

## OFFICE FOR THE AGING

|                                  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change           | Percent<br>Change |
|----------------------------------|--------------------------------------|---------------------------------|------------------|-------------------|
| <b>AGENCY SUMMARY</b>            |                                      |                                 |                  |                   |
| General Fund                     | 100,545,300                          | 110,389,000                     | 9,843,700        | 9.8%              |
| Special Revenue-Other            | 4,300,000                            | 4,300,000                       | 0                | 0.0%              |
| Special Revenue-Federal          | 117,850,000                          | 117,850,000                     | 0                | 0.0%              |
| Enterprise                       | 100,000                              | 100,000                         | 0                | 0.0%              |
| <b>Total for AGENCY SUMMARY:</b> | <b>222,795,300</b>                   | <b>232,639,000</b>              | <b>9,843,700</b> | <b>4.4%</b>       |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change   |
|------------------|--------------------|----------------------|----------|
| General Fund:    | 33                 | 33                   | 0        |
| All Other Funds: | 108                | 108                  | 0        |
| <b>TOTAL:</b>    | <b>141</b>         | <b>141</b>           | <b>0</b> |

#### Agency Mission

(Executive Budget: pp. 123-126)

The New York State Office for the Aging (SOFA) is responsible for coordinating and administering federal, State, and local programs and services for the 3.2 million State residents who are sixty years of age or older. The mission of SOFA is to help older New Yorkers remain as independent as possible through effective policies and programs, as well as through encouragement of informal support networks and, as necessary, formal support services. SOFA oversees 59 Area Agencies on Aging, as well as numerous other local programs and providers serving New York's senior citizens.

This agency is included in the Health and Mental Hygiene appropriation bill.

## **Programmatic Highlights**

The State Fiscal Year (SFY) 2007-08 Executive Budget includes the following:

- an increase for the Supplemental Nutrition Assistance Program (SNAP) to bring total program funding to \$19,209,000;
- funding to support the second year of a three year cost of living adjustment (COLA) tied to the Consumer Price Index (CPI). The COLA would apply to the Expanded In-home Services for the Elderly Program (EISEP), Community Services for the Elderly (CSE) Program and the SNAP;
- funding to support the establishment of a Family Caregiving Council;
- additional support for Phase 1 of the Long Term Care Point-of-Entry Initiative; and
- cost savings initiatives totaling \$75,400,000 in the Elderly Pharmaceutical Insurance Coverage (EPIC) Program administered by the Department of Health. These initiatives include accelerating the implementation of the Preferred Drug Program for EPIC to January 1, 2008; mandating all eligible seniors enroll in Medicare Part D unless it represents a significant financial hardship; and reducing drug reimbursement from average wholesale price (AWP) less 20 percent to AWP less 30 percent for generic drugs and AWP less 13.25 percent to AWP less 15 percent for brand name drugs, paralleling a similar proposed change in pharmacy reimbursement in the Medicaid program.

## **Budget Detail**

The Executive recommends an All Funds appropriation of \$232,639,000, a net increase of \$9,843,700, or 9.8 percent, over SFY 2006-07. This increase is attributable to a net increase of \$9,843,700 in the General Fund appropriation. The total workforce for SOFA is proposed at 141 full-time equivalent positions.

### **State Operations**

The Executive recommends a total State Operations General Fund appropriation of \$2,556,000, an increase of \$172,000 or 7.2 percent over SFY 2006-07.

The Executive continues \$25,000 in funding to support the planning, development, and a feasibility study of the Senior Benefits Program.

### Proposed Increases

- The Executive proposes a General Fund increase of \$322,000 to support an increase in personal service funding.

### Proposed Decreases

The Executive proposes the following:

- a General Fund cash savings of \$17,000 resulting from a five percent reduction in non personal services spending; and
- a General Fund savings of \$150,000, resulting from elimination of the Greenhouse Pilot Project which studied new nursing home models for rural and suburban areas to serve frail nursing home eligible seniors. Unspent SFY 2006-07 funding would be re-appropriated.

### Aid to Localities

The Executive recommends a total Aid to Localities General Fund appropriation of \$107,833,000, an increase of \$9,671,700, or 9.9 percent over SFY 2006-07.

The Executive also continues funding for the following Legislative initiatives, enacted in the SFY 2006-07 Budget:

- the Naturally Occurring Retirement Communities (NORC) program - \$1,000,000;
- the Neighborhood Naturally Occurring Retirement Communities (NNORC) program - \$1,000,000;
- transportation grants to designated Area Agencies on Aging for transportation operating expenses related to serving the elderly - \$1,000,000;
- the Economically Sustainable Transportation Demonstration Program - \$250,000;
- the Respite Program – \$712,000; and
- the Patient's Rights Hotline and Advocacy Project -\$64,000.

### Proposed Increases

The Executive proposes:

- a \$1,000,000 General Fund increase for SNAP to bring total program funding to \$19,209,000 for SFY 2006-07;
- a \$8,471,000 General Fund increase to support the second year of a three year COLA tied to the CPI. The COLA would apply to the EISEP, CSE and SNAP; and

- a \$200,000 General Fund increase to support the establishment of a Family Caregiving Council to evaluate and to improve respite and other caregiver support services.

## DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

|                                  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change   | Percent<br>Change |
|----------------------------------|--------------------------------------|---------------------------------|----------|-------------------|
| <b>AGENCY SUMMARY</b>            |                                      |                                 |          |                   |
| Special Revenue-Federal          | 4,550,000                            | 4,550,000                       | 0        | 0.0%              |
| Enterprise                       | 10,000                               | 10,000                          | 0        | 0.0%              |
| <b>Total for AGENCY SUMMARY:</b> | <b>4,560,000</b>                     | <b>4,560,000</b>                | <b>0</b> | <b>0.0%</b>       |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change   |
|------------------|--------------------|----------------------|----------|
| All Other Funds: | 18                 | 18                   | 0        |
| <b>TOTAL:</b>    | <b>18</b>          | <b>18</b>            | <b>0</b> |

#### Agency Mission

(Executive Budget: pp. 127-129)

The Developmental Disabilities Planning Council (DDPC) helps persons with developmental disabilities to be independent and productive participants in the life of their communities. The DDPC's staff monitors contracts with not-for-profit service providers who work with consumers, helping them to achieve community integration. The 32-member Council is federally funded through the Federal Developmental Disabilities Assistance and Bill of Rights Act of 1975.

This agency is included in the Health and Mental Hygiene appropriation bill.

#### Budget Detail

For State Fiscal Year (SFY) 2007-08, the Executive proposes an All Funds appropriation of \$4,560,000, reflecting no change from SFY 2006-07. The staffing level will remain constant at 18 full time equivalent positions.

## DEPARTMENT OF HEALTH

|   | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change                 | Percent<br>Change |
|---|--------------------------------------|---------------------------------|------------------------|-------------------|
| <b>AGENCY SUMMARY</b>                   |                                      |                                 |                        |                   |
| General Fund                            | 10,200,618,300                       | 10,373,869,900                  | 173,251,600            | 1.7%              |
| Special Revenue-Other                   | 6,958,758,000                        | 6,855,447,500                   | (103,310,500)          | -1.5%             |
| Special Revenue-Federal                 | 30,324,399,000                       | 28,882,162,000                  | (1,442,237,000)        | -4.8%             |
| Capital Projects Fund                   | 182,600,000                          | 182,600,000                     | 0                      | 0.0%              |
| Capital Projects Fund - Advances        | 85,000,000                           | 85,000,000                      | 0                      | 0.0%              |
| Federal Capital Projects Fund           | 32,937,000                           | 36,812,000                      | 3,875,000              | 11.8%             |
| Capital Projects Fund - Authority Bonds | 5,000,000                            | 0                               | (5,000,000)            | -100.0%           |
| Enterprise                              | 10,000                               | 10,000                          | 0                      | 0.0%              |
| Total for Agency:                       | 47,789,322,300                       | 46,415,901,400                  | (1,373,420,900)        | -2.9%             |
| Total Contingency:                      | 2,271,200,000                        | 1,771,200,000                   | (500,000,000)          | -22.0%            |
| <b>Total for AGENCY SUMMARY:</b>        | <b>50,060,522,300</b>                | <b>48,187,101,400</b>           | <b>(1,873,420,900)</b> | <b>-3.7%</b>      |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change    |
|------------------|--------------------|----------------------|-----------|
| General Fund:    | 2,030              | 2,113                | 83        |
| All Other Funds: | 3,878              | 3,885                | 7         |
| <b>TOTAL:</b>    | <b>5,908</b>       | <b>5,998</b>         | <b>90</b> |

#### Agency Mission

(Executive Budget: pp. 131-147)

The Department of Health is the designated State agency responsible for promoting and supervising public health activities, ensuring sound and cost-effective quality medical care, reducing infectious diseases, and providing the first line of defense against any biologically based terror attack. The Department of Health has worked towards its goal of ensuring the highest quality, most appropriate, cost-effective, health care for all New Yorkers. Since State Fiscal Year (SFY) 1996-97, when authority for the State's Medical Assistance (Medicaid) program was transferred from the former Department of Social Services, the Department of Health has served as

the principal State agency responsible for coordinating with Federal and local governments, health care providers, and program participants on behalf of the Medicaid program in New York.

