



**Joint Legislative Budget Hearing Testimony
New York State Department of Health**

**State Fiscal Year 2014-15, Executive Budget
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Good morning Chairmen Farrell, DeFrancisco, Hannon and Gottfried, Senators Rivera and Breslin and Assemblymembers Raia and Oaks and all your colleagues here today.

I am Dr. Nirav Shah, Commissioner of Health, and I am pleased to have this opportunity to discuss Governor Andrew Cuomo's Executive Budget as it relates to the mission of the Department of Health.

It's been three years since the state embarked on its historic Medicaid reforms, led by Governor Cuomo's Medicaid Redesign Team. As discussed in his State of the State Address, New York has achieved remarkable improvements in Medicaid as a result of the work by the MRT, both in terms of quality enhancements and reduced expenditures. In the first year alone, the redesign saved the State \$2.2 billion, and over the next five years, the federal government and the State will save \$34 billion – \$17 billion each – as a result of these reforms.

But our work is far from done. To meet the goals of the Triple Aim – better population health, better health care for individuals and lower costs – we must build on these successes and achieve the transformation of the entire state health care delivery system. The challenges we face are substantial. In particular, our health care system is imbalanced, in that it relies too heavily on inpatient care, emergency room services and nursing home care and not heavily enough on primary care and other community-based alternatives to institutional care. We have struggling safety net providers throughout the State, some in danger of closing and placing even basic health care access at risk. Nowhere is this more pronounced than in Brooklyn, where several hospitals in particular are in dire financial straits and on the verge of closure.

Our roadmap to meeting these challenges and achieving the goals of the Triple Aim is the State Health Innovation Plan (SHIP). The plan was developed last year by the State in partnership with stakeholder groups representing consumers, payers and providers. The SHIP recognizes the diverse needs, attributes and resources in the State and concludes that regional innovation is required to achieve optimal health for all New Yorkers. The State will establish 11 Regional Health Improvement Collaboratives (RHICs), which will actively engage stakeholders, analyze data, and develop strategies that align health care resources with population need. The work of the RHICs will be based on the best practices identified by the Finger Lakes Health System Agency, a successful model of regional planning. Its work in the Rochester area has achieved several significant outcomes, including:

- scoring in the top 10 % nationwide on health system performance as measured by the Commonwealth Fund's local report card;
- lowest overall Medicare spending rate in the nation; and
- reductions in acute hospital utilization.

Regional planning will allow us to replicate these successes throughout the State.

The transformation of health care in New York State requires the federal government to approve our MRT waiver amendment that the State submitted 18 months ago. The waiver will continue the work of the MRT by reinvesting \$10 billion in federal Medicaid savings back into the State's health care delivery system over a five year period. Of that amount, \$525 million will be dedicated to the further development of Health Homes and \$2.1 billion will be directed to primary care technical and operational assistance, investments in behavioral health services, and workforce initiatives implemented through contracts with managed care plans. The third component of the waiver is the State's Delivery System Reform Incentive Payment (DSRIP) Plan, submitted in December, which will reinvest more than \$7 billion in federal savings. The DSRIP Plan aims to reduce avoidable hospital use by 25% over the next five years and will help the State rebalance the delivery system and stabilize the health care safety net. In particular, DSRIP funding will allow safety net institutions to downsize unneeded inpatient capacity and adjust their mix of services, while supporting the expansion of community services that offer lower cost alternatives to emergency room care. In short, the waiver funding that the State has requested is critical to our transformative agenda.

But federal funding by itself is not enough. CMS will not allow waiver funds to be used for capital purposes, and our struggling facilities still need assistance with their physical infrastructure and restructuring initiatives that will improve their bottom line and ability to serve their communities. Therefore, Governor Cuomo's budget will establish a \$1.2 billion Capital Restructuring Financing Program, which will finance capital projects that enhance the quality, financial viability and efficiency of the health care system, such as mergers, restructuring, infrastructure improvements, primary care capacity development and promotion of integrated health systems. The distribution of these state dollars will be closely aligned with the operational funding available under DSRIP, thus maximizing the resources available and creating the synergies we need to achieve the true transformation of our health care system.

To add to that synergy, the budget also will expand eligibility for the Health Facility Restructuring Loan Pool, currently available only to general hospitals, to not-for-profit nursing homes and diagnostic and treatment centers. In addition, the budget authorizes the creation of a pilot program which would allow up to five corporations, approved by the Public Health and Health Planning Council, to invest private equity in hospitals. Taken together, DSRIP, the new capital program, the expanded loan program and the private equity pilot program will enable the State to assist facilities, and help them to empower themselves, in restructuring their operations and finances, so they can improve patient care.

