March 29, 2011

Dear Governor Cuomo, Majority Leader Skelos, and Speaker Silver—

In the rush to achieve a political victory, we are deeply concerned that the Medicaid proposals in the recently announced budget agreement could irrevocably harm our state's safety net and the New Yorkers who rely upon Medicaid as their lifeline. The lack of adequate consumer representation on the Medicaid Redesign Team that developed these proposals, the unrelenting haste of the MRT's proceedings, and the lack of adequate debate on the proposals is not just damaging to the residents of New York, it also inadequately addresses some major economic problems with Medicaid as currently constituted.

In effect, we feel the Medicaid section of the budget proposal has left money on the table by omitting needed reforms. Specifically, the proposal fails to curb wasteful spending that does little to improve the quality of care or the efficiency of the Medicaid program.

We urge you to consider the following five proposals for the state's final budget as correctives to the current budget agreement's Medicaid section.

1.) **Shared Sacrifice – Including for Hospital Executives.** Considering the impetus to provide first-year savings within the system, it is baffling why the MRT did not consider limiting the costs of personnel for hospitals— particularly executive salaries—that are included in calculating the Medicaid reimbursement rate for each facility. Governor Cuomo has suggested targeting salaries for school district superintendents making more than $175,000 a year to help balance the budget. How much more savings would be derived from capping the extent to which Medicaid reimbursement rates take into account the $9 million received in salary by the CEO from NY Presbyterian, or the four top employees at Montefiore who earn over $4 million? These multi-million compensation packages have little correlation either to the number of Medicaid and uninsured patients treated by the hospital or to the quality of care delivered. Nor, we note with sadness, do they constitute a safe investment, as the $6 million "earned" by the transition team of the recently-closed St. Vincent's Medical Center illustrate.

   If the hospital's board of directors and trustees believe their executives to be worth millions of dollars, that's their opinion. But in these difficult economic times where so many are asked to sacrifice, Medicaid should not be subsidizing such questionable decisions. We recommend that there must be a maximum in salary and benefits for any executives at a facility that will be included in the calculation of Medicaid rates.

2.) **Reject Making It State Policy to Close Safety-Net Institutions.** Given the MRT's mandate to reduce Medicaid costs to the state, it is equally baffling to see the inclusion of Proposal #67, the somewhat misleading named, "Assist Preservation of Essential Safety-Net Hospitals, Nursing Homes and D&TCs." Given the title, one would think this proposal would seek to reset reimbursement rates to facilities that are located in low-income, medically underserved, immigrant and communities of color that provide needed services to recognize their special mission and ensure these institutions continue to exist. Instead, the proposal makes it state policy to support closures of these same facilities, and arms the Department of Health with the money to do so.

The proposal is wrong on the merits and potentially devastating for these communities. But it is also wrong for the state economically. When these facilities close, the needs of its patients do not disappear. They often seek treatment at larger academic medical centers whose reimbursement rates are much higher – costing the state even more. Where outright closure can be averted, the state will still find itself on the hook for financial support ranging from debt forgiveness to capital investments to assist in the merger of institutions—doubtlessly with larger, higher reimbursement facilities gobbling up the safety-net facilities—or through downsizing or the direct, temporary operation by the Department of Health. The MRT staff who predicted no cost to the state associated with this proposal were engaging in magical thinking, at best.

Simply put, a chief goal of Medicaid Redesign should be to lower costs, improve quality, and make good on the promise of continued care for the neediest, most at-risk communities for whom Medicaid is both a safety-net and a lifeline. Obligating the state to spend untold amounts of money to close, merge, or take over healthcare facilities does none of the above.

3.) **Transparency & Accountability in Charity Care Spending and other public spending.** One of the proposals rejected by the MRT was for 100% of the Charity Care pool dollars to be distributed to hospitals based on their accurate reporting of the numbers of uninsured patients to whom they provide services – emergency, clinic, and inpatient care. This was dismissed by the MRT staff as "not reform."

We beg to differ. Not acting on this proposal leaves the state open to losing federal Disproportionate Share Hospital (DSH) funding because the current allocation system does not meet the requirements included in the national health reform legislation.

Medicaid reform cannot be disconnected from the issue of charity care spending, which includes Medicaid dollars. We need full transparency and accountability in the spending of any and all public funds. Particularly given the sacrifices being asked of New Yorkers who rely on Medicaid, we need to know that the remaining funds are not only being spent wisely but are directed

towards those who the program is designed to help: the uninsured and those enrolled in Medicaid.

4.) **Openness in Application for Federal Applications.** New York does not have the most expensive Medicaid system in the country because of our approach to health care. It is also because of our approach—or lack thereof—to good government and transparency. Many costly programs and obligations have been tucked into the state's Medicaid spending, enabled by a *sub rosa* culture of governance whose eruptions into outright corruption have rightly been rejected by the voters of the state. All three of you have pledged to tackle the role of ethics in Albany. We suggest that health care not be exempt, and urge you to pledge that all applications to the federal government's Department of Health and Human Services for Medicaid waivers or other financial assistance be completely transparent and accountable with a full public process.

5.) **Prudence in Caution in the Move to Managed Care.** Moving the Medicaid population almost entirely into managed care holds a fascination for administrators and elected officials in New York and throughout the country, particularly because of the projected costs savings. However, as one of the members of the MRT pointed out in one of the very few public hearings, coordinated care to improve quality as well as lower costs and managed care are not automatically synonymous. Moreover, New York already has a larger percentage of its Medicaid beneficiaries signed up in managed care than all but a handful of states. The remaining patient populations have the most complex and the most sensitive needs.

We urge you to use every option available to guarantee that disabled New Yorkers and those with behavioral health needs are transitioned slowly, prudently, and cautiously. If they are rushed into managed care plans more concerned with the bottom line than the sensitive needs of its patients, the result prove to not just be cruel and tragic to this vulnerable population, but disastrous to our communities and the state.

We fully stand behind the ultimate goal of improving the state's Medicaid program, but believe that the current proposal in the budget agreement falls far short of that. We further believe that the incomplete quality of the proposals is a reflection of the lack of adequate consumer and community voices on the Medicaid Redesign Team and the shameful, rushed, backroom nature of the final proposal, which reflects the worst notions of Albany business as usual.

We know you can do better. We challenge you to do better. And for the sake of the 4.7 million of New York's most vulnerable residents who rely on the Medicaid program, we deserve better.