

CHCCDP:

Are We Getting Our Money's Worth?

Monitoring the Use of Community Health

Care Conversion Demonstration Project Funds



Commission on the Public's Health System

April 2003

CHCCDP, Are We Getting Our Money's Worth?, is dedicated to the memory of Marshall England, the former Chairperson of the Commission's board. Marshall's dedication to equity, justice, and the communities right to know, are the continuing guiding light for the work of the Commission on the Public's Health System.

The Commission on the Public's Health System was formed in 1991 out of a strong belief that decisions about health care must include public input and address the diverse needs of New York City communities.

The Commission remains committed to making sure that our public health system stays strong, that people have access to health services, and the public's voice on health care issues is heard.

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Acknowledgments

This report, *CHCCDP, Are We Getting Our Money's Worth*, was made possible by a generous grant from the Robert Sterling Clark Foundation. We extend much thanks to Laura Wolff for her foresight and patience in supporting this project.

The report was written by Judy Wessler. Diana Williams, Commission board member, provided an excellent and thorough review of the Worker Retraining portion of the Community Health Care Conversion Demonstration Project (CHCCDP) grants. Sandra Opdycke, Commission board member, provided insight, recommendations for organizing the report, and tremendous editorial support.

Without the legal support of Ray Brescia, Urban Justice Center, the Commission might not have been able to obtain the documents necessary for this review. We thank him for his work.

Many people and organizations were actively involved in the advocacy work described in this report. Much of the advocacy provided by the Commission was done through the New York City Task Force on Medicaid Managed Care. We thank Denise Soffel and Susan Dooha of the Task Force for their active support. Linda Ostreicher, former Commission board member, provided technical expertise and good common sense in many phases of this work. District Council 37 and AFSCME throughout the conception and implementation of CHCCDP have provided tremendous support. The Health and Hospitals Corporation, in particular LaRay Brown, Joanna Omi, and Ed Brenner deserve much recognition for their work in bringing together technical expertise for analysis of the equity of the CHCCDP funding formula. Mark Van Guysling, of the State Health Department, was helpful in the development of the new CHCCDP funding formula.

Executive Summary

With 1.6 million uninsured city residents, New York City relies on the safety net to provide health care services. In addition, two million New Yorkers depend on Medicaid for their health care. Currently the Medicaid program is the subject of major proposed cuts and changes at the federal and state levels. If enacted, these proposals would greatly limit eligibility and benefits for low income residents and could greatly weaken the institutions that constitute the health care safety net. The city's proposed budget would make service cuts in public health programs and services. At a time when every level of government is under financial strain, all public funding resources need to be used wisely.

Many health care funding decisions are made on the basis of political judgment rather than on the basis of health care needs. The Community Health Care Conversion Demonstration Project (CHCCDP) is a prime example of just such a decision making process. Under this project, \$1.25 billion of federal funds was committed to New York State hospitals to assist them in the transition to Medicaid managed care. Most other states applying for Medicaid managed care waivers chose to use savings from implementation of managed care to fund expansions of public insurance coverage. This was not the case in New York. In order to buy support for the waiver from several unions and hospital associations, the Governor agreed to use managed care savings for hospitals. CHCCDP was to fund hospitals for: expansion of primary care services; activities related to managed care readiness; and worker retraining.

Because of the political basis for the CHCCDP project's initial design, government agencies and elected officials did not build in the types of monitoring and accountability typical for government funding. Oversight of this project is minimal. The difficulty that the Commission had in gaining access to requested CHCCDP documents is one indication of the unwillingness of state government to be accountable for this program. The Commission strongly supports public accountability for public funding. Throughout the seven years that the Commission has been following CHCCDP plans and implementation, public accountability has been one of our major themes. This report was undertaken with the goal of shining a light on CHCCDP funded projects, and

using the review of this program to influence the final two years of funding.

Despite significant obstacles, the Commission along with others thanked and acknowledged throughout this report, was able to advocate for major changes in the program based on initial goals that were developed. With the New York City Task Force on Medicaid Managed Care, the Commission developed goals that included:

- Funding from the CHCCDP program should go directly to community-based health care providers. This was not accomplished.
- Hospitals receiving CHCCDP funding would expand primary care services and guarantee access to health care services for all residents, regardless of their ability to pay. This was partially accomplished.
- Worker retraining funds would be used to increase staffing for primary and ambulatory care services; would upgrade staff particularly for hard to fill positions; would provide foreign language and interpreter training and cultural competency. This was partially accomplished.

