

Senate Finance and Assembly Ways and Means
Joint Legislative Hearing on the 2017-18 Executive Budget
Health and Medicaid
February 16, 2017

Thank you for the opportunity to provide testimony on the Governor's FY 2017-18 budget proposal. My name is Lacey Clarke and I am the Assistant Policy Director of the Community Health Care Association of New York State (CHCANYS), the State's Primary Care Association for federally qualified health centers.

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

CHCANYS serves as the voice of community health centers as leading providers of primary care in New York State. We work closely with more than 65 federally qualified health centers (FQHC) that operate over 650 sites statewide. FQHCs, also known as community health clinics, are non-profit, community run centers located in medically underserved areas that provide high-quality, cost effective primary care, including behavioral and oral health services, to anyone seeking it, regardless of their insurance status or ability to pay. Each FQHC is governed by a consumer-majority board of directors who seek to identify and prioritize the services most needed by their communities.

FQHCs serve 2 million New Yorkers annually. In 2015, 86% of patients served were below 200% of poverty, 57% received Medicaid, and 17% were uninsured statewide, although numbers at individual health centers vary. Nearly one in six New York Medicaid enrollees are served by an FQHC. One quarter of New York's FQHC patients are best served in a language other than English, and three-fourths are racial and/or ethnic minorities. In short, FQHCs are New York's primary care safety net providers-- keeping people well in the community and out of higher cost institutional based settings.

Specific Comments and Requests Regarding the 2017-18 Executive Budget Proposal

While we are grateful that the Administration has emphasized how community-based primary

care is central to the State's health care delivery system and payment reform efforts, the resources have not followed the stated policy. Transformation of New York's healthcare delivery and payment system through DSRIP and related initiatives, including SHIP and the transition to Value-Based Payment, is a massive undertaking which relies on FQHCs and other community healthcare providers to participate in a variety of intensive projects. However, downstream community partners have yet to receive any meaningful funding under DSRIP compared to the total percentage of dollars available to PPS Leads or have access to any funding streams designed to solely support their capital and working capital needs. In fact, over the past three budget cycles, only approximately 6% of the nearly \$2.8 billion in transformation funding allocated for healthcare providers was available to non-hospital community-based healthcare providers, including FQHCs, behavioral health, family planning and home health providers. New York State is relying on the work of the community-based healthcare provider sector to transform the State's healthcare delivery system, yet it has not made an equitable investment in the sector to support this work. The State should ensure that FQHC and other community-based providers receive proportional resources to ensure the successful transformation of New York's healthcare delivery system and continued access to high quality, cost efficient primary health services for all New Yorkers

FQHCs are also facing instability due to proposed federal changes to the healthcare system. As safety net providers, over half of FQHC patients are Medicaid enrollees and Medicaid reimbursements comprise more than half of health center revenue. Substantial changes to the Medicaid system could put patients' coverage at risk and greatly impact health centers' ability to provide services to all New Yorkers. In addition, the federal grant that comprise the basis of health centers' infrastructure funding expires in September 2017. Unless congressional action is taken, health centers face a 70% cut to their federal funding.

The State should ensure that their budgetary decisions support FQHC's financial viability and their ability to continue to provide high-quality, comprehensive, community-based primary care to all New Yorkers, a signature component of New York's wide-ranging healthcare delivery system and payment reform initiatives. Since 2008, the number of patients served by New York's FQHCs has increased by more than 35% to 2 million patients cared for annually. As the

State continues to transform its healthcare system, FQHCs need access to resources to support increased integration of services, the expansion and reimagining of care coordination models in preparation for value based payments, modernization and expansion of facilities and solidifying new and existing community partnerships to continue to address social determinants of health. It is therefore critical that the State investment in community healthcare providers, including FQHCs, to support the necessary and cost-efficient healthcare services they provide to 2 million New Yorkers and their ongoing participation in transformation efforts.

A. Add \$20M to Indigent Care Funding for Safety Net Providers

FQHCs are eligible to receive funding annually through the Diagnostic and Treatment Center Uncompensated Care Pool (D&TC UCP.) This year's Executive Budget includes \$54.4M in state funding, which would draw down a federal match for FQHCs, who comprise approximately 85% of the recipients. This funding partially reimburses FQHCs for the cost of caring for the uninsured, the rate of which is much higher at FQHCs than in the general New York State population. On average, 17% of patients seen at FQHCs are uninsured, compared to 6% throughout New York State. However, at some health centers, more than half of patients are uninsured. The D&TC indigent care pool provides vital assistance to community health centers, thereby helping to off-set the overall cost of caring for the uninsured.

