the $195M, or $48.9M, must be allocated solely to community healthcare providers, including FQHCs, behavioral health, family planning and home health providers, to support their ongoing participation in transformation efforts. This amount mirrors the DSRIP goal of reducing unnecessary hospitalizations by 25%.

FQHCs and other community healthcare providers are the backbone of access to care in many communities because they are heavily relied upon by the uninsured, underinsured, and publicly

insured—the very population that tends to over utilize hospitals. However, this expansion requires access to affordable capital. Capital funds available through the Health Care Facility Transformation Program will help support the development of new and expanded community-based care, which will be essential to achieving true delivery system transformation.

C. **Essential Community Health Care Provider Pool**

As mentioned above, community healthcare providers are integral to the success of New York State's healthcare transformation initiatives. Community healthcare providers, including FQHCs, behavioral health, family planning and home health providers, are much smaller than hospital systems, with leaner budgets and less access to working capital to support the many non-capital projects that facilitate health care transformation, such as workforce and restructuring initiatives. For example, an analysis of 2013 cost report data shows that half of New York FQHCs had fewer than 38 days of cash on hand and 20% of FQHCs had 10 days of cash or less. Sixteen of these less liquid FQHCs are headquartered in neighborhoods identified as high-priority targets for primary care expansion.

Last year's budget included a $355M "Essential Health Care Provider Fund" to "support debt retirement and capital projects or non-capital projects that facilitate health care transformation, including mergers, consolidation, acquisition or other significant corporate restructuring activities intended to create a financially sustainable system of care that promotes a patient-centered model of health care delivery." No community healthcare providers had access to this money, despite their participation in State transformation initiatives to promote a patient-centered model of health care delivery.

CHCANYS requests that the Legislature establish a new $88.5M funding pool, the Essential Community Health Care Provider Fund, to be available exclusively to community healthcare providers, including FQHCs, behavioral health, family planning and home health providers. This pool would have the same purpose as the pool included in last year's budget—to support capital and working capital needs of community healthcare providers in furtherance of healthcare

transformation.

Earmarking $88.5M in capital and working capital funding for community healthcare providers, an amount equal to 25% of the $355M Essential Health Provider Fund appropriated in last year's budget, would ensure that community healthcare providers, including FQHCs, have access to funding to cover the projects necessary for successful transformation.

D. **Restore Support for Health Centers Serving Migrant & Seasonal Farm Workers**

CHCANYS strongly supports restored funding to previous fiscal year levels (FY 2012-13, $430,000) for Migrant Health Care programs across New York State. Migrant Health Care funding allows health centers and other eligible providers to serve over 18,000 migrant and seasonal agricultural workers and their families, an extremely vulnerable population that is integral to New York State's agribusiness. It is estimated that 61 percent of farmworkers live in poverty, with a median income of less than $11,000 annually. New York's migrant health centers keep farmworkers healthy by providing primary and preventive health care services, including culturally competent outreach, interpretation, transportation, health education and dental care.

Notably, FQHCs have experienced exponential growth in the number of migrant and seasonal agricultural workers they serve. Between 2008 and 2013, FQHCs saw a 36 percent increase in the number of migrant and seasonal agricultural workers served with no corresponding increase in state funding to care for these patients.

E. Add $20M to the Community Health Care Revolving Capital Fund

Last year's final budget included $19.5 million to establish a Community Health Care Revolving Capital Fund. Even those FQHCs who have healthy balance sheets often struggle to secure affordable financing. This revolving fund was created to support the work of responsible, community-focused investors to bring public and private capital together for the purposes of investing in primary care and restructuring our healthcare system. However, it currently is not nearly enough meet the enormous demand for capital in the community-based healthcare sector,

and therefore we urge an expansion of the Fund through an additional appropriation from the next fiscal year.

The Legislature must also ensure that the $19.5M previously appropriated to the Revolving Capital Fund in last year's budget be released in a timely manner. An administrator for this Fund has not yet been identified and details on the Fund remain unclear, hampering the usefulness of the Fund as a financial support vehicle for community healthcare providers.

F. **Support for Primary Care Workforce Initiatives: Primary Care Service Corps and Funding for a New Class of Doctors Across New York**

The numerous transformation initiatives underway in New York, including DSRIP, SHIP, and the transition to Value-Based Payments, are all calling on health care providers to rapidly change how health care is delivered. At the same time, the Affordable Care Act (ACA) has added hundreds of thousands of persons to the insurance rolls in New York State, challenging providers' capacity to provide patient-centered care to all covered individuals. CHCANYS has concerns about the ability of providers to respond to these transformative changes without an adequate workforce in place, one that is appropriately trained for emerging models for patient-centered and coordinated care.

CHCANYS appreciates that the Executive Budget maintains funding levels for the Primary Care Service Corps (PCSC) and Doctors Across New York (DANY), two programs that advance the recruitment and retention of primary care providers. Additionally, we urge the Legislature to commit to a diverse and strong primary care workforce by continuing to safeguard these programs, in addition to the following recommendations:

- Provide consistent funding and an annual date certain for these applications, which would encourage medical school students and residents to choose primary care, knowing that they could get debt relief.