This agency is included in the Health and Mental Hygiene appropriation bill.

### Programmatic Highlights

The State Fiscal Year (SFY) 2007-08 Executive Budget includes the following:

- reducing overall State share spending on health care by \$1,302,800,000, of which \$1,073,300,000 reflects General Fund savings in the Medicaid program;
- expanding of Child Health Plus (CHP) eligibility from 250 percent to 400 percent of the Federal Poverty Level and the establishment of a CHP Premium Assistance Program to provide access to coverage to all 400,000 uninsured children;
- streamlining of the recertification process for Medicaid and Family Health Plus (FHP) to eliminate unnecessary documentation requirements and to provide 12 months of continuous coverage for adults in these programs;
- requiring persons, otherwise eligible for FHP, who have access to employer-sponsored health insurance coverage that is deemed to be cost effective by the Commissioner, to enroll in such coverage as a condition of receiving or continuing to receive FHP benefits. Any cost-sharing obligations for the person's employer-sponsored coverage that exceeds the amount of the person's co-payment responsibilities under FHP would be assumed by the State;
- implementing a series of new demonstration projects to provide better integration and coordination of care between health and behavioral health services for persons with co-occurring disorders and other medically complicated cases, as well as projects to manage the care of nursing home patients more effectively;
- providing local governments with Medicaid savings of \$974,174,496 in SFY 2007-08, of which \$497,274,474 reflects the continuation of a cap on local Medicaid expenditures and \$476,900,022 represents projected savings from full State assumption of the local share of FHP;
- improving the effectiveness of the fraud prevention and detection activities, conducted by the Office of the Medicaid Inspector General (OMIG) and the Attorney General's Medicaid Fraud Control Unit. These include a New York State False Claims Act; a "Martin Act" for Health Care; improved "whistleblower" protections; and increased fraud related penalties;
- funding for year two of the four year proposal to phase in an updated nursing home reimbursement methodology that was enacted in the SFY 2006-07 Budget;

- continuing various initiatives from the SFY 2206-07 Budget for a combined total of \$23,863,000, including \$4,436,700 in AIDS Institute funding;
- supporting the second year of a three year cost of living adjustment (COLA) tied to the Consumer Price Index (CPI). The COLA would apply to various programs within the AIDS Institute, Administration Program, and the Center for Community Health Program;
- changing the Elderly Pharmaceutical Insurance Coverage (EPIC) Program, including accelerating the implementation of the Preferred Drug Program for EPIC to January 1, 2008; mandating all eligible seniors enroll in Medicare Part D unless it represents a significant financial hardship; and reducing drug reimbursement to pharmacists;
- continuing General Public Health Works Program (Article 6) funding at SFY 2006-07 levels, with a \$20,000,000 increase in the contingency fund to address public health emergencies;
- reauthorizing the Health Care Reform Act (HCRA) through March 31, 2008 as an on-budget program for which the Executive proposes \$281,400,000 in new spending to be offset by \$313,600,000 in proposed spending reductions and \$97,000,000 in new revenue;
- continuing \$78,000,000 in base funding for Roswell Park Cancer Institute, as well as continuation of \$15,000,000 for cancer research and \$25,000,000 for capital improvements;
- supporting the third year of Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) for health care technology improvements, facility upgrades, reconfigurations and consolidations; and
- creating a new public benefit corporation, the Stem Cell and Innovation Fund Corporation, to implement a new Stem Cell and Innovation Program responsible for directing the State's economic development investment in stem cell biology and other life sciences, in addition to other emerging technologies. This initiative would provide a State investment for Stem Cell Research of \$1,050,000,000 over eleven years, including a \$17,000,000 operating appropriation and a \$33,000,000 capital appropriation for SFY 2007-08.

### Budget Detail

The Governor requests the following:

- All Funds appropriations totaling \$48,187,101,400, a decrease of \$1,873,420,900 or 3.7 percent from SFY 2006-07;
- General Fund appropriations totaling \$10,373,869,900, an increase of \$173,251,600 or 1.7 percent above SFY 2006-07;

- Special Revenue Fund–Other appropriations, including a \$1,261,100,000 Health Care Reform Act (HCRA) appropriation, totaling \$6,855,447,500, a decrease of \$103,310,500 or 1.5 percent from SFY 2006-07; and
- Special Revenue Fund–Federal appropriations totaling \$28,882,162,000, a decrease of \$1,442,237,000 or 4.8 percent from SFY 2006-07.

In the SFY 2006-07 Executive Budget, the Governor proposes an increase of 90 full-time equivalent (FTE) positions agency wide, for a total workforce of 5,998 FTEs.

### State Operations

The Executive proposes the following appropriations for State Operations:

- a total All Funds appropriation of \$4,670,021,500, an increase of \$24,873,500 or 0.54 percent over SFY 2006-07;
- General Fund appropriations totaling \$224,025,000, an increase of \$58,541,000 or 35.38 percent over SFY 2006-07;
- Special Revenue–Other appropriations totaling \$485,146,500, a decrease of \$15,363,500 or 3.07 percent from SFY 2006-07; and
- Special Revenue–Federal appropriations totaling \$3,960,840,000, a decrease of \$18,304,000 or 0.46 percent from SFY 2006-07.

The Governor continues \$750,000 in Health Care Standards and Surveillance Program funding for the Health E Link Program that was enacted as a Legislative initiative in the SFY 2006-07 budget.

### Proposed Increases

The Executive proposes:

- an increase of \$5,000,000 related to the implementing of a \$400 increase in the Biennial Physician Fee from \$600 to \$1,000 which is used to support oversight of medical conduct and physician profiling activities;
- an increase of \$3,500,000 to support the addition of 75 new FTE positions related to public health programs;
- an increase of \$3,000,000 to support contracts for the development of an improved vital records system;
- an increase of \$1,300,000 to support a system to comply with federal Payment Error Rate Measurement (PERM) requirements;

- an increase of \$500,000 to support contracts for Assisted Living Program surveillance; and
- an increase of \$400,000 related to implementation of an annual fee on Early Intervention providers of \$125 for an individual provider and \$225 for an agency. These fees would be used to offset provider recertification costs.

### Proposed Decreases

The Executive proposes:

- a \$10,000,000 savings related to sweeping available fund balances to the General Fund; and
- a \$5,000,000 reduction related to a five percent reduction in nonpersonal service costs.

### Aid to Localities

The Executive proposes the following:

- All Funds appropriations totaling \$41,441,467,900, a decrease of \$1,397,169,400 or 3.26 percent from SFY 2006-07;
- General Fund appropriations totaling \$10,149,844,900, an increase of \$114,710,600 or 1.14 percent over SFY 2006-07;
- Special Revenue–Other appropriations totaling \$6,370,301,000, a decrease of \$87,947,000 or 1.36 percent from SFY 2006-07; and
- Special Revenue–Federal appropriations totaling \$24,921,322,000, a decrease of \$1,423,933,000 or 5.4 percent from SFY 2006-07.

The Governor proposes continuing \$4,436,700 in AIDS Institute Program funding that was enacted in the SFY 2006-07 budget and includes:

- Communities of Color Initiative – \$3,500,000;
- HIV Testing and Rapid Testing Program – \$500,000;
- Treatment Adherence and Compliance – \$168,700;
- National Black Leadership Commission – \$179,000; and
- New York AIDS Coalition – \$89,000.

The Governor proposes continuing \$ 11,856,300 in Center for Community Health Program funding that was enacted in the SFY 2006-07 budget and includes:

- School Based Health Centers – \$3,393,000;
- Family Planning Services – \$3,000,000;
- Health and Social Services Sexuality-Related Programs – \$1,373,300;
- New York State Diabetes Prevention and Control Program – \$1,001,000;
- Public Management Leaders of Tomorrow Program – \$600,000;
- Comprehensive Care Centers for Eating Disorders – \$600,000;
- Migrant Health Clinics – \$442,000;
- Rape Crisis Centers – \$360,000;
- A Racial Disparity Study – \$300,000;
- Breast Cancer Support, Education and Outreach – \$223,000;
- Children's Asthma Program – \$179,000;
- Safe Motherhood Initiative to Prevent Maternal Deaths in NYS – \$150,000;
- Latino Health Outreach Initiative – \$75,000;
- Minority Male Wellness/Screening Program – \$55,000;
- Alzheimer's Disease Assistance Centers (ADAC) – \$54,000; and
- Alzheimer's Disease Community Assistance Programs (AlzCAP) – \$51,000.

