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New York State Medicaid Reform

In 1997 New York State (NYS) implemented a program called the Partnership Plan through the section 1115 under the Medicaid Managed Care (MMC) program after the approval from the Center for Medicare and Medicaid Services (CMS).¹ The MMC is a state-federal partnership for administering Medicaid through managed care organizations (MCO).² Under the MMC program, states have a choice in how they approach Medicaid reimbursement and delivery system design under certain guidelines outlined in the MMC program.³ The aim of the NYS Partnership Plan was to “better increase access to health care for the Medicaid population; improving the quality of health care services delivered; and expanding coverage to additional low income New Yorkers with resources generated through managed care efficiencies.”⁴ After NYS’s Partnership Plan had been operating for fourteen years, Governor Andrew Cuomo of NYS realized that the Medicaid budget had been continuously rising to reach \$53 billion in 2011 and was in need of reform.⁵ This report will detail the reforms initiated by NYS and Governor Cuomo to transform their MMC Section 1115 waiver and the NYS Medicaid Program.

¹ New York State Department of Health, “Quality Strategy for the New York State Medicaid Managed Care Program 2014,” *New York State Department of Health*, accessed 4/13/16, http://www.health.ny.gov/health_care/managed_care/docs/quality_strategy.pdf.

² Centers for Medicare & Medicaid Services, “Managed Care,” *U.S. Department of Health and Human Services*, accessed 4/13/16, <https://www.medicare.gov/medicaid-chip-program-information/by-topics/delivery-systems/managed-care/managed-care-site.html>.

³ Centers for Medicare & Medicaid Services, “Managed Care.”

⁴ New York State Department of Health, “Quality Strategy for the New York State Medicaid Managed Care Program 2014,” *New York State Department of Health*, accessed 4/13/16, 1, http://www.health.ny.gov/health_care/managed_care/docs/quality_strategy.pdf.

⁵ New York State Department of Health, “A Plan to Transform the Empire State’s Medicaid Program,” *New York State Department of Health*, accessed 4/13/16, http://www.health.ny.gov/health_care/medicaid/redesign/docs/mrtfinalreport.pdf.

New York State's MRT's

In January 2011 Governor Cuomo established the Medical Redesign Team (MRT).⁶ The MRT was composed of 27 stakeholders from all sectors of the healthcare field and was tasked with addressing the State's cost and quality issues.⁷ Quickly after the MRT was established, it submitted an initial report that was estimated to save \$2.3 billion in Medicaid spending for Fiscal Year (FY) 2011- FY2012.⁸ The New York Legislature passed seventy-eight of the seventy-nine suggestions into the FY2011-FY2012 State Budget.⁹

A major reform suggested by the MRT and adopted by the State Legislature was a Global Spending Cap on Medicaid expenditures. This was a statutory cap on Department of Health (DOH) controlled Medicaid expenditures. "The cap is linked to the annual rate of growth in the 10-year rolling average of Consumer Price Index (CPI)-medical"¹⁰ The CPI-medical measures inflation at the retail level for medical market baskets of goods and services.¹¹ The CPI-medical approximates what households spend on out-of-pocket costs on a day-to-day basis.¹² Enrollment growth due to economic factors does not count towards the global cap. The Division of Budget (DOB) under extreme circumstances, as well as an amendment passed by the legislature, can adjust the cap. Each year the cap is included in the NYS FY budget and monitored by DOB and the Department of Health (DOH).¹³ Spending reports are made public every month of the year.¹⁴ The purpose of the cap is to force New York to track Medicaid expenditures at a more precise level.

New York's strategy to improve their information acquisition has been to team up with a private visual data mining technology company named Salient. "Salient provides New York with a state-of-the-art visual data mining technology that allows analysts to drill down into data—even down to the individual patient or provider level—so as to understand what factors are driving spending. Information can be geo-mapped and outlier providers can be clearly identified for targeted interventions."¹⁵ After its initial inception Governor Cuomo announced that NYS had finished the 2011-2012FY \$14 million under the Global Spending

⁶ Office of Governor Andrew M Cuomo, "Governor Cuomo Announces Final Approval of \$8 Billion MRT Waiver to Protect and Transform New York's Health Care System," *Governor Andrew M. Cuomo*, accessed 4/13/16, <http://www.governor.ny.gov/news/governor-cuomo-announces-final-approval-8-billion-mrt-waiver-protect-and-transform-new-yorks>.

