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MEMORANDUM

TO: All Members

FROM: Policy Solutions and Government Relations

DATE: February 1, 2011

SUBJECT: Release of SFY 2011-12 Executive Budget Proposal

ROUTE TO: Administrators/Directors

ABSTRACT: Preliminary summary of 2011-12 Executive Budget proposal.

Introduction

Earlier today, the Governor released his executive budget proposal for the state fiscal year commencing April 1, 2011 (SFY 2011-12). NYAHS has issued a [press release](#) expressing grave concerns about the magnitude of the proposed reductions.

NYAHS is in the process of carefully analyzing the details of the proposal and will be providing members with more information as our analysis progresses. However, we believe that at this time of extreme fiscal challenges for New York's non-profit senior care and services sectors, it is critical that we continue to provide our members with the most expeditious information possible. This memo provides an initial look at some of the key elements in the SFY 2011-12 proposals, with more detail and analysis to follow over the coming days.

Medicaid Redesign

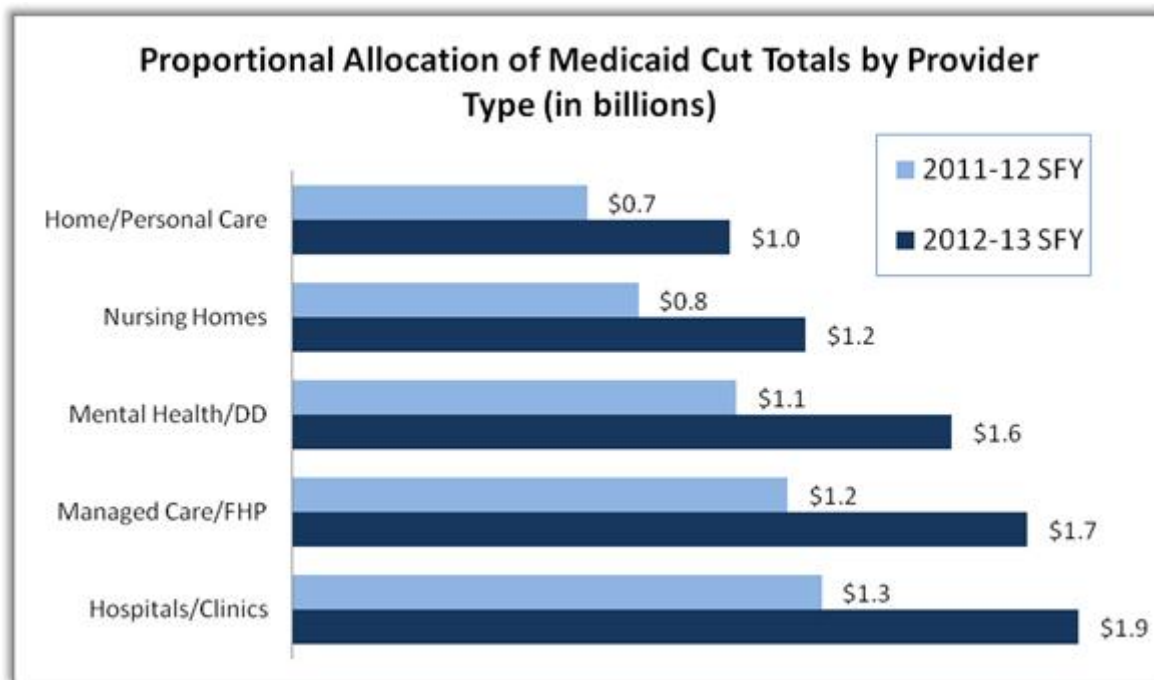
Unique to this year's executive budget proposal, the administration is anticipating state savings of \$2.85 billion (total impact of \$5.9 billion) to come from the current Medicaid Redesign Team (MRT) initiative, which has yet to develop final proposals. This translates into an approximate 10% cut in projected Medicaid spending. The 2% reduction referred to in the budget presentations does not reflect the significant savings that the MRT has been tasked to find.

In addition, the executive budget recommends more than \$162 million in reductions to public health and aging programs, including \$48 million in savings from agency operations (i.e., the cost of running the Department of Health (DOH) and its various agencies.) The total proposed "gap closing" actions equal \$3.01 billion in SFY 2011-12, and is projected at \$4.86 billion in SFY 2012-13. This increase in the subsequent year is predicated on the MRT developing \$4.6

billion in savings for SFY 2012-13 by modifying program requirements and limiting spending growth to the average medical Consumer Price Index.