The Governor proposes continuing \$2,820,000 in Health Care Standards and Surveillance Program funding that was enacted in the SFY 2006-07 budget and includes:

- Adult Home Quality Incentive Payment (QUIP) Program – \$2,750,000; and
- Long Term Care Community Coalition – \$70,000.

#### Proposed Increases

The Executive proposes the following increases:

- \$38,400,000 to support the second year of a three year COLA tied to the CPI to take effect on April 1, 2007, which would apply to various programs within the AIDS Institute, Administration Program, and the Center for Community Health Program;
- \$29,000,000 in the General Fund to support emergency preparedness for the Avian Flu and other pandemic diseases. The same level of funding was provided in SFY 2006-07 through the Health Care Reform Act;
- \$20,000,000 for General Public Health Works (Article 6) emergency response for a total reserve of \$40,000,000 for use by the State and local governments in the event of a public health crisis;
- \$4,500,000 to support nutrition programs for food pantries;

- \$2,600,000 to support education and outreach related to emergency contraception services (Plan B);
- \$2,253,400 for Health and Social Services Sexuality Related Programs, to bring total funding to \$6,000,000;
- \$1,500,000 to support primary prevention of childhood lead poisoning;
- \$1,500,000 to expand access to cervical cancer vaccine;
- \$1,000,000 to support an Electronic Laboratory and HIT Project to report on communicable diseases;
- \$300,000 to support Body Mass Index (BMI) reporting on school physical forms and BMI screenings for children and adults;
- \$1,000,000 to support universal prenatal and postpartum home visits, to focus first on high-risk pregnancies; and
- \$1,000,000 to support education and outreach related to improving the quality of reading mammography results, colorectal screening, infection control, prenatal care, and the use of green cleaning products.

#### Proposed Decreases

The Executive proposes:

- savings in the Early Intervention (EI) Program of \$10,000,000 from enhancing EI audit recoveries by adding five additional FTE positions. The Executive also proposes Article VII language to require insurance companies to cover EI services if these are services normally covered and the plans are approved by DOH. Such action is projected to produce State savings of \$5,100,000 in SFY 2008-09; and
- eliminating \$14,870,000 in Center for Community Health Program funding that was enacted in the SFY 2006-07 budget.

#### Medical Assistance (Medicaid) Program

The Executive proposes the following Medicaid appropriations in the SFY 2007-08 Budget:

- An All Funds appropriation in Aid to Localities of \$35,399,386,000, a net decrease of \$1,992,952,000 or 5.33 percent from SFY 2006-07;

- General Fund appropriations totaling \$8,978,836,000, a net increase of \$4,848,000 or 0.05 percent over SFY 2006-07;
- Special Revenue Fund – Other appropriations totaling \$3,458,550,000, a net decrease of \$275,687,000 or 7.38 percent from SFY 2006-07; and
- Special Revenue Fund – Federal appropriations totaling \$2,962,000,000, a net decrease of \$1,722,113,000 or 6.98 percent from SFY 2006-07.

On January 1, 2006, the State implemented a cap on the local share of Medicaid expenditures. In calendar year 2006, local Medicaid contributions were capped at 3.5 percent growth over 2005 expenditures. The growth rate drops to 3.25 percent in 2007 and to 3.0 percent for 2008 and thereafter. The Executive projects the cap will save counties a total of \$497,274,474 in SFY 2007-08. As of January 1, 2006, the State also assumed the full local share of Family Health Plus (FHP) expenditures, saving counties a projected \$476,900,022 in SFY 2007-08. The total savings to local governments statewide is projected to be \$974,174,496 in SFY 2007-08 from the two actions with a corresponding cost to the State.

The Governor proposes Article VII language intended to improve the effectiveness of the Office of the Medicaid Inspector General's (OMIG) fraud prevention and detection activities. The Governor proposes:

- to establish a New York State False Claims Act and a "Martin Act" for Health Care;
- to allow the OMIG to access records of the Tax Department and Workers Compensation Board;
- to improve "whistleblower" protections;
- to increase fraud related penalties;
- to mandate court venues in Albany;
- to establish drug diversion penalties; and
- to raise the Medicaid Audit Target by \$100,000,000 to \$400,000,000 to account for the increased recoveries anticipated from these anti-fraud proposals.

The Governor would continue funding the updated methodology using a 2002 base year to determine the reimbursement rates for nursing homes, enacted in the SFY 2006-07 budget. The Governor continues a hold harmless provision for those facilities that would be negatively impacted by this rebasing and language that provides for a certain investment of such funding in improved staffing. The rebasing proposal took effect January 1, 2007 and will be phased in over four years.

The Executive would also continue funding State grants for public nursing homes, enacted in the SFY 2006-07 budget providing a total of \$15,000,000 in SFY 2007-08; \$35,000,000 in SFY 2008-09; and \$100,000,000 in SFY 2009-10 and each year thereafter.

The Governor continues \$4,000,000 in funding for education and outreach related to the Medicare Part D program that was enacted as Legislative initiatives in the in the SFY 2006-07 budget. These programs include:

- Managed Care Consumer Assistance Program – \$2,000,000; and
- Medicare Part D Maximization – \$2,000,000.

The Executive also proposes new actions that would reduce overall Medicaid spending by \$1,040,700,000. These proposals would include \$1,073,300,000 in savings proposals offset by \$32,600,000 in funding for new initiatives.

The Governor also proposes to implement a new program to require persons, otherwise eligible for Family Health Plus, who have access to employer-sponsored health insurance coverage that is deemed to be cost effective by the Commissioner, to enroll in such coverage as a condition of receiving or continuing to receive FHP benefits. Any cost-sharing obligations for the person's employer-sponsored coverage that exceeds the amount of the person's co-payment responsibilities under FHP would be assumed by the State.

#### Proposed Increases

The Executive proposes increases of:

- \$64,000,000 to support a continuation of Workforce Recruitment & Retention payments enacted in the SFY 2005-06 budget;
- \$24,000,000 available from a proposed reduction in Graduate Medical Education funding through the Health Care Reform Act (HCRA), to be used to support the State share of a new rate adjustment directed at public hospitals that have Medicaid discharges that account for 35 percent or more of the facility's total discharges;
- \$19,000,000 to support the costs of increased enrollment, resulting from proposed simplification of the Family Health Plus (\$5,200,000) and Medicaid Managed Care (\$13,800,000) enrollment and recertification process. Effective January 1, 2008, the Governor proposes to eliminate unnecessary documentation requirements and to provide 12 months guaranteed continuous coverage for certain adults to reduce gaps in coverage;
- \$6,900,000 to support a \$1 increase in the pharmacy dispensing fee for generic drugs from \$4.50 to \$5.50;
- \$5,000,000 to provide a rate increase for community-based services through the Traumatic Brain Injury (TBI) Waiver;

- \$4,000,000 to support demonstration projects aimed at high cost users of Medicaid services;
- \$2,600,000 to be sub-allocated to the Office for the Aging to support Phase 1 of the Long Term Care Point-of-Entry Initiative;
- \$2,000,000 for home health tele-health and information technology demonstration programs; and
- \$1,500,000 to support studies of the Medicaid program.

### Proposed Decreases

#### Hospitals

The Executive proposes Medicaid savings initiatives totaling \$308,700,000, to be offset by \$88,000,000 in new spending, for a net decrease of \$220,700,000 in General Fund State share spending in SFY 2007-08. The Governor proposes the following actions which will result in savings:

- continuing the 0.35 percent assessment on hospital revenues permanently – \$136,900,000 in savings;
- eliminating the 2007 hospital trend factor – \$91,300,000 in savings;
- waiving any reconciliations related to the 0.35 percent assessment on hospital revenues – \$44,300,000 in savings; and
- reimbursing Graduate Medical Education (GME) based on actual costs and removing hold harmless provisions – \$36,200,000 in savings.

#### Nursing Homes

In addition to making the 6 percent provider assessment on nursing homes permanent, the Executive proposes savings initiatives for the nursing home sector totaling \$156,200,000 in General Fund State share savings in SFY 2007-08 from the following actions:

- eliminating the 2007 trend factor – \$72,700,000 in savings; and
- removing Medicare patients from the case mix formula – \$83,500,000 in savings.

#### Pharmacy

The Executive proposes savings initiatives totaling \$151,600,000, to be offset by \$6,900,000 in new spending, for a net decrease of \$144,700,000 in General Fund State

share spending in SFY 2007-08. The Governor proposes the following actions which will result in savings:

- implementing limitations on pharmacy reimbursement as authorized by the Deficit Reduction Act of 2005 -- \$52,600,000 in savings;
- maximizing collection of pharmacy rebates -- \$40,000,000 in savings;
- reducing Medicaid reimbursement for brand name drugs from AWP minus 13.25 percent to AWP minus 15 percent and for generics from AWP minus 20 percent to AWP minus 30 percent -- \$31,800,000 in savings;
- adding cost as a factor to be considered in Clinical Drug Review Program (CDRP) determinations and streamlining the review process for adding new drugs to the Preferred Drug Program (PDP) and the CDRP -- \$14,000,000 in savings; and
- modifying the PDP to eliminate the exemption for anti-depressant drugs -- \$13,200,000 in savings.