⁷ New York State Department of Health, "A Plan to Transform the Empire State's Medicaid Program."

⁸ Office of Governor Andrew M Cuomo, "Governor Cuomo Announces Final Approval of \$8 Billion MRT Waiver to Protect and Transform New York's Health Care System."

⁹ New York State Department of Health, "MRT Phase 1 Project Status," *New York State Department of Health*, accessed 4/13/16, https://www.health.ny.gov/health_care/medicaid/redesign/phase1_project_status_chart.htm.

¹⁰ New York State Department of Health, "A Plan to Transform the Empire State's Medicaid Program," 30.

¹¹ Bureau of Labor Statistics, "Measuring Price Change for Medical Care in the CPI," *United States Department of Labor*, accessed 4/19/16, <http://www.bls.gov/cpi/cpifact4.htm>.

¹² Bureau of Labor Statistics, "Measuring Price Change for Medical Care in the CPI."

¹³ New York State Department of Health, "Monthly and Regional Global Cap Updates," *New York State Department of Health*, accessed 4/13/16, https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/.

¹⁴ New York State Department of Health, "Monthly and Regional Global Cap Updates."

¹⁵ New York State Department of Health, "A Plan to Transform the Empire State's Medicaid Program," 30.

Cap all while adding 140,000 new low income recipients and without cutting benefits.¹⁶ In 2015 NYS finished \$8 million below the \$16.962 billion target.¹⁷

After the MRT's initial suggestions in 2011, the MRT continues to operate and create suggestions for Medicaid reform for NYS. As of March 23, 2016, the MRT has submitted five phases to reform NYS Medicaid.¹⁸ Each phase has detailed charts and data that delineate specific programs the MRT have attempted and enacted. The detailed phases can be found on the NYS's MRT progress update page.¹⁹

The MRT's suggestions saved New York State \$17.1 billion in federal money from 2011 to 2014.²⁰ In 2014, Governor Cuomo finalized plans with the Federal government to reinvest \$8 billion of the savings generated by the MRT into a new amendment aimed at fully implementing the MRT's suggestions. Over \$6 billion of the \$8 billion dollars were invested in New York State's Section 1115 Waiver called the Delivery System Reform Incentive Payment (DSRIP).

New York State's Section 1115 Waiver Amendment

Section 1115 waivers give the Department of Human Health and Services (DHHS) the "authority to approve experimental, pilot, or demonstration projects that promote the objectives of the Medicaid and CHIP programs."²¹ The objectives of a Section 1115 waiver are to "improve health outcomes for Medicaid and other low-income populations in the state...[and] increase the efficiency and quality of care for Medicaid and other low-income populations."²²

Through an amendment to New York State's Section 1115 Waiver "Partnership Plan" implemented by Governor Cuomo, NYS was allowed to reinvest \$8 billion of the \$17.1 billion dollars into the section 1115 waiver and MRT's suggestions. The \$8 billion reinvestment generated from the MRT's reforms was invested in the following ways:

¹⁶ Office of Governor Andrew M Cuomo "Governor Cuomo Announces Medicaid Spending Finishes Year \$14 Million Under Global Medicaid Cap," *Governor Andrew M. Cuomo*, accessed 4/13/16, <https://www.governor.ny.gov/news/governor-cuomo-announces-medicaid-spending-finishes-year-14-million-under-global-medicaid-cap>.

¹⁷ New York State Department of Health, "March 2015 Global Cap Report," *New York State Department of Health*, accessed 4/13/16, https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/monthly/sfy_2014-2015/docs/march_2015_report.pdf.

¹⁸ New York State Department of Health, "MRT Progress Update," *New York State Department of Health*, accessed 4/13/16, https://www.health.ny.gov/health_care/medicaid/redesign/mrt_progress_updates.htm.

¹⁹ New York State Department of Health, "MRT Progress Update."

