



NEWS FROM

Assembly Health Committee Chair Richard N. Gottfried

822 Legislative Office Building, Albany, NY 12248 – Tel: 518-455-4941

250 Broadway, #2232, New York, NY 10007 – Tel: 212-312-1492

GottfrR@assembly.state.ny.us

State Budget Includes Major Health Reforms

STATEMENT BY

ASSEMBLY HEALTH COMMITTEE CHAIR RICHARD N. GOTTFRIED

The new state budget enacted this week includes major cuts to a broad range of vital programs in health, education, human services, and almost every area of public services. However, it is about as good as could be done, considering the financial, political, and legal realities.

We faced a \$10 billion deficit and a state constitution that empowers the governor to force the Legislature to either pass his budget bill *as is* or shut down state government. Yet we were able to restore funding in many critical areas. If there had been the political will to continue the income tax surcharge on people earning a million dollars or more, many cuts would have been avoided.

Building on the state's successful experience over the past decade with Medicaid managed care, savings will be realized by gradually moving the most high-cost patient groups from fee-for-service Medicaid into various forms of care management – groups such as the elderly receiving nursing home or home care services, and people with serious mental illness. The Assembly made sure important consumer protections in these and other areas were added.

As chair of the Assembly Health Committee, I am pleased that the health portion of the budget includes many important reforms that will protect and improve the quality and accessibility of health care while helping to control health care costs. Three pieces that were my initiatives are truly national landmark legislation: the accountable care organization demonstration program, the statewide medical homes program, and the all-payer claims database.

Governor Cuomo and his administration, Health Commissioner Nirav Shah, the Medicaid Redesign Team, Assembly Speaker Sheldon Silver, and Senate Health Committee chair Kemp Hannon all worked to shape these reforms.

More information on the budget can be found on the Assembly's budget website: <http://www.assembly.state.ny.us/2011Budget/> under "Final Budget Bills." Health appropriations are in the Aid to Localities Budget Appropriation Bill [A.4003-C](#). Health budget legislative changes are in A.4009-D. For all the [actual budget legislation](#), go to: <http://www.assembly.state.ny.us/2011Budget/?sec=finalbills> or <http://public.leginfo.state.ny.us> and enter the bill number.

Accountable Care Organizations

An "accountable care organization" (ACO) is an integrated network of one or more hospitals, specialists, primary care practitioners, community health centers, and other providers. They share support services, including health information technology and help in coordinating care, making all this affordable to primary care practitioners. Health plans may pay the integrated health system a "capitated" payment – a set amount per enrolled patient – and the ACO pays the providers in the network. There are various ways the ACO might pay its

providers: fee-for-service, salary, or some other method or combination of methods. If the network is successful in keeping patients healthier and holding down the network's costs, all the providers in the network share in the savings.

ACOs are designed to promote alternative payment mechanisms that reward value (good outcomes and lower cost) rather than volume, and providers relate to a network of providers rather than to a health plan's bureaucrats or utilization reviewers.

The federal health care reform law authorizes Medicare to arrange "shared savings" with ACOs that save Medicare money.

Since most people are not on Medicare, an ACO really needs to involve other payers as well. The new budget includes a demonstration program, based on legislation I drafted, to authorize providers to form ACOs and have relationships with health plans, including Medicaid and private insurers. The Health Department will be authorized to approve up to seven ACOs between now and December 2015.

ACOs do not exist yet, so we don't really know whether they will work as well as I and others hope. That is why we are moving forward first on a demonstration program.

This state legislation is needed to (a) provide legal protection for ACOs (e.g., to make sure that the participating providers are not accused of anti-trust violations because they are cooperating even though they are competitors), (b) protect the interests of the public, patients, and health care providers within the ACO, and (c) clearly authorize Medicaid and health plans to participate in new payment methods. *See: budget bill A.4009-D, Part H, section 66, page 162.*

Medical Home Multi-Payer Program

Improving and strengthening primary care is central to health care improvement. This is commonly referred to as bringing primary care providers up to "medical home" standards – meeting clinical standards, after-hours access, care coordination, using electronic health records, etc.

A key obstacle is getting health plans to pay providers for the time and capital to meet those standards. In the 2009 budget, New York authorized the Adirondack medical home multi-payer demonstration program. It has been a great success. The Health Department worked to bring the providers and payers in the region together, to set standards, and agree to payment levels that enable primary care providers to meet those standards. State involvement was needed to promote participation and overcome anti-trust law obstacles.

The 2011 budget enacts legislation I drafted to authorize the Health Department to help set up similar programs in every area. *See: budget bill A.4009-D, Part H, section 35, page 27.*

All-Payer Claims Database

Improving the quality of care and controlling costs depend on data about health care, providers, and costs.

For over 30 years, New York's SPARCS system has collected extensive data on all hospital inpatient discharges, including patient diagnosis, procedures, payer, and amount. SPARCS has been an invaluable tool for clinical and policy research, analysis, and budgeting. Recently it was expanded to include data about ambulatory surgery center and emergency room visits. However, the system does not cover office-based care, prescription drugs, and other parts of health care.

While the state collects such data for Medicaid care, and private health plans and Medicare collect it for most of the rest of us, it is not usable the way the SPARCS data is.

So far, over a dozen states have created an “all-payer claims database” (APCD) that collects data from all payers for care in all settings.

New York’s new system will do that and more. The budget language I drafted expands SPARCS to cover care in all settings. And our new state Health Commissioner, Dr. Nirav Shah, expanded it further to enable a health care provider to access data relating to a patient he or she is treating. This will go a long way to improving the quality of care and controlling costs.

All the New York and Federal laws protecting patient confidentiality will apply. SPARCS has an unblemished record of protecting equally sensitive information for decades. Federal HIPPA laws provide additional protection.

Most of the data will be collected from health plans, or providers that already provide such data to Medicaid. Much of the cost of setting up the system will be covered by federal grants. *See: budget bill A.4009-D, Part H, sections 38 and 38-a, page 133.*

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