#### Managed Care

The Executive proposes savings initiatives totaling \$81,800,000 in General Fund State share savings in SFY 2007-08 from the following actions:

- limiting the 2007 premium trend factor adjustment that Medicaid Managed Care plans receive to increases related to hospital emergency room rate increases and newborn rate adjustments -- \$70,100,000 in savings; and
- limiting the 2007 premium trend factor adjustment that FHP plans receive to increases related to hospital emergency room rate increases and newborn rate adjustments -- \$11,700,000 in savings.

#### Other Long Term Care

The Executive proposes new savings initiatives totaling \$10,500,000 in General Fund State share savings in SFY 2007-08 from the following actions:

- eliminating Personal Care Level 1 services. All individuals currently receiving that level of care would be evaluated to determine if they require a different level of personal care service -- \$6,000,000 in savings; and
- expanding and improving county recovery efforts related to spousal refusal -- \$4,500,000 in savings.

### Transportation Services

The Executive proposes savings initiatives totaling \$5,200,000 in General Fund State share savings in SFY 2007-08 from the following actions:

- eliminating the supplemental transportation rate for emergency transportation – \$3,000,000 in savings; and
- re-establishing county transportation contracts using brokerages as authorized by the Deficit Reduction Act of 2005 – \$2,200,000 in savings.

### Other General Fund Savings Proposals

The Executive proposes savings initiatives totaling \$426,600,000 in General Fund State share savings in SFY 2007-08 from the following actions:

- receiving retroactive federal reimbursement for the Home Care Insurance Demonstration Initiative – \$81,500,000 in savings;
- increasing the Medicaid Audit Target to account for increased recoveries anticipated from the Governor's new anti-fraud proposals – \$100,000,000 in savings;
- increasing the offload of Medicaid pharmacy costs to HCRA – \$228,000,000 in savings;
- transferring to HCRA General Fund costs previously financed by the Commissioner of Health's Priority Pool – \$10,600,000 in savings; and
- instituting clinical best practices using the Office of Mental Health's Psychiatric Services and Clinical Knowledge Enhancement System (PSYCKES) Model – \$6,500,000.

In addition to the actions proposed in DOH, the Governor includes \$27,600,000 in expected General Fund savings from other State agencies resulting from anti-fraud and quality assurance activities.

### **The Health Care Reform Act (HCRA)**

The Executive proposes to extend the HCRA from June 30, 2007 through March 31, 2008. The Governor proposes that HCRA remain on budget and recommends a Special Revenue – Other appropriation of \$1,261,100,000 for the HCRA Program. This appropriation represents an increase of \$46,040,000 or 3.79 percent over SFY 2006-07. The Executive proposes \$281,400,000 in new spending to be offset by \$313,600,000 in spending reductions and \$97,000,000 in new revenue.

The Governor advances new revenue enhancing initiatives for HCRA that include:

- increasing the Covered Lives Assessment by \$75,000,000 annually from \$775,000,000 to \$850,000,000;
- investing in new payor and provider audits to enhance compliance with HCRA revenue obligations that the Executive estimates would generate \$22,000,000 in SFY 2007-08;
- authorizing a downstate insurance plan to convert from a not-for-profit to a for-profit entity and dedicating proceeds from such conversion to HCRA. The Executive projects proceeds reaching \$950,000,000 over three years, beginning in SFY 2008-09; and
- suspending payment of the HCRA loan guarantee and the HCRA tobacco revenue guarantee requirements through March 31, 2011.

The Governor continues \$69,800,000 in HCRA funding that was enacted in the SFY 2006-07 budget and includes:

- Home Care Recruitment and Retention – \$50,000,000;
- Clinic Indigent Care Funding – \$7,500,000;
- Infertility Services – \$5,000,000;
- School Based Health Centers – \$3,500,000;
- Air Conditioning for Adult Homes (EnAble) – \$2,000,000;
- Individual Subsidy Program – \$1,300,000; and
- Rural Health – \$500,000.

The Executive proposes to modify the disbursement methodology for all Workforce Recruitment and Retention payments, including hospitals, nursing homes, clinic, and personal care. Funding would be disbursed based on a facility's Medicaid utilization rate rather than its total labor costs.

#### Proposed Increases

The Executive proposes increases of:

- \$10,600,000 to support increased Child Health Plus marketing and to expand eligibility from 250 percent to 400 percent of the Federal Poverty Level (FPL);
- \$5,200,000 to support proposals that would advance enrollment growth and simplify the enrollment and recertification process for FHP enrollees;
- \$3,000,000 to support a new discretionary pool that would be available to the Commissioner of Health in event of an emergency;

- \$228,000,000 related to the transfer of additional General Fund Medicaid pharmacy costs to HCRA;
- \$24,000,000 related to a reduction in Graduate Medical Education funding; and
- \$10,600,000 related to the transfer of General Fund costs incurred by the elimination of programs that had been previously supported through the Commissioner of Health's Priority Pool.

#### Proposed Decreases

The Executive proposes the following decreases:

- cost savings initiatives totaling \$75,400,000 in the EPIC Program that include: accelerating the implementation of the Preferred Drug Program for EPIC to January 1, 2008 from April 1, 2008 – \$9,000,000 in savings; mandating all eligible seniors enroll in Medicare Part D as a pre-requisite for enrollment unless it represents a significant financial hardship – \$43,000,000 in savings; reducing EPIC pharmacy reimbursement for brand name drugs from average wholesale price (AWP) minus 13.25 percent to AWP minus 15 percent and for generics from AWP minus 20 percent to AWP minus 30 percent – \$19,400,000 in savings; and implementing limitations on pharmacy reimbursement related to generic drugs as authorized by the Deficit Reduction Act of 2005 – \$5,700,000 in savings. These proposed reductions would be offset by an increase of \$1,700,000 to support a \$1 increase in the pharmacy dispensing fee for generic drugs from \$4.50 to \$5.50;
- a reduction of \$19,900,000 related to limiting the 2007 premium trend factor adjustment that FHP and CHP plans receive to increases related to the hospital emergency room rate increases and newborn rate adjustments;
- a reduction of \$20,800,000 related to the first year of a three year phase-out of Nursing Home Workforce Recruitment and Retention funding;
- a reduction of \$20,900,000 related to Hospital Workforce Recruitment and Retention funding;
- a reduction of \$20,000,000 related to the Health Care Workforce Retraining Program;
- a reduction of \$24,000,000 in GME funding which would be used to support the State share of a new rate adjustment directed at public hospitals that have Medicaid discharges that account for 35 percent or more of a facility's total discharges;

- a reduction of \$8,000,000 from discontinuing temporary enrollment of a Medicaid-eligible child in CHP;
- a reduction of \$14,200,000 by eliminating the HCRA discretionary pools for the Senate and the Assembly;
- a reduction of \$24,000,000 by eliminating the HCRA discretionary pool for the Commissioner of Health;
- a reduction of \$20,000,000 by eliminating funding for the Health Facility Restructuring Program;
- a reduction of \$53,400,000 by eliminating the Nursing Home Quality Improvement Demonstration Program;
- a reduction of \$8,000,000 by eliminating the Rural Home Care rate increase; and
- a reduction of \$5,000,000 by eliminating the Adirondack Cancer Education and Research Program.

### **Capital Projects**

The Executive continues the HEAL NY program to help enhance the efficiency of New York's health care system. Funds for this program are used to support health care technology improvements, as well as facility upgrades, reconfigurations, and consolidations. The Governor proposes to advance the third annual \$250,000,000 installment to bring total appropriation levels to \$750,000,000 out of the \$1,000,000,000 commitment over four years. The Governor also proposes to continue to dedicate \$25,000,000 in HEAL NY money for capital improvements at the Roswell Park Cancer Institute.

The Executive would also continue \$10,000,000 to support capital projects at the Wadsworth Laboratories.