²⁰ New York State Department of Health, "MRT Waiver Amendment Update," *New York State Department of Health*, accessed 4/13/16, https://www.health.ny.gov/health_care/medicaid/redesign/waiver_amendment_update.htm.

²¹ Centers for Medicare & Medicaid Services. "Section 1115 Demonstrations," *U.S. Department of Health and Human Services*, accessed 4/13/16, 1, <https://www.medicare.gov/medicaid-chip-program-information/by-topics/waivers/1115/section-1115-demonstrations.html>.

²² Centers for Medicare & Medicaid Services. "Section 1115 Demonstrations," 1.

- “\$500 Million for the Interim Access Assurance Fund temporary, time limited funding to ensure current trusted and viable Medicaid safety net providers can fully participate in the DSRIP transformation without disruption
- \$6.42 Billion for DSRIP including DSRIP Planning Grants, DSRIP Provider Incentive Payments, and DSRIP Administrative costs
- \$1.08 Billion for other Medicaid Redesign purposes. This funding will support Health Home development, investments in long term care and workforce, and enhanced behavioral health services”²³

The major goal of NYS’s Section 1115 waiver amendment was to implement the Delivery System Reform Incentive Payment (DSRIP) program. DSRIP’s 3 major goals are:

1. “Safety net system transformation at both the system and state level accountability for reducing avoidable hospital use [25% over 5 years].
2. Improvements in other health and public health measures at both the system and state level.
3. Efforts to ensure sustainability of delivery system transformation through leveraging managed care payment reform.”²⁴

Under the MRT’s suggestions, “DSRIP funds provide incentive payments to reward safety net providers when they undertake projects designed to transform the systems of care that support Medicaid beneficiaries and low income uninsured.”²⁵

Only certain health care providers qualify as “safety net providers.”²⁶ Safety Net providers serve a specific percentage of Medicaid beneficiaries. A detailed definition of what qualifies a healthcare provider as a “safety net provider” can be found in detail in the MRT Waiver Amendment/DSRIP Special Terms and Conditions (STCs).²⁷

In order to create collaboration and integration of safety net providers, the DSRIP program created Performing Provider Systems (PPS)²⁸. A PPS is an entity that is responsible for implementing DSRIP programs, and has discretion in choosing which DSRIP

²³ Office of Governor Andrew M Cuomo, “Governor Cuomo Announces Final Approval of \$8 Billion MRT Waiver to Protect and Transform New Yorks Health Care System,” 1.

²⁴ New York State Department of Health, “Centers for Medicare & Medicaid Services,” *New York State Department of Health*, accessed 4/13/16, 33-34, http://www.health.ny.gov/health_care/medicaid/redesign/dsrp/docs/2015-10-01_special_terms_and_conditions.pdf#page=1&zoom=auto,-20,802.

²⁵ New York State Department of Health, “Centers for Medicare & Medicaid Services,” 34.

²⁶ New York State Department of Health, “MRT Waiver Amendment/DSRIP Special Terms and Conditions,” *New York State Department of Health*, accessed 4/15/16, https://www.health.ny.gov/health_care/medicaid/redesign/dsrp/docs/2015-10-01_special_terms_and_conditions.pdf.

²⁷ New York State Department of Health, “MRT Waiver Amendment/DSRIP Special Terms and Conditions.”

²⁸ New York State Department of Health, “VBP Roadmap Final,” *New York State Department of Health*, accessed 4/13/16, http://www.health.ny.gov/health_care/medicaid/redesign/dsrp/docs/1st_annual_update_nystate_roadmap.pdf.

recommendations to implement.²⁹ PPSs create a network of health providers that consist of safety net providers and other DSRIP eligible providers in one specific geographical preset area of NYS. There are currently 25 PPSs, all of which can be found on the PPS website.³⁰ PPSs take responsibility for almost all Medicaid beneficiaries within their defined districts.³¹ Medicaid beneficiaries will use providers in their PPS to promote cooperated care of patients through multiple healthcare providers. PPSs are broken up into categories attributed by the type of provider category they fall under.³²

DSRIP reformed the health care delivery system by using incentives for providers to provide health care that matches the quality of care. PPSs are solely responsible for implementing DSRIP programs, and their reimbursed payment is based on success, not simply implementation.