Achievements are described within the body of the report. Notable in the accomplishments was the federal agency's decision to require several improvements in the program. Tim Westmoreland, then heading the division at the agency formerly known as the Health Care Financing Administration (now known as CMS), required a re-review of the CHCCDP allocation formula for the funding of hospitals. He also required New York State to ask hospitals to provide information about their policies for providing care for the uninsured. Commission efforts to advocate for safety net providers (those institutions which provide services to low-income and uninsured populations) were successful in winning a change in the funding formula for CHCCDP, so that care for the uninsured has been given more weight. Another important success was convincing the State Health Department that data collected on hospital reporting forms, the Institutional Cost Report, was problematic, particularly as it related to outpatient self-pay data. The department agreed to make some corrections in this data.

In order to evaluate the CHCCDP program, the Commission requested from the state Health Department, the final reports for Cycle I funding for CHCCDP hospitals in New York City, along with the preliminary and final proposals for Cycles II and III, and

site visit reports prepared by state staff. Even after the documents were requested under New York State's Freedom of Information Laws, yet the State Health Department resisted responding to these requests. Many of the documents were not received until an Article 78 law suit was filed.

Review of the information received from the State Health Department raised serious questions about the use of this public funding. Cycle I of CHCCDP funding ended in 2001, yet two years later, only two of the 44 city hospitals funded had submitted a Final Report as required by State Health. Eight hospitals in New York City received 25 percent of their Cycle II and III funding two years ago, but still have not submitted the final proposal for these two cycles. In addition, several hospitals used CHCCDP funding in questionable ways, including one hospital which spent available dollars meant for primary care and managed care to upgrade its computers for Y2K readiness. Another hospital used a portion of its grant to fund a clinic in an upscale community in Westchester. The worker retraining portions of hospital proposals are also problematic, since they are nearly identical for all of the voluntary hospitals, and also nearly identical for the public hospitals. This raises questions about whether these projects are designed to meet local needs. For at least three hospitals, serious problems were found in the Health Department's site visit reports, but there is no indication that these problems were pursued or resolved by state officials. Oversight by the federal agency in charge, the Center for Medicare and Medicaid Services, is not publicly known except for scant information in quarterly reports from the State Health Department.

The eleven public hospitals run by the Health and Hospitals Corporation have done a more thorough job of reporting on their spending of CHCCDP funds. This may be because their public status for all spending requires more public accountability. In Cycle I of this funding, the public hospitals made more of an effort to expand primary care services than the voluntary hospitals did; this is a prime goal of the Commission.

During the first three CHCCDP cycles New York City hospitals were allocated \$648,364,165 of the total \$750 million allocated statewide. As of February 2003, \$500,048,220 has actually been paid to city hospitals. Two more cycles of funding, IV and V, will be available to complete the initial waiver-defined CHCCDP goals. The

governor has recently negotiated two additional cycles of funding, totaling another \$350 million. Despite strong efforts by the Commission and DC 37 to require the state to use these new funds for the same CHCCDP-related purposes, the governor received approval from the Center for Medicare and Medicaid services to have “flexibility” in the spending of these funds in Cycles VI and VII. Based on the newly negotiated waiver agreement, the governor can use these funds for worker retraining and retention, as well as for Graduate Medical Education.

Recommendations

With at least two more years of the initial CHCCDP program to go, and nearly \$500 million still to be allocated, CHCCDP funding could be used by hospitals to undertake a meaningful restructuring of health care services for Medicaid and uninsured patients. In order for this to happen, the Commission on the Public’s Health System recommends the following:

- An outside independent audit of the expenditure of CHCCDP funding to determine the effectiveness of this program. The audit could be undertaken by the New York State Comptroller’s office which would have more access to all of the required documents.
- Serious consideration by all CHCCDP funded hospitals of the issues raised in this policy paper, with the idea that the proposal submitted by each hospital for the final two cycles of funding should match the goals set by the program, and the goals identified by the Commission and the Task Force.
- When the time comes to appropriate the final two cycles of CHCCDP funding, the state legislature should give serious thought to including language that would ensure better accountability for the expenditure of these funds. In addition, the legislature should consider the flexibility given to the governor for the spending of Cycles VI and VII of CHCCDP funds. These funds could perhaps be more appropriately utilized in continuing the goals set by the original CHCCDP program – expansion of primary care, managed care readiness, and worker retraining.
- The State Health Department must evaluate the effectiveness of their monitoring

efforts.

- The Terms & Conditions of the federal waiver (Attachment J) required that the state reallocate unspent CHCCDP funds to the other hospitals. A time limit should be set for completing the spending of each Cycle's funding – perhaps an additional year. If the funds are not completely spent by that time, the funding should be reallocated. All of the \$1.25 billion in federal dollars allocated for the CHCCDP program should be spent for the intended purpose.

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