CRAIN'S
Health Pulse

Medicaid redesign team proposal shows how it would achieve $2.5B in savings

The Medicaid redesign team has come up with $2.5 billion in savings proposals that would affect every corner of the health care industry, including hospitals, insurers, long-term-care providers and pharmacists, according to an executive summary obtained by *Crain's*.

The plan is due to be discussed at a meeting of the MRT today, and the documents did not specify whether the measures had been approved by the group.

The proposals add more than $1.6 billion in cost-cutting programs to the governor's existing $851 million savings plan for fiscal 2021, which begins April 1.

They include an additional $219 million across-the-board Medicaid payment reduction to health care providers, which, when added to the governor's previously announced reduction, will result in a $467 million rate drop, according to a budget scorecard tallying the savings.

The largest targeted cut is related to long-term care, which will see $674 million in payment reductions across home care and nursing home programs.

It's unclear whether the governor will accept the recommendations and whether they will pass muster with the Legislature. Hospitals are facing a surge in patients with Covid-19 and are expanding facilities and staffing to care for them. Enacting $2.5 billion in payment reductions would contradict the governor's support for the industry. If he does offer respite for providers, the state will still need to grapple with a multibillion-dollar Medicaid deficit while projected tax revenues are expected to fall $4 billion below earlier estimates.

“The savings from the MRT recommendations remain critical to ensuring the Medicaid program remains fiscally sound for the future so that it continues to provide high-quality care," a state budget spokesman told *Crain's*. "We also recognize the exigent circumstances in which we are working, and if need be we will use federal resources being made available on an emergency basis to offset some of the initial savings as we all take on the public health crises caused by Covid-19.”

The redesign team said enhanced federal funding for Medicaid—which was included in an aid package to address Covid-19—should be used to mitigate the effects on health care providers. The federal funding bill complicates matters because states can only take advantage of the federal government paying a greater share of Medicaid costs if they offer the same eligibility standards they did on Jan. 1. The MRT's proposals include changes to eligibility for some programs.

Of the long-term-care measures, at least $269 million would come through changes to the Consumer-Directed Personal Assistance Program, in which patients can pick their caregiver to help them with daily activities such as bathing and dressing. The redesign team highlighted it as an area in which spending increased too much.

"Spending on long-term care—more specifically, personal care and consumer directed personal care services (CDPAS)—is growing at an unsustainable rate and is the single largest cause of the state's Medicaid structural deficit," the redesign team wrote.

The savings initiatives include more stringent eligibility criteria to qualify for personal care and consumer-directed services, including an assessment by an independent clinician panel. Recipients would need to show they need assistance with more than two activities of daily living. The state also plans to reduce the number of fiscal intermediaries that process payments for caregivers.

Some of the proposals regarding eligibility seem to violate the governor's directive to the group to avoid any impact on beneficiaries.

"New York has always been proud that we have promoted care in the community. If you put all these barriers up people can’t stay in their homes," said Valerie Bogart, director of the Evelyn Frank Legal Resources Program at the New York Legal Assistance Group. "There’s going to be a lot of nursing home placement."

The redesign team noted that MLTC plan enrollment had been increasing 13% per year, with annual spending of about $1.3 billion.

It recommended capping enrollment in certain managed long-term care plans at a target growth rate, which would save $215 million in fiscal 2021. The state would do so by holding back premiums from insurers, which they could recoup if they stayed within certain enrollment targets.

The state Health Plan Association said a provision to reduce insurer payment denials would increase health costs in Medicaid and beyond, raising health costs for employers and consumers.

The redesign team, made up of health care industry leaders and public officials, was convened by Gov. Andrew Cuomo in February and held a series of public meetings to discuss how the state could reduce spending in its $75 billion Medicaid program. Those meetings included opportunities for the public to provide input, but some were hastily called, and some community groups objected to the process.

For future budgeting, the group recommended the state redefine the Medical global cap, which limits spending to the 10-year rolling average of medical inflation. It suggested modifications to the base on which spending growth is calculated as well as using a different growth method, starting with the fiscal 2022 budget.