Joint Legislative Public Hearings on 2016-2017 Executive Budget Proposal:

HEALTH-MEDICAID HEARING
February 3, 2016

My name is Allison Sesso, and I am Executive Director of the Human Services Council of New York (HSC), a membership organization representing nearly 200 nonprofit human services providers in New York City and throughout the State.

Serving as the voice of the human services community since 1991, HSC strengthens the nonprofit human services sector's ability to improve the lives of New Yorkers in need. We foster collaboration between and among human services organizations and the government agencies that contract with them, ensuring that high-quality services reach the communities that need them. Our close relationships with both providers and the City and State governments enable us to understand the challenges that our sector faces and advocate for a better regulatory and fiscal environment.

The transition to a managed care model will have a significant impact on New York's nonprofit human services sector. As with any overhaul of a large industry, this change will require strategic investment to ensure uninterrupted service delivery. Training, technology upgrades, evaluation, and a cash flow management mechanism are just a few of the foreseeable needs nonprofits will have in making this shift. Significant investments have been made in the health sector, but the nonprofit human services investments needed to make this shift have not been realized.

The proposed budget allocates $7 million in new Medicaid rate enhancements to stabilize providers as they transition to managed care. We are pleased that the Governor has acknowledged the need for transitional support. We note, however, the vast difference between the transitional funding that hospitals received (more than $1 billion) and what is proposed for human services providers. Human services providers are already struggling to keep up with current mandates and will need even more funding to meet the requirements of the managed care environment. Specifically, they will need financial support in order to:

- Conduct risk assessments to determine whether value-based payment is a viable option for them;
- Demonstrate that their services have an impact on SDHs;

- Transition to a more entrepreneurial approach in which they can make value-based propositions;
- Determine how to set rates;
- Make technology upgrades to comply with new information management requirements; and
- Invest in and use evaluation systems.

There is an urgent need for training, technical assistance, and coordination among government, Managed Care Organizations (MCOs), Performing Provider Systems (PPSs), and CBOs to ensure that the health-improving and cost-saving potential of MC is realized. The proposed $7 million allocation simply will not cover the level of support required by the many organizations that will be vital to the managed care system.

In October 2015, the New York State Department of Health (DOH) began a fundamental restructuring of Medicaid's health care delivery system. The current fee-for–service system is being replaced with a managed care model that will integrate primary care with behavioral services, including mental health and substance abuse services, and incentivized prevention.[i] This transformation in healthcare delivery is intended to reduce avoidable hospitalizations by 25 percent over the next five years.

Because they already effectively deliver behavioral services to tens of thousands of New Yorkers, the participation of human services providers is considered by the State Department of Health to be integral to program success.[ii] But the enormous financial investments by providers that participation would entail, coupled with the uncertainty and unpredictability of revenue, currently makes their participation in Medicaid Managed Care an enormously risky proposition.

According to a survey of our members in 2015, 65 percent of respondents – all nonprofit human services providers - expected that they will participate in the transition to Medicaid Managed Care. Investments in information technology for appropriate medical recordkeeping and outcomes tracking, staff training, and new accounting and cash flow management systems are just a few of the investments they will have to make. Their costs will be recouped only if Performing Provider Systems (PPSs) refer clients to them and if providers are able to establish that their "interventions" actually improve expected health outcomes, thereby entitling them to the program's "Value Based Payments."[iii] Those are two big "ifs."

The large health care systems designated as PPSs by the Health Department are unlikely to partner with human services providers unless they appreciate the advantages they would gain by linking to culturally competent organizations with close connections with the communities they serve. But PPSs can select partners from among hundreds of organizations, or can deliver services through their own subsidiaries. Human services providers could make large infrastructure investments "on spec" and not be selected.

Providers are also at risk because their payments will depend on how well their education, housing, healthcare, literacy, income and other interventions improve health outcomes, but little or no outcome data will be available to them on which to base reliable future revenue estimates.[iv] They will be in the dark about the payment amounts for individuals, how their clients' attainment of better health outcomes will be measured, how claims will be submitted to Medicaid for the services they provide and the timeframe and disallowances that could apply to payments. The disallowance of significant payments, or other assumptions that widely diverge from outcomes, could be calamitous.

Recognizing the financial cost and attendant financial risks of Medicaid restructuring, the State and federal government have provided more than $7 billion to designated PPSs in New York State. But no

similar provision has been made for the thousands of downstream providers expected to participate, such as human services providers.

The State recognizes that human services providers can be particularly effective in helping New Yorkers become healthier. But if they are to participate successfully in Medicaid Managed Care, transition funding will be required. The State must help them pay for necessary investments in information technology, capacity building and training, metrics tracking and accounting systems, as well as cushion the transition to a new model of payment in order to avoid cash flow problems that may arise from delays in claims processing.

Finally, if the State does adopt a policy to increase the minimum wage to $15 per hour across the State, funding to support a Medicaid rate increase must be provided. It is critical that the State recognize and fund this wage adjustment to ensure nonprofit human services providers receiving Medicaid payments can pay this increased wage.

Thank you for this opportunity to testify. If I can provide more information or answer any questions, please contact me at sessoa@humanservicescouncil.org / (212) 836-1230.

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[i] Known as the Delivery System Reform Incentive Payment (DSRIP) Program, A cornerstone of DISRIP is the integration of primary care and behavioral health services (including mental health and substance abuse services). At the end of the five years, 80 to 90 percent of Medicaid payments are expected to flow through a value-based arrangement.

[ii] "Community-based groups have uncertain role in Medicaid reform," Dan Goldberg, Politico.com (September 28, 2015), available at http://www.capitalnewyork.com/article/albany/2015/09/8577329/community-based-groups-have-uncertain-role-medicaid-reform

[iii] Interventions identified as effective by the NYS DOH include measures relating to economic stability; education; health and healthcare; social, family and community; and neighborhood and the environment. Research has consistently demonstrated that only about 20 percent of population healthcare outcomes are attributable to direct service delivery while the remaining 80 percent are governed by social circumstances such as these. DOH is allocating up to $6.42 billion for Value Based Payments (VBPs) based upon achieving predefined results in system transformation, clinical management and population.

[iv] Analysis at the micro level is ushering in an understanding of the impact of nutrition, health care literacy, exercise, and community support on population health, but it is far from categorical, as yet.