### **Article VII**

#### **Part A: HCRA**

The Executive recommends Article VII legislation that would:

- extend HCRA for nine months from June 30, 2007 through March 31, 2008;

- extend provisions related to the Medicaid inpatient hospital reimbursement methodology, the collection of surcharges, the Graduate Medical Education (GME) methodology, and the Covered Lives Assessment through December 31, 2008, to preserve federal provider tax approvals;
- extend Health Care Initiatives and Tobacco Control and Insurance Initiatives Pools, make allocations subject to amounts appropriated and delete statutory references to priority funded programs;
- modify and extend the authority to transfer funds from HCRA to the General Fund for purposes related to subsidizing HEAL-NY, capital grants and debt service costs;
- extend the collection of the Covered Lives Assessment and increases the collection target by \$75 million (from \$775 million to \$850 million) annually, effective April 1, 2008;
- make technical corrections to HCRA revenue in order to clarify the sources of revenues excluded from the calculation of cash assessments imposed on hospitals for purposes of funding the bad debt and charity care pools;
- extend the authorization for the Health Occupation Program;
- extend requirements for timely payments of hospital admission billing, the Health Occupation Program Development/Workplace Demonstration, uniform billing fiscal intermediary requirements, and authorization of cost-based rates for ambulatory surgery;
- make the Ambulatory Care Pilot Program permanent;
- extend the GME distribution methodology to include supplemental distributions to hospitals that meet certain objectives and to Area Health Education Centers, reduce GME payments for 2007 by \$24 million, and extend the point of service regional surcharge which allows non-electing payors to reimburse facilities directly rather than through the State;
- establish a \$48 million Medicaid payment to public hospitals that serve more than thirty-five percent of Medicaid recipients;
- extend permanently certain income and benefit expansions and continue existing State authority to contract with existing plans that provide CHP services;
- expand eligibility and make modifications to the CHP Program including limiting temporary enrollment in certain instances, establish a Premium Assistance Program, expand income eligibility from 250 to 400 percent of the Federal Poverty Level, transfer rate approval from the State Insurance Department to the Department of Health and freeze plan premiums at existing levels;

- extend the Individual Subsidy Program, for those individuals enrolled in the program prior to January 2001, through March 31, 2008;
- extend funding for the Rural Health Network and Access Development programs;
- extend the Health Insurance Demonstration Program through March 31, 2008;
- extend the Nursing Home Workforce Recruitment and Retention Program to phase out the payments equally over three years and modify the distribution methodology to be based on a facility's Medicaid utilization rate rather than its total labor costs;
- extend the Hospital Workforce Recruitment and Retention Program to reduce payments to providers and modify the distribution methodology to be based on a facility's Medicaid utilization rate rather than its total labor costs;
- extend the clinic and Personal Care Workforce Recruitment and Retention program and modify the distribution methodology to be based on a facility's Medicaid utilization rate rather than its total labor costs;
- extend the Home Care Workforce Recruitment and Retention Program modify the distribution methodology to be based on a facility's Medicaid utilization rate rather than its total labor costs;
- extend the Physician's Excess Medical Malpractice Program;
- extend and modify the Clinic Bad Debt and Charity Care Program;
- extend funding for Hospital Indigent Care distributions and the High Need Indigent Care Adjustment through December 31, 2007 and require regulations by January 1, 2008 to establish a new methodology which requires that distributions be based on losses from providing services to the uninsured;
- strengthen the State's ability to collect revenues based on the conclusions of an audit by deeming such audits presumptively correct;
- authorize the conversion of an insurance company located in downstate New York from a not-for-profit to a for-profit entity; and
- extend through March 31, 2011 the statutory moratorium of the General Fund's obligation to repay a \$200 million loan to HCRA and for HCRA to draw upon the Tobacco Guarantee Fund.

## Part B: Public Health Programs

The Executive recommends Article VII legislation that would:

- reduce EPIC program reimbursement levels for generic and brand name prescription drugs from AWP less 20 percent to 30 percent for generics, and from AWP less 13.25 percent to 15 percent for brands;
- increase the EPIC dispensing fee paid to participating pharmacies for generic drugs by \$1.00, from \$4.50 to \$5.50;
- require all eligible EPIC enrollees to participate in Medicare Part D as a condition of continued eligibility for EPIC, unless such enrollment would result in a significant financial hardship. The EPIC program would cover Medicare Part D premium costs for fee enrollees and provide an equivalent benefit to deductible enrollees by lowering their EPIC deductible;
- require insurance companies to reimburse for EI services if these are services they would typically cover and they are approved by DOH;
- establish an EI program fee of \$125 for individual providers and \$225 for agency providers to support the approval and re-approval process of all EI providers which would now be statutorily required;
- permanently allow the Professional Medical Conduct Account to be used to finance physician profiling activities and increase the biennial registration fee for physicians by \$400, from \$570 to \$970, to finance the activities of the Office of Professional Medical Conduct;
- make the Expanded Syringe Access Demonstration Program permanent;
- modify the Federal-State Health Reform Partnership (F-SHRP) Account to establish it as a joint custody account instead of a sole custody fund as originally in statute;
- require a child's Body Mass Index (BMI) and weight status category to be reported on mandatory school health certificates;
- eliminate the Health Information Technology Program;
- make the School Based Health Center Program permanent; and
- establish the Medicaid Training Contract Account and allow funds to be used to offset administrative expenses.

## Part C: Medical Assistance (Medicaid) Program

The Executive recommends Article VII legislation that would:

- streamline the eligibility process for certain adults in the Medicaid and FHP programs to eliminate unnecessary documentation requirements for renewals and to provide 12 months of guaranteed continuous health insurance coverage;
- implement Medicaid demonstration programs to improve care coordination and management for medically complicated and high cost individuals;
- create a new program to promote employer-sponsored health insurance programs by providing premium subsidies for individuals eligible for public health insurance coverage, provided that such a program is cost-effective;
- expand the Managed Long Term Care Program by eliminating limitations on enrollment and the number of plans;
- increase the dispensing fee paid to participating pharmacies for generic drugs by \$1.00, from \$4.50 to \$5.50;
- decrease pharmacy reimbursement for the Medicaid program from average wholesale price (AWP) less 13.25 percent to AWP less 15 percent for brand name drugs and AWP less 20 percent to AWP less 30 percent for generic drugs;
- include cost as a criterion in the Clinical Drug Review Program (CDRP) process and amend the time frames for public notice for the Preferred Drug Program (PDP) and CDRP;
- allow the inclusion of anti-depressants in the PDP. Any such inclusions would require consultation with the Office of Mental Health;
- eliminate the 2.5 percent inflationary trend factor for hospitals and nursing homes;
- continue the hospital assessment at 0.35 percent and waive the current assessment reconciliation requirements;
- continue certain Hospital Worker Recruitment and Retention adjustments for rural and general hospitals;
- reduce GME payments and remove the hold harmless provisions;
- re-weight the DRG inpatient reimbursement system to realign reimbursement with costs;

- modify the nursing home rate of reimbursement by requiring a Medicaid-only case mix in calculating the rates;
- make the six percent nursing home assessment permanent;
- eliminate supplemental payments to emergency transportation providers;
- establish a New York State False Claims Act;
- establish a “Martin Act” for Health Care to strengthen the Attorney General’s authority to investigate and prosecute health care fraud;
- allow DOH and OMIG to access records of the Tax Department and Workers’ Compensation Board;
- create new crimes for “deceptive health care practices” and “scheme to defraud a health plan”;
- strengthen criminal penalties for certain fraudulent health care practices;
- clarify the requirements for the provider compliance program;
- clarify the manner by which illegally-sold prescriptions and prescription medications will be valued;
- establish criminal penalties for possession of diverted prescription drugs;
- provide “whistleblower” protections for employees who report health care fraud;
- designate the Supreme Court in Albany as the only venue where providers may challenge Medicaid determinations made by the Commissioner of Health; and
- provide various technical changes and extend prior cost containment actions.

## MEDICAID INSPECTOR GENERAL, OFFICE OF THE

|                                  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change           | Percent<br>Change |
|----------------------------------|--------------------------------------|---------------------------------|------------------|-------------------|
| <b>AGENCY SUMMARY</b>            |                                      |                                 |                  |                   |
| General Fund                     | 29,631,000                           | 32,052,000                      | 2,421,000        | 8.2%              |
| Special Revenue-Other            | 8,200,000                            | 5,257,000                       | (2,943,000)      | -35.9%            |
| Special Revenue-Federal          | 58,265,000                           | 60,686,000                      | 2,421,000        | 4.2%              |
| <b>Total for AGENCY SUMMARY:</b> | <b>96,096,000</b>                    | <b>97,995,000</b>               | <b>1,899,000</b> | <b>2.0%</b>       |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change     |
|------------------|--------------------|----------------------|------------|
| General Fund:    | 245                | 323                  | 78         |
| All Other Funds: | 276                | 355                  | 79         |
| <b>TOTAL:</b>    | <b>521</b>         | <b>678</b>           | <b>157</b> |

#### Agency Mission

(Executive Budget: pp. 149-152)

The Office of the Medicaid Inspector General (OMIG) was created as an independent entity within the Department of Health (DOH) by Chapter 442 of the Laws of 2006. OMIG is responsible for improving and preserving the integrity of the Medicaid program by conducting and coordinating fraud and abuse control activities for all State agencies responsible for services funded by Medicaid. In carrying out its mission, the Office conducts and supervises all prevention, detection, audit and investigation efforts and coordinates such activities with the Department of Health, the Office of Mental Health, Office of Mental Retardation and Developmental Disabilities (OMRDD), and Office of Alcoholism and Substance Abuse Services (OASAS). OMIG works closely with the Medicaid Fraud and Control Unit (MFCU) in the Attorney General's Office and with Federal and local law enforcement agencies.