For the past several years the D&TC indigent care pool was comprised of \$54.4M in state funding and an equal federal match for a total of \$108.8M. However, the waiver authorizing a federal match for the D&TC indigent care pool expired at the end of the 2014 and, as a result, FQHC and other pool recipients did not receive federal indigent care funds in 2015- a loss of \$54.4M. CHCANYS worked closed with the Department of Health and CMS to find a way to continue the federal match and in 2016, CMS approved a State Plan Amendment (SPA) authorizing a federal match for FQHC pool recipients. However, the SPA changed the distribution methodology for the funds. Under the SPA methodology, each eligible recipient receives a Medicaid-rate add on based on the percentage of uninsured visits in a specified year. Although FQHCs are now eligible to receive federal funds, the new methodology disproportionately disadvantages those health centers that see a high percentage of uninsured visits and comparatively low percentage of Medicaid visits. To address this situation in 2016,

the State created a one-time \$13.5M mitigation pool to partially compensate those centers that are negatively impacted by the new methodology. Additionally, the State was able to pull down an additional \$20M in federal funds in 2016, increasing the total amount of the pool to \$130M.

The 2017-18 Executive Budget proposal includes \$54.4 million in state funding for the D&TC indigent care pool. CHCANYS is requesting that the Legislature increased the funding for indigent care by \$20M, \$10M of which would be added to the indigent care pool and eligible for a federal match, and \$10M of which would be set aside for a mitigation pool for those providers that are financially harmed under the SPA methodology. Increasing the funding by \$20M will maintain 2016 funding levels and mitigate undue financial harm to FQHCs and other safety net providers that serve high numbers of uninsured New Yorkers. Without these additional dollars, many FQHCs may be forced to reduce staff, eliminate expansion plans and/or limit access precisely at a when it is anticipated the numbers of uninsured may increase statewide, unnecessarily increasing reliance on more costly forms of care. In contrast to proposed appropriations that would benefit a single provider or one system, the additional \$20M would benefit the more than 80 safety net providers statewide who are committed to providing accessible community-based primary and behavioral health services to all New Yorkers, including those without insurance coverage. Finally, maintaining D&TC indigent care funding levels is aligned with the State's focus on ensuring access to primary care, reducing unnecessary hospitalization and improving health outcomes for all New Yorkers, not just those that have access to insurance coverage.

The Executive Budget proposal also contains language that would permit the Executive to make unilateral changes to certain HCRA appropriations, including indigent care funding, after the budget is finalized should the State receive less revenue than anticipated, including, but not limited to federal receipts. The proposed language does not require a connection between the projected receipts and the appropriation. As written, if the State receives reduced tax revenues, for example, the Executive could reduce or strike any appropriation that includes this language, such as the D&TC indigent care fund. CHCANYS strongly urges the Legislature to reject this language. Funding to support access to care for New York's most vulnerable should not be subject to such unilateral changes.

We urge the legislature to increase D&TC indigent care funding by \$20M to maintain current funding levels and ensure that all New Yorkers, regardless of insurance status, continue to have access to high-quality, community-based primary care.

B. Twenty-five Percent of \$500 M Health Care Facility Transformation Funding for Community Health Care Providers

CHCANYS is pleased that the Executive Budget includes a new \$500M allocation for the Health Care Facility Transformation Program capital funding. Of that, \$50M would go to a single hospital system and only \$30M would once again be carved out for all of New York State's community based providers- an amount that equals just 6% of the total pool.

It is critical that adequate funding be available to all health care sectors and that a minimum of 25%, or \$125M, be allocated to community healthcare providers, including FQHCs, behavioral health, family planning and home health providers, to support their ongoing participation in transformation efforts.