Improving patient care will also require integrating the Statewide Health Information Network-New York (SHIN-NY) with New York's All-Payer Database. The SHIN-NY is a secure network that shares clinical patient data, so that health care providers responsible for a person's care will know that patient's medical history. The All-Payer Database stores data from all major public and private payers. Integrating the two networks will result in more coordinated and higher quality care.

In his Executive Budget proposal, Governor Cuomo identified a bold new approach to the organ donation crisis referred to in his State of the State Address. The Department will engage in a public/private partnership regarding the operation and promotion of the New York Donate Life Organ and Tissue Donor Registry. New York has one of the lowest organ/tissue donation consent rates in the country. In 2012, 612 people died waiting for donated organs. Every 15 hours, someone in New York dies as the result of this shortage. The success of this partnership will create a more robust organ and tissue donation program.

New York is also leading the nation and the world in our commitment to bring an end to the AIDS epidemic. Today, approximately 130,000 New Yorkers are diagnosed and presumed living with HIV or AIDS. A combination of strategic efforts have resulted in a 40% reduction in new cases of HIV and a 40% reduction in deaths due to AIDS in the last decade. New diagnoses due to injection drug use now account for less than 5% of all new infections, and in 2013, preliminary numbers show we had only two cases of mother-to-child transmission of HIV among 240,000 live births. The Executive Budget contains language to improve the State's testing and data policies to ensure that those who do become infected are promptly detected and treated.

The Executive Budget also contains language to ensure that contributions made to the Prostate Cancer Research, Detection and Education Fund are allocated to the excellent cancer programs we have right here in New York State. Prostate cancer is the second most common cancer in men, second only to skin cancer. We remain committed to raising awareness of this disease, providing support to survivors and bringing about a cure.

The Executive Budget reflects the recommendations of the Public Health and Health Planning Council on ambulatory care by defining emerging models of care such as Retail Clinics and Urgent Care. We have pledged to protect consumers and reduce confusion in the market place by defining what services a consumer can receive at these facilities and increasing Department oversight.

I'd now like to spend a few minutes updating you on activities at the Department since the last time we met here:

As you all are aware, I am still in the process of reviewing the science on high volume hydraulic fracturing. I assure you that the most recent science will be reflected in my final recommendations, but the process must continue to be done carefully, deliberately, and with objectivity, so that we can shed light on all aspects of the issue.

In October, New York opened its Health Plan Marketplace, the NY State of Health, allowing New Yorkers to shop for and enroll in quality, affordable, health plans. Health plans on the NY State of Health are on average 53% less expensive than those New Yorkers paid for last year. Sixteen health insurers are offering health plan coverage to individuals and ten also offer plans to small businesses through New York's Marketplace. So far, more than 650,000 people have completed applications, and 380,000 people are enrolled in health plans.

Last year, we worked together to include "Aidan's Law" in the enacted budget. The language called for the Department to add a test for newborns for adrenoleukodystrophy, a rare genetic brain disorder. Today, this test has been successfully added to the newborn screening panel. New York is the first state in the nation to screen for this condition, which occurs mostly in males.

Opioid addiction and abuse has become a major public health problem. Thanks to our partners in the Legislature and the adoption of the I-STOP legislation, the Department has been a leader in the fight against prescription drug abuse. Since the law took effect on August 27th, the Prescription Monitoring Program has processed more than 6 million searches from 65,000 health care professionals. The number of individuals engaged in "doctor shopping" decreased more than 74.8% between 2012 and 2013. Without a doubt, I-STOP is a success and has allowed New York to stem the tide of prescription drug abuse.

The Department intends to apply the same supervision in Governor Cuomo's plans to provide qualified patients with debilitating or life-threatening illnesses the opportunity to participate in a strictly controlled statewide research program that will evaluate whether medical marijuana may help alleviate their symptoms. This plan will allow for the controlled use of medical marijuana that prevents diversion and abuse.

The Executive Budget for Health reflects Governor Cuomo's commitment to serve the taxpayers of this State, while making strategic investments and reforms in our health care system to the health of all New Yorkers.

The Department of Health remains strongly committed to working with its partners in the Legislature, the health care system, and the citizens of this State, to create the best public health and health care system in the country.

Thank you. I am happy to answer your questions.