- Specify appropriations in the DANY statute for each year of the current HCRA authorization, in addition to the appropriations bill for new and needed re-appropriated funds.
- Support state budget funding for PCSC. Sustaining this small program, established by the Legislature in 2012, is critical to addressing primary care workforce shortages in under-served parts of the state.

Primary care providers must be able to recruit, train, and retain a workforce that is stable and well-qualified to serve low-income patients. Filling vacant positions is an immediate means to expanding the capacity of existing providers to serve more patients. Further, the next generation of primary care workforce will need a thorough understanding of and the skills for providing new integrated care models, including patient-centered medical homes (PCMH), Accountable Care Organizations, and others. At the same time that demand for primary care services is increasing, FQHCs are struggling to maintain primary care providers. Both the oral and behavioral health sectors suffer from provider shortages and mal-distribution of qualified providers in rural and underserved communities. This uneven access results in greater health disparities. Meanwhile, New York faces challenges in access to primary care, needing an additional 2.8 full-time primary care physicians per 100,000 people to meet the needs of its population. Filling existing provider vacancies in FQHCs increases their capacity to serve more patients. If all vacant positions are filled, capacity would increase by approximately 850,000 visits a year, or 12.6 percent statewide. This increased provider capacity could accommodate 185,000 additional patients.

G. Maintain Funding to School-Based Health Centers

CHCANYS appreciates that the Executive Budget supports and maintains line-item funding for school-based health centers (SBHC). However, the Legislature should take into account the upcoming transition to managed care and provide an additional $3.8 million in the proposed 2016-17 State Budget for SBHCs, which would restore general fund revenue for SBHC to 2008-

09 levels of $23.4 million. These funds are used by SBHCs for core primary, preventive, mental and dental health services to underserved children and adolescents.

The additional funding will ensure that the SBHC program remains stable throughout this transition and is able to continue providing much needed care for children across the state for whom accessing quality comprehensive care, including oral and behavioral health, may be difficult or impossible in other settings. Many SBHCs are sponsored by FQHCs, which have long considered them an essential part of their comprehensive primary care model. In providing comprehensive and coordinated care in schools, SBHCs prevent unnecessary hospitalizations, reduce emergency room visits, increase immunization rates, increase access to mental health and dental care, improve school attendance, and avoid lost work days for parents. They also help to prevent and manage chronic disease and illness. In a Bronx study, asthmatic children without a SBHC were 50% more likely to be hospitalized and had double the number of emergency room visits than children in schools with a center.

SBHC also increase access to care for the hardest to reach youth and reduce ethnic and racial disparities in the communities they serve. A study found that average visit rates for African American students were double that of all other students. In a 2007 study in Rochester, New York students who were enrolled in Medicaid and commercial insurance who used SBHCs reported that they trusted their centers as confidential sites for care and were found to be more likely than students with no SBHC access to seek reproductive health care and mental health services.

H. **Ensure Continuity of Care within Limited Service Clinics.**

The Executive Budget proposal includes proposed legislation that would create a new type of D&TC clinic within a retail space, known as a "limited services clinic." CHCANYS appreciates the efforts to establish strong linkages between limited service clinics and primary care providers by requiring clinic providers to offer a roster of primary care providers to patients who indicate they do not currently have a primary care physician and mandating the transmittal, via electronic

means if possible, of service records to primary care providers. These linkages with primary care are vitally important, especially for uninsured or publically insured patients who are more likely to receive uncoordinated, episodic care at clinics and emergency rooms.

While these requirements are a worthy first step, they should be strengthened by the addition of a requirement that the rosters provided to patients include FQHC or other safety net providers who serve Medicaid and low-income patients and identify those providers who are recognized as NCQA Primary Care Medical Homes (PCMH). Ensuring that patients are given information about primary care providers who serve anyone seeking care, regardless of their insurance status or ability to pay, is critical to promoting coordinated health care.

Care coordination with primary care providers should be emphasized across the care spectrum, including at retail clinics. As the health care system moves away from episodic, uncoordinated care, the proposed legislation could unintentionally create and promote disjointed care for medically underserved communities. It is essential that limited service clinics work closely with primary care providers to ensure that patients' care is coordinated and comprehensive.

Conclusion

CHCANYS supports New York's efforts to transform the healthcare delivery system and is pleased that the State has recognized the importance of expanding access to comprehensive, community-based care—a model that FQHCs have relied on for fifty years. However, meaningful, sustainable delivery system transformation will only be achieved if the State provides appropriate financial investment directly to the community healthcare providers whose work is at the center of the reimagined care delivery system. CHCANYS stands ready to work with the State's legislative leaders to support New York's ambitious heath care agenda.

Specifically, CHCANYS respectfully urges the Legislature to:

- Ensure $54.5M in contingent funding to make FQHCs whole in the event that the D&TC Uncompensated Care Pool federal match is not secured, and maintain proposed state funding levels for the Pool;
- Commit $48.9M of the Health Care Facility Transformation funding to Community Healthcare Providers;
- Create a $88.5M Essential Community Health Care Provider Pool;
- Restore funding for health services for migrant and seasonal farm workers;
- Add $20M to the Community Health Care Revolving Capital Fund;
- Support continued investment in the primary care workforce through the Primary Care Service Corps (PCSC) and Doctors Across New York (DANY) programs;
- Support an additional $3.8M in funding to School-Based Health Centers;
- Ensure continuity of care within Limited Service Clinics.