Last year's final budget allocated a minimum of \$30M of the \$195M Healthcare Facility Transformation Funding to community-based providers, which was a promising start. In response to the RFA in September, 163 community-based provider applicants requested \$436M in funding-- nearly fifteen times the \$30M set aside. This overwhelming response makes clear that there is an enormous need from the community-based sector for resources in support of their participation in transformation initiatives. CHCANYS urges the Legislature to support proportional investment in community-based healthcare providers and set aside a minimum of \$125M of the \$500M Health Care Facility Transformation funding for their use. This amount mirrors the DSRIP goal of reducing unnecessary hospitalizations by 25%.

FQHCs and other community healthcare providers are the backbone of access to care in many communities because they are heavily relied upon by the uninsured, underinsured, and publicly insured—the very population that tends to over utilize hospitals. However, this expansion

requires access to affordable capital. Capital funds available through the Health Care Facility Transformation Program will help support the development of new and expanded community-based care, which will be essential to achieving true delivery system transformation.

To ensure the State to resize its investments and make the necessary investment needed, a minimum of twenty-five percent of the \$500M Health Care Facility Transformation Funding, or \$125M, must be allocated solely to community healthcare providers, including FQHCs, behavioral health, and home health providers, to support their ongoing participation in transformation efforts.

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

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

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

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

The SFY 2015 final budget authorized the creation of a \$19.5 million Community Health Care Revolving Capital Fund to support the work of responsible, community-focused investors to bring public and private capital together for the purposes of investing in primary care and restructuring our healthcare system. We applaud the recent appointment of the Primary Care

Development Corporation as the administrator for the fund and are appreciative of this new source of capital funding for our members as they grow and modernize their facilities.

However, the current Fund level of \$19.5M is not nearly enough meet the enormous demand for capital in the community-based healthcare sector and therefore we urge an expansion of the Fund through an additional \$20M appropriation.

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

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

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

- Providing an additional 50 DANY awards, resulting in a \$2 million investment.
- Ensuring consistent timeline for the DANY RFA and application processing, to align with the job search cycle of final year residents and maximize recruitment outreach.
- Continuing to collaborate with stakeholders to improve the program effectiveness and outreach to underserved areas.

- Supporting state budget funding for PCSC. Sustaining this small program, established by the Legislature in 2012, is critical to addressing primary care workforce shortages in under-served parts of the state.

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

F. Reject Consolidation of Public Health Funding and Restore Funding to School-Based Health Centers

The Executive Budget proposes to eliminate funding lines for 39 discrete programs, including school based health centers (SBHCs), consolidate the funding lines into 4 competitive pools and cut the funding for each pool by 20%- a total reduction of \$24.6 million. It puts \$21 million in non-Medicaid funding for SBHCs at risk.

There are 244 SBHC in New York State, serving over 200,000 students. Nearly half are sponsored by FQHCs. SBHCs are on the front lines promoting children's health in communities with limited access to health, dental, and mental health services. SBHCs are child-centered providers that bring services directly to where the kids are- in school.

Many of the young people that we serve live in communities with a high incidence of drug and alcohol abuse, violence, teen pregnancy, and sexually transmitted diseases. The majority of children served statewide are African American (33%) and Hispanic and Latino (44%). Fourteen percent live in rural areas where geography and shortages of health and mental health providers make access to services extremely difficult. For some youth SBHCs are their only source for counseling, health screenings, reproductive care and immunizations

Repeated studies have shown that SBHCs improve the health and mental health of children and save the State money. SBHCs prevent unnecessary hospitalizations, reduce emergency room visits, improve school attendance and avoid lost workdays for parents. For example, one study shows that SBHCs reduce ER use and hospitalizations by half for asthmatic students

CHCANYS urges the Legislature to reject the proposal to consolidate and reduce public health funding and restore SBHC funding to last year's level of \$21 million.

Conclusion

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

Specifically, CHCANYS respectfully urges the Legislature to:

- Increase D&TC indigent care funding by \$20M and reject unilateral superpower language;
- Allocate a minimum \$125M of the Health Care Facility Transformation funding to Community-based healthcare providers;
- Restore funding for health services for migrant and seasonal farm workers;

- Add \$20M to the Community Health Care Revolving Capital Fund;
- Support continued investment in the primary care workforce through the Primary Care Service Corps (PCSC) and Doctors Across New York (DANY) programs; and
- Reject consolidation of funding and restore funding to school based health centers.