Value Based Payment System

In order to sustain Delivery System Reform Incentive Payment (DSRIP) results and incentivize PPS networks, NYS plans to slowly eliminate Fee-for-Service (FFS) healthcare system and reach an 80% Value Based Payment (VBP) to providers by 2020, the end of DSRIP year 5, by phasing in the VBP system.³³ The VBP system NYS is implementing is aligned to both the DSRIP's program and MCO's.³⁴ MCOs are used to manage cost, quality, and utilization.³⁵

In order to implement a VBS system, NYS has released a detailed roadmap outlining possible paths towards payment reform.³⁶ Just as PPSs have the freedom to choose which aspects of the DSRIP program to implement, NYS "aims to give PPSs, providers, and MCOs a comprehensive range of VBP options to consider."³⁷ This flexibility allows PPSs, MCOs, Accountable Care Organizations (ACOs), Independent Practice Associations (IPAs), or individual providers to adopt a VPB system that is best tailored to their specific needs.³⁸ When health care providers implement a VBP system they become "VBP Contractors."³⁹

²⁹ New York State Department of Health, "Performing Provider System Network Lists," *New York State Department of Health*, accessed 4/13/16,

https://www.health.ny.gov/health_care/medicaid/redesign/dsrip/pps_network_partners.htm.

³⁰ New York State Department of Health, "DSRIP Performing Provider Systems," *New York State Department of Health*, accessed 4/13/16,

https://www.health.ny.gov/health_care/medicaid/redesign/dsrip/pps_map/index.htm.

³¹ Centers for Medicare & Medicaid Services, "State Demonstrations Group," *U.S. Department of Health and Human Services*, accessed 4/13/16, <https://www.medicare.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ny/ny-partnership-plan-ca.pdf>.

³² Robert Nelb, "Attachment I -NY DSRIP Program Funding and Mechanics Protocol," *New York State Department of Health*, accessed 4/13/16,

https://www.health.ny.gov/health_care/medicaid/redesign/docs/program_funding_and_mechanics.pdf.

³³ New York State Department of Health, "VBP Roadmap Final."

³⁴ New York State Department of Health, "VBP Roadmap Final."

³⁵ Centers for Medicare & Medicaid Services, "Managed Care."

³⁶ New York State Department of Health, "VBP Roadmap Final."

³⁷ New York State Department of Health, "VBP Roadmap Final," 11.

³⁸ New York State Department of Health, "VBP Roadmap Final."

³⁹ New York State Department of Health, "VBP Roadmap Final."

However, under current law, PPSs are not considered legal entities and can't enter into a VBP contract, although providers within a PPS can enter into a VBP contract through the previously listed entities.⁴⁰ When a healthcare provider enters into a VBP contract, it has the option of applying VBP levels 0- VBP level 3.⁴¹ As healthcare providers rise up from VBP level 0, they assume more cost-sharing risk, phase out FFS practices, and are compensated for quality of care.⁴² The VBP system in NYS is still in its initial stages. The VPB Roadmap delineates the specific steps being taken by NYS.⁴³

Conclusion

The overhaul of NYS's Medicaid Program initiated by Governor Cuomo has lead to significant reforms in how their Medicaid system operates. NYS is focusing on improving quality of care while at the same time closely monitoring their Medicaid Budget and switching to VBP system. The DSRIP is in its second year of implementation. As of March 31 2016, the CMS has granted a temporary extension to NYS's Section 1115 Waiver Partnership plan until April 30 2016.⁴⁴

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Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Jack Gierzynski, Professor Robert Bartlett and Professor Eileen Burgin. The material contained in the report does not reflect the official policy of the University of Vermont.

⁴⁰ New York State Department of Health, "VBP Roadmap Final."

⁴¹ New York State Department of Health, "VBP Roadmap Final."

⁴² New York State Department of Health, "VBP Roadmap Final."

⁴³ New York State Department of Health, "VBP Roadmap Final."

⁴⁴ Centers for Medicare & Medicaid Services, "Demonstration Approval," *U.S. Department of Health and Human Services*, accessed 4/13/16, <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ny/ny-partnership-plan-ca.pdf>.