This agency is included in the Health and Mental Hygiene appropriation bill.

## Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following proposals:

- an increase of \$2,700,000 to support an additional 157 full-time equivalent (FTE) positions of which 100 would be auditors. This would bring total staffing for the Office to 678 FTEs;
- legislation establishing a New York State False Claims Act and a "Martin Act" for Health Care;
- heightened criminal penalties for fraudulent health care practices;
- new criminal penalties for the possession of diverted drugs; and
- "whistleblower" protections for employees who report health care fraud.

## Budget Detail

The Executive requests the following:

- All Funds appropriations totaling \$97,995,000, an increase of \$1,899,000, or 2.0 percent from SFY 2006-07 levels;
- General Fund appropriations totaling \$32,052,000, an increase of \$2,421,000, or 8.2 percent above SFY 2006-07 levels;
- Special Revenue Fund–Other appropriations totaling \$5,257,000, a decrease of \$2,943,000, or negative 35.9 percent from SFY 2006-07 levels; and
- Special Revenue Fund–Federal appropriations totaling \$60,686,000, an increase of \$2,421,000, or 4.2 percent above SFY 2006-07.

## State Operations

The Executive requests State Operations appropriations totaling \$97,995,000 for OMIG, an increase of \$1,899,000 or 2.0 percent from SFY 2006-07 levels.

### Proposed Increases

The Executive proposes:

- a combined increase of \$2,600,000 in General Fund and Federal funding to support the addition of 157 FTEs to bring the total staffing to 678 FTEs. The additional staff would consist of 100 new auditors; 35 new administrative staff; 12 positions dedicated to

information technology; 6 positions dedicated to the development of data mining tools; and 4 positions dedicated to the expansion of the internal fraud database.

- a combined increase of \$2,186,000 in General Fund and Federal funding to support an investment in technology, including an Office for Technology contract to upgrade systems of \$1,390,000; enhancements to the internal fraud database (FACTS) of \$434,000; and increased non-personal service costs of \$362,000.

#### Proposed Decreases

The Executive proposes a decrease of \$2,943,000 in Special Revenue-Other related to excess appropriation authority transferred from the Department of Health upon the creation of OMIG in 2006.

#### Article VII

The Executive recommends Article VII legislation that would:

- establish a New York State False Claims Act;
- establish a "Martin Act" for Health Care to strengthen the Attorney General's authority to investigate and prosecute health care fraud;
- allow the OMIG to access records of the Department of Taxation and Finance and the Workers' Compensation Board;
- strengthen criminal penalties for certain fraudulent health care practices;
- clarify the requirements for the provider compliance program and the manner by which illegally sold prescriptions and prescription medications will be valued;
- establish criminal penalties for possession of diverted prescription drugs;
- provide "whistleblower" protections for employees who report health care fraud; and
- designate the Supreme Court in Albany as the only venue where providers may challenge Medicaid determinations made by the Commissioner of Health.

# DEPARTMENT OF MENTAL HYGIENE

|                                  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change   | Percent<br>Change |
|----------------------------------|--------------------------------------|---------------------------------|----------|-------------------|
| <b>AGENCY SUMMARY</b>            |                                      |                                 |          |                   |
| General Fund                     | (150,000,000)                        | (150,000,000)                   | 0        | 0.0%              |
| Special Revenue-Other            | 150,000,000                          | 150,000,000                     | 0        | 0.0%              |
| <b>Total for AGENCY SUMMARY:</b> | <b>0</b>                             | <b>0</b>                        | <b>0</b> | <b>0%</b>         |

### Agency Mission

(Executive Budget: pp. 153)

The Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS) comprise the Department of Mental Hygiene (DMH). All three agencies, as direct providers of care, are funded in part, by Medicaid, Medicare, third-party insurance, and private payments. Payment of debt service on outstanding mental hygiene bonds is a priority claim upon and use of such funds. The funds remaining are deposited in the Patient Income Account (PIA) to help pay the cost of patient care. Anticipated PIA revenue is appropriated within the budgets of the mental hygiene agencies. During the course of the fiscal year, however, additional, unanticipated revenue may be received or bond refinancing might decrease debt service requirements. Unanticipated revenue is appropriated in the DMH and then allocated in proportion to the appropriate mental hygiene agency.

This Department is included in the Health and Mental Hygiene appropriation bill.

### Budget Detail

The Executive recommends a Special Revenue Fund-Other appropriation of \$150,000,000 reflecting no change from State Fiscal Year (SFY) 2006-07 for SFY 2007-08.

## OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

|  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change            | Percent<br>Change |
|--|--------------------------------------|---------------------------------|-------------------|-------------------|
| <b>AGENCY SUMMARY</b>                          |                                      |                                 |                   |                   |
| General Fund                                   | 345,251,000                          | 385,700,000                     | 40,449,000        | 11.7%             |
| Special Revenue-Other                          | 30,872,000                           | 30,872,000                      | 0                 | 0.0%              |
| Special Revenue-Federal                        | 142,763,000                          | 141,913,000                     | (850,000)         | -0.6%             |
| Capital Projects Fund                          | 9,730,000                            | 11,260,000                      | 1,530,000         | 15.7%             |
| Mental Hygiene Capital Improvement<br>Fund-389 | 67,686,000                           | 108,346,000                     | 40,660,000        | 60.1%             |
| <b>Total for AGENCY SUMMARY:</b>               | <b>596,302,000</b>                   | <b>678,091,000</b>              | <b>81,789,000</b> | <b>13.7%</b>      |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change   |
|------------------|--------------------|----------------------|----------|
| General Fund:    | 866                | 876                  | 10       |
| All Other Funds: | 117                | 107                  | (10)     |
| <b>TOTAL:</b>    | <b>983</b>         | <b>983</b>           | <b>0</b> |

#### Agency Mission

(Executive Budget: pp. 155-160)

The Office of Alcoholism and Substance Abuse Services (OASAS) administers a statewide system of chemical abuse prevention, early intervention and treatment services. The agency operates 13 addiction treatment centers (ATC) located across the State to provide intermediate term treatment as a complement to the more intensive, short-term treatment provided in community hospitals. OASAS also licenses and regulates 1,200 agencies that treat addictions, ranging from alcohol and drug addiction to compulsive gambling. In addition, OASAS licenses 300 providers of community prevention services.

This agency is included in the Health and Mental Hygiene appropriation bill.

## **Programmatic Highlights**

The State Fiscal Year (SFY) 2007-08 Executive Budget includes the following:

- a collaboration between OASAS, the Department of Health (DOH), and stakeholders in the chemical dependence field to create a taskforce that will reform the hospital-based detoxification system;
- implementation of the second year of the cost of living adjustment (COLA) for providers of chemical and compulsive gambling services;
- a collaborative effort between OASAS, the Office of the State Medicaid Inspector General and DOH to achieve \$18,700,000 in Medicaid savings;
- a collaborative effort by the Office of Mental Health and the DOH to develop demonstration programs to enhance care coordination and integration of health and behavioral health services for high-cost Medicaid recipients;
- additional capital funding for expansion of the Veteran's Enhanced Treatment Services (VETS) initiative to support the creation of 100 new beds for veterans returning from Iraq and Afghanistan;
- capital funding for the creation of 100 new community residential beds on Long Island to address the closure of sober homes in that region; and
- a capital plan to renovate or relocate aging chemical dependence treatment facilities over five years starting in SFY 2008-09;

## **Budget Detail**

The Executive proposes an All Funds appropriation of \$678,091,000, an increase of \$81,789,000 or 13.7 percent. OASAS will maintain a staffing level of 983 during SFY 2007-08.

### **State Operations**

The Executive proposes an All Funds State Operations appropriation of \$89,820,000, a net increase of \$7,608,000 or 9.25 percent.

#### **Proposed Increases**

The Executive proposes for SFY 2007-08 the following increases:

- \$60,543,000 in General Fund, a net increase of \$7,522,000 or 14.19 percent, reflecting increases in salary, rent, information technology upgrades,

pharmaceuticals and utilities, offset by a three percent reduction in non-personal services; and

- \$86,000 or 1.35 percent in Special Revenue-Federal reflecting decreases in the Federal Safe and Drug Free Schools and Communities and Substance Abuse Prevention and Treatment grant awards which have been offset by new funding from the Statewide Outcome Working Group Federal Block Grant.

### **Aid to Localities**

The Executive proposes an All Funds Aid to Localities appropriation of \$468,665,000, a net increase of \$31,991,000 or 7.33 percent.

#### **Proposed Increases**

- The Executive proposes \$325,157,000 in General Fund appropriations, an increase of \$32,927,000 or 11.27 percent, reflecting annualization of New York/New York III, adjustments to the SFY 2006-07 COLA based on Federal requirements and implementation of the second year of the COLA.