Break Down by Provider Sector

The following chart shows the proportional allocation of the Medicaid savings that the MRT is tasked with finding. Please keep in mind that the form that MRT cut proposals will take are unknown and that these numbers represent an allocation across all Medicaid providers based on a 10.1 percent across-the-board reduction of state-projected Medicaid spending. They are subject to further refinement as we delve deeper into the proposal. Since these numbers are tentative, they should not be used for any purpose other than illustrating a general sense of the overall impact of the proposal.



Nursing Home Rebasing

A key area of concern for many of our members is the fate of the 2002 nursing home rebasing. The executive budget is proposing to suspend implementation of the 2002 base year update until July 1, 2011, at which time the new regional pricing methodology takes effect. It is unclear at this time whether this would effectively nullify the 2002 base year update. However, we caution that we need to seek clarification from the administration on the intent of this proposal. This is clearly an area of grave concern for many of our members and we are seeking immediate clarification in this area.

Along with suspending the new nursing home reimbursement methodology, the proposal extends the reimbursement cap (i.e., the \$210 million “scale back”) and permanently extends the authorization to collect the 6% assessment tax. Other proposals impacting nursing homes include:

- Permanently extending authorization for up to \$300 million annually for nursing home intergovernmental transfer payments for non-state operated public nursing homes.

- Permanently continuing previous years' cuts: the exclusion of the 1996-97 trend factor from nursing home and inpatient rates; and the 0.25 percent trend factor reduction for hospitals and nursing homes.
- Authorizing Medicaid payments for nursing homes with discrete units for treating patients with Huntington's disease.
- Allowing prior year Medicaid payments to be made to adult day health care providers treating patients with AIDS.

Home Care

During his budget presentation to the Legislature, the governor singled out home care as an area of potentially big savings. He offered the example of certified home health agencies (CHHAs) subcontracting with licensed home care services agencies (LHCSAs) to provide care to consumers and expressed concern that over half the funding goes to administering the program and not to direct patient care. Specific home care proposals include:

- Removing a \$1.5 million reconciliation limit for the CHHA administrative and general cap.
- Permanently extending a limitation on the reimbursement of the long term home health care program administrative and general costs to a statewide average.
- Extending previous requirements that nursing homes, hospitals, CHHAs and long term home health care providers maximize Medicare revenues through February 1, 2013.
- Amending various provisions to extend the Upstate Personal Care and Home Care Workforce Recruitment and Retention Programs through March 31, 2014.

Adult Care Facilities and Assisted Living

The following proposals pertain to adult care facilities and assisted living:

- ***Quality Funding for Adult Care Facilities:*** The proposal *increases* funding for services and expenses of a quality program for adult care facilities (ACFs), including enriched housing facilities. The language mirrors last year's budget initiative, which replaced the QUIP and EnAble programs with this funding pool. The program is targeted at improving the quality of life for ACF residents, and gives significant discretion to DOH to develop an allocation methodology. This funding is set at \$11.2 million, as compared to last year's \$6.9 million.
- ***SSI enriched housing subsidy:*** The budget proposes to level-fund the enriched housing subsidy at \$502,900. The subsidy is for Supplemental Security Income (SSI) recipients who reside in not-for-profit certified enriched housing programs.
- ***Impacted adult homes.*** In response to a Federal court order, the Executive Budget continues a multi-year plan to provide additional funding for supported housing and support services needed for 4,500 individuals leaving certain New York City adult homes. In 2011-12, \$41.3 million, roughly \$40 million above 2010-11 levels, will fund rental housing units and services for the first of these individuals beginning February 1, 2011.

Senior Housing

In 2010, the New York State Homes and Community Renewal (HCR) was established by combining the state's major housing and community renewal agencies, including the Division of Housing and Community Renewal, Housing Finance Agency, the Housing Trust Fund Corporation and others.

The 2011 Executive Budget recommends a DHCR budget of \$307.82 million, for a decrease of \$156.92 million from the 2010-11 budget. The major reduction in the budget primarily reflects the elimination of the one-time American Recovery and Reinvestment Act (ARRA) of which NYAHSAs members received funding through the Weatherization Program, and a ten percent administrative cost reduction. Other proposals affecting housing are as follows:

- ***New York State Low Income Housing Trust Fund:*** The budget level-funds \$29 million for the Housing Trust Fund Program, providing grants to finance construction or rehabilitation of low-income apartment buildings.
- ***State low-income housing tax credits:*** The budget level-funds at \$4 million for state low-income housing tax credits, which will result in \$40 million in new funding for affordable housing over the next ten years.
- ***Access to Home:*** DHCR has a 2011 request for applications for the program, and it is anticipated to be level-funded at \$4 million again through Housing Trust Fund Corporation transaction fees. The program provides building modifications for seniors and the disabled to remain independent.
- ***Funding for renovations & repairs:*** While federal funding for renovations under the ARRA is eliminated the budget proposes \$4 million for the Low Income Weatherization Program.
- ***The Public Housing Modernization Program:*** The budget proposes a slight reduction from \$12.8 million to \$12.4 million, and the funding is available to state-aided developments (Mitchell-Lama) not receiving federal operating subsidies.
- ***Neighborhood and Rural Preservation Programs:*** The budget recommends consolidating the Neighborhood Preservation Program (NPP) and Rural Preservation Program (RPP) into a single competitive, performance-based program. Funding would be reduced by 50 percent, from \$12 million in 2010-11 to \$6 million in 2011-12. NPP and RPP provide services such as housing rehabilitation, home buyer counseling, landlord/tenant mediation, community renewal and crime watch programs.
- ***NHTD waiver housing subsidy:*** The budget level-funds \$2.3 million for housing subsidies for participants of the nursing home transition and diversion waiver program.

Other Aging Services Funding

The budget includes several other proposals affecting aging services funding, including reducing funding for the following programs:

- Community Empowerment Initiative: \$0.25 million
- Congregate Services Initiative: \$0.64 million
- EAC/Nassau Respite Program: \$0.24 million
- Elderly Abuse Education and Outreach Program: \$0.49 million
- Enriched Social Adult Day Centers Program: \$0.25 million
- Long Term Care Senior Respite, NY: \$0.14 million
- Foster Grandparent Program: \$0.20 million
- Foundation Home Sharing: \$0.17 million
- Patients' Rights Hotline and Advocacy: \$0.06 million
- Regional Caregivers Centers for Excellence: \$0.23 million, and
- the Retired and Senior Volunteer Program: \$0.43 million

These programs could be eligible for funding through a new local competitive performance grant program established in the Executive Budget, which is intended to support priority initiatives that address emerging or ongoing matters affecting older adults and innovations in assisting older adults. This funding is available through the savings creating by reducing support for the services listed above.

The budget also eliminates funding for the NY Connects Program, which provides seniors with information regarding available services through the establishment of call centers, telephone hotlines and SOFA's NY Connects website.

Other Areas

Since the bulk of the savings the governor hopes to attain will be determined through the MRT, a provider specific analysis will ultimately rest on the recommendations of the MRT. However, some key areas contained in the governor's budget presentation include:

- Achieving savings by modifying Elderly Pharmaceutical Insurance Coverage, Early Intervention, and General Public Health Work, and implementing various other changes.
- Extending the Health Care Reform Act (HCRA) for three years.
- Extending various provisions of the Public Health, Social Services and Mental Hygiene laws, including continued authorization of previously enacted Medicaid savings initiatives.
- Amending the Medicaid eligibility status of individuals served in Institutions for Mental Diseases.
- Establishing a one-year deferral of the Human Services Cost of Living Adjustment.
- Ensuring the efficient and cost-effective delivery of programs and services operated by the Office of Mental Health.

Knowledge is Power

We share this initial information with you and will be providing you with ongoing and more detailed updates because understanding the budget proposal and its impact on your specific program or operation is critical to launching an effective advocacy campaign. The key over the next few weeks is to develop the information we need and present a unified advocacy position.

NYAHSA's policy and advocacy staff are mobilized to analyze and respond to the proposal. NYAHSA's ongoing analysis of the financial status of senior care providers across the continuum demonstrates beyond any doubt that these drastic cuts cannot be absorbed by our members; non-profit and mission-driven providers who already operate with paper thin margins, if they have any margin at all.

Past experience teaches that the road from budget proposal to final budget can be a long and challenging one. While this may