#### **Proposed Decreases**

- The Executive proposes a \$936,000 decrease in Special Revenue- Federal reflecting a decrease in the Federal Safe and Drug Free Schools and Community Block grant funding.

### **Capital Projects**

#### **Proposed Increases**

- The Executive proposes a net increase in bonded funding of \$47,460,000 to support 100 new veterans beds and 100 new residential beds on Long Island, offset by reduced appropriation need for prior year bed development, as well as \$1,530,000 in new non-bonded to address minor rehabilitation projects and related administrative expenses at Addiction Treatment Centers.

#### **Proposed Decreases**

- The Executive proposes a \$6,800,000 reduction in bonded funding due to completion of major renovation of addiction treatment centers.

## OFFICE OF MENTAL HEALTH

|  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change             | Percent<br>Change |
|--|--------------------------------------|---------------------------------|--------------------|-------------------|
| <b>AGENCY SUMMARY</b>                          |                                      |                                 |                    |                   |
| General Fund                                   | 1,631,155,000                        | 1,715,458,000                   | 84,303,000         | 5.2%              |
| Special Revenue-Other                          | 598,761,000                          | 654,152,000                     | 55,391,000         | 9.3%              |
| Special Revenue-Federal                        | 41,856,000                           | 39,192,000                      | (2,664,000)        | -6.4%             |
| Capital Projects Fund                          | 47,010,000                           | 42,010,000                      | (5,000,000)        | -10.6%            |
| Mental Hygiene Capital Improvement<br>Fund-389 | 437,275,000                          | 603,042,000                     | 165,767,000        | 37.9%             |
| Capital Projects - 338                         | 1,000,000                            | 1,000,000                       | 0                  | 0.0%              |
| Internal Service Fund                          | 2,509,000                            | 2,620,000                       | 111,000            | 4.4%              |
| Enterprise                                     | 8,349,000                            | 8,514,000                       | 165,000            | 2.0%              |
| <b>Total for AGENCY SUMMARY:</b>               | <b>2,767,915,000</b>                 | <b>3,065,988,000</b>            | <b>298,073,000</b> | <b>10.8%</b>      |

### ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change     |
|------------------|--------------------|----------------------|------------|
| General Fund:    | 16,742             | 17,147               | 405        |
| All Other Funds: | 523                | 523                  | 0          |
| <b>TOTAL:</b>    | <b>17,265</b>      | <b>17,670</b>        | <b>405</b> |

#### Agency Mission

(Executive Budget: pp. 161-170)

The Office of Mental Health (OMH) oversees all mental health services in New York State. The agency is a direct provider of medium and long-term care at 16 adult psychiatric centers (PC) and six children's psychiatric centers (CPC). In addition, OMH provides diagnostic and treatment services to persons involved with the criminal justice system at three forensic psychiatric centers

(FPC). Research staff at the New York State Psychiatric Institute and the Nathan S. Kline Institute for Psychiatric Research conduct basic and applied research into the causes and treatment of psychiatric disorders, supported by State funds and grants from outside sources.

OMH licenses and regulates more than 2,500 not-for-profits, government-operated and proprietary mental health agencies that serve 600,000 persons each year.

This agency is included in the Health and Mental Hygiene appropriation bill.

### **Programmatic Highlights**

The State Fiscal Year (SFY) 2007-08 Executive Budget includes the following proposals:

- funding for 335 full-time equivalent (FTE) positions to support expansion of the civil confinement of sexually violent persons (SVPs), consistent with a recent court decision. Specific protocols related to the civil confinement of SVPs would be addressed in separate legislation;
- addition of 180 new Home and Community Based Services (HCBS) Waiver slots, bringing the total number of slots to 1,620;
- addition of 1,000 new Supported Housing beds;
- addition of 1,000 enrollees in the Prepaid Mental Health Plan;
- expansion of the Psychiatric Clinical Knowledge Enhancement System (PSYCKES) to Article 28 hospitals, Children's Psychiatric Centers and outpatient programs through a joint initiative with the Department of Health (DOH) to implement best practices in medication and prescription management. A total of 11 FTEs would be added to support this initiative;
- an expansion of quality assurance initiatives through a collaboration with the Office of Medicaid Inspector General to increase Medicaid savings. A total of 6 FTEs would be added to support this initiative;
- a collaboration with the DOH and the Office of Alcohol and Substance Abuse Services to develop demonstration programs to provide better integration and coordination of care between health and behavioral health services for high-cost Medicaid recipients;
- support for additional research positions at the New York Psychiatric Institute and the Nathan Kline Institute;
- removal of the exemption for anti-depressants in the Medicaid Preferred Drug Program;

- enhanced services to mentally ill State prison inmates. A total of 38 FTEs would be added to support this initiative; and
- capital funding for the creation of 1,000 new Congregate Care beds.

### Budget Detail

The Executive proposes an All Funds appropriation of \$3,065,988,000, an increase of \$298,073,000 or 10.8 percent over the SFY 2006-07 level.

### State Operations

The Executive proposes an All Funds State Operation appropriation of \$1,350,914,000, a net increase of \$47,665,000 or 3.66 percent, over the SFY 2006-07 level.

#### Proposed Increases

The Executive proposes the following:

- \$31,457,000 for negotiated salary increases, civil service position adjustments, and inflationary increases related to the cost of pharmaceuticals, utilities and fuel;
- \$19,200,000 related to increased cost associated with the civil confinement of SVPs including the addition of 335 FTEs to support this initiative; and
- \$5,385,000 to support ten new FTE staff positions at the Nathan Kline Institute, 5 new FTEs at the New York Psychiatric Institute, 11 new FTEs to implement the PSYCKES initiative, 6 new FTEs to increase Medicaid savings, and 38 new FTEs to enhance services to mentally ill State prison inmates.

#### Proposed Decreases

The Executive proposes:

- savings of \$8,758,000 related to a three percent reduction in nonpersonal services across-the-board and a five percent reduction in nonpersonal services for the OMH Central Office; and
- savings of \$16,000,000 in the Patient Income Account resulting from a proposed expansion of the Prepaid Mental Health Plan to 1,000 new enrollees.

## Aid to Localities

The Executive proposes an All Funds Aid to Localities appropriation of \$1,069,022,000, a net increase of \$89,641,000 or 9.15 percent.

### Proposed Increases

The Executive proposes the following:

- \$30,025,000 in General Fund to support the second year of a cost of living adjustment (COLA) (COLA) for voluntary mental health service providers;
- \$27,480,000 in General Fund reflecting annualization program costs and other adjustments, including the SFY 2006-07 COLA;
- \$12,600,000 in General Fund reflecting a three-year plan to increase funding for Adult and Children's Community Residence programs;
- \$10,700,000 in General Fund reflecting implementation of the second year of the New York/ New York III Agreement and the final year implementation of the Supported Housing stipend increase;
- \$9,100,000 in General Fund to support the addition of 1,000 new Supported Housing beds and 1,000 new Congregate Care beds; and
- \$2,400,000 in General Fund for an additional 180 new Home and Community Based Services (HCBS) waiver slots for children.

### Proposed Decreases

- The Executive proposes a \$2,664,000 decrease in Special Revenue-Federal reflecting a decrease in the Community Mental Health Services (CMHS) Block grant.

## Capital Projects

The Executive proposes the following increases in capital funding:

- \$102,500,000 for phase two of a multi-year project to construct a new state-of-the-art Bronx children's inpatient facility and adult inpatient facility and transitional residence on the Bronx campus; and
- \$25,000,000 in for phase two of a multi-year plan to rehabilitate Manhattan Psychiatric Center's Dunlap Building to accommodate Kirby Forensic Psychiatric Center.

The Executive proposes the following decreases:

- \$86,030,000 reflecting adjustments for community bed development from prior years;
- \$52,015,000 reflecting year-to-year adjustments from prior year appropriations for the Bronx Adult Psychiatric Center and Kirby Forensic Psychiatric Center; and
- \$1,000,000 reflecting year-to-year adjustments to design and construction appropriations for the St. Lawrence Psychiatric Center.

# OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

|  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change             | Percent<br>Change |
|--|--------------------------------------|---------------------------------|--------------------|-------------------|
| <b>AGENCY SUMMARY</b>                          |                                      |                                 |                    |                   |
| General Fund                                   | 1,064,312,000                        | 1,134,441,000                   | 70,129,000         | 6.6%              |
| Special Revenue-Other                          | 2,210,729,000                        | 2,392,142,000                   | 181,413,000        | 8.2%              |
| Special Revenue-Federal                        | 280,000                              | 3,495,000                       | 3,215,000          | 1,148.2%          |
| Capital Projects Fund                          | 58,235,000                           | 61,515,000                      | 3,280,000          | 5.6%              |
| Mental Hygiene Capital Improvement<br>Fund-389 | 89,365,000                           | 76,840,000                      | (12,525,000)       | -14.0%            |
| Internal Service Fund                          | 150,000                              | 350,000                         | 200,000            | 133.3%            |
| Enterprise                                     | 2,374,000                            | 2,406,000                       | 32,000             | 1.3%              |
| <b>Total for AGENCY SUMMARY:</b>               | <b>3,425,445,000</b>                 | <b>3,671,189,000</b>            | <b>245,744,000</b> | <b>7.2%</b>       |

## ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund          | Current<br>2006-07 | Requested<br>2007-08 | Change     |
|---------------|--------------------|----------------------|------------|
| General Fund: | 23,272             | 23,509               | 237        |
| <b>TOTAL:</b> | <b>23,272</b>      | <b>23,509</b>        | <b>237</b> |

### Agency Mission

(Executive Budget: pp. 171 -178)

The Office of Mental Retardation and Developmental Disabilities (OMRDD) administers a statewide network of services to persons with developmental disabilities and their families through 13 regional developmental disabilities services offices. Adults with developmental disabilities have a choice of services and treatment options available to them whether they reside in a State operated developmental center, a voluntary operated or State operated community residential placement or remain in their family home. In addition, developmentally disabled adults who have behavioral issues or have been involved with the criminal justice system may be placed in a State-operated secure treatment facility.

This agency is included in the Health and Mental Hygiene appropriation bill.

## Programmatic Highlights

The State Fiscal Year (SFY) 2007-08 Executive Budget includes the following proposals:

- support for a new third phase of New York State-Creating Alternatives in Residential Environments and Services (NYS-CARES) to add 1,000 residential placements, 2,400 at-home residential habilitation placements, and 200 day habilitation placements over five years, bringing the total number of new residential beds under NYS-CARES to 7,800;
- addition of 140 new beds for consumers aging out of other human services placements or educational environments;
- addition of 125 new beds to repatriate children placed out-of-state;
- expansion of Family Support Services to an additional 5,000 families, including the development of 500 respite beds and various wrap-around services;
- new competitive employment opportunities for 500 consumers currently in non-competitive sheltered work and day training employment programs;
- implementation of the second year of the cost of living adjustment (COLA) for eligible, not-for-profit providers;
- continued support for the New York State Options for People Through Services (NYS-OPTS) and Real Choice Systems Change (RCSC) initiatives; and
- capital funding to improve the infrastructure of State and voluntary not-for-profit community based sites.

## Budget Detail

The Executive proposes an All Funds appropriation of \$3,671,189,000, an increase of \$245,744,000 or 7.2 percent over the SFY 2006-07 level.

### State Operations

The Executive proposes an All Funds State Operations appropriation of \$1,465,083,000, an increase of \$10,837,000 or 0.75 percent over the SFY 2006-07 level. In OMRDD, more than 99 percent of the appropriations for State Operations are derived from a combination of General Funds and funds from the Patient Income Account (PIA), a Special Revenue fund. The PIA consists of revenues received by the State, primarily from the federal government and third party insurers, to pay for services to persons with developmental disabilities.

### Proposed Increases

The Executive proposes the following increases:

- \$40,088,000 for general salary, pharmaceutical and utility cost increases, in addition to the annualization of autism, intensive needs and NYS-CARES beds;
- \$65,485,000 in the PIA, related to inflationary increases to Medicaid rates for SFY 2007-08; and
- \$3,215,000 in Special Revenue Funds-Federal reflecting two new federal grants.

### Proposed Decreases

The Executive proposes the following decreases:

- \$2,450,000 reduction related to an adjustment in the Medicaid assessment rate, reflecting the federal change in the reimbursable rate from six percent to five and one-half percent;
- \$10,018,000 in savings through efficiencies and replication of best practices, in addition to a five percent reduction in Administrative and a three percent reduction in Institutional, Community and Research activities; and
- \$230,000 in savings due to the conversion of contractual Information Technology staff to 20 new full-time equivalent positions.

### Aid to Localities

The Executive proposes an All Funds Aid to Localities appropriation of \$2,067,751,000, an increase of \$244,152,000 or 13.39 percent.

### Proposed Increases

The Executive proposes the following increases:

- \$115,928,000 in Special Revenue- Other reflecting conversions that create new residential opportunities through NYS-OPTS, as well as conversion of Joint Venture Clinics to Article 16 Clinics.
- \$57,424,000 in support of 140 new beds for consumers aging out of other human services placements, inflationary adjustments, and the conversion of Joint Venture Clinics to Article 16 Clinics;

- \$17,400,000 for the Healthcare Initiative- Phase III to reduce the cost of health care coverage for direct care workers;
- \$12,400,000 for prior budget actions, including increases to NYC Medicaid Transportation and increases in fingerprinting volume; and
- \$9,200,000 for implementation of the second year of the cost of living adjustment COLA for eligible OMRDD services providers;
- \$7,850,000 for the expansion of the Family Support Services Initiative, including the development of 500 respite beds and various other wrap-around services;
- \$6,000,000 to support a new planned five-year expansion (Phase III) of the NYS-CARES program that is intended to bring total beds to 7,800 by the year 2012. The \$6,000,000 represents half-year funding to support 100 new beds, 240 in-home residential habilitation and 20 day habilitation opportunities in SFY 2007-08; and
- \$3,030,000 for the Supported Employment Initiative, including the transition of 500 consumers to more competitive employment opportunities that include job development and coaching services, as well as subsidies for job creation;

#### Proposed Decreases

The Executive proposes:

- \$5,080,000 in savings related to a 25 percent reduction in provider reimbursement for new development.

#### Capital Projects

The Executive proposes an increase of \$3,280,000 in non-bonded capital funding for minor rehabilitation projects at OMRDD Developmental Centers and community homes.

The Executive proposes a reduction of \$12,525,000 in bonded capital, primarily due to the final phase of completion of the Bernard Fineson Development Center.

#### Article VII

The Executive recommends Article VII legislation that would:

- authorize OMRDD to renew and lower reimbursable tax assessments from six percent to five and one-half percent on OMRDD licensed Intermediate Care Facilities.

# COMMISSION ON QUALITY OF CARE AND ADVOCACY FOR PERSONS WITH DISABILITIES

|                                  | Adjusted<br>Appropriation<br>2006-07 | Executive<br>Request<br>2007-08 | Change           | Percent<br>Change |
|----------------------------------|--------------------------------------|---------------------------------|------------------|-------------------|
| <b>AGENCY SUMMARY</b>            |                                      |                                 |                  |                   |
| General Fund                     | 4,449,000                            | 4,609,000                       | 160,000          | 3.6%              |
| Special Revenue-Other            | 4,277,000                            | 4,193,000                       | (84,000)         | -2.0%             |
| Special Revenue-Federal          | 7,625,000                            | 6,990,000                       | (635,000)        | -8.3%             |
| Enterprise                       | 45,000                               | 45,000                          | 0                | 0.0%              |
| <b>Total for AGENCY SUMMARY:</b> | <b>16,396,000</b>                    | <b>15,837,000</b>               | <b>(559,000)</b> | <b>-3.4%</b>      |

## ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

| Fund             | Current<br>2006-07 | Requested<br>2007-08 | Change   |
|------------------|--------------------|----------------------|----------|
| General Fund:    | 46                 | 46                   | 0        |
| All Other Funds: | 59                 | 59                   | 0        |
| <b>TOTAL:</b>    | <b>105</b>         | <b>105</b>           | <b>0</b> |

### Agency Mission

(Executive Budget: pp. 179-185)

The Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) was created by the merger of the Commission on Quality of Care for the Mentally Disabled with the Office of Advocate for Persons with Disabilities on April 1, 2005. The Commission promotes community outreach, provides information, referral and advocacy services, and administers the Surrogate Decision-Making Committee Program which acts on behalf of persons in the mental hygiene system who are not competent to make medical care decisions for themselves. In addition, CQCAPD provides independent oversight of the three mental hygiene agencies: the

Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS). It includes investigations of abuse or mistreatment and any reports of injuries or deaths of persons served within the mental hygiene system.

This agency is included in the Health and Mental Hygiene appropriation bill.

### **Budget Detail**

The Executive proposes All Funds appropriations totaling \$15,837,000 a net decrease of \$559,000 or 3.4 percent from State Fiscal Years (SFY) 2006-07 levels. CQCAPD will maintain a staffing level of 105 employees during SFY 2007-08.

### **State Operations**

The Executive recommends an All Funds State Operations appropriation of \$15,126,000, a net decrease of \$559,000 or 3.56 percent from the SFY 2006-07 level.

#### **Proposed Increases**

The Executive proposes a \$160,000 General Fund increase for cost associated with relocating all agency staff to Schenectady.

#### **Proposed Decreases**

The Executive proposes a reduction of:

- \$635,000 in Special Revenue Funds-Federal reflecting adjustments in federal grant awards and loss of one-time grant funding due to the transitioning of funding from the Department of Health and Human Services to the Department of Education; and
- \$84,000 in Special Revenue Funds-Other reflecting federal grant award adjustments and reduction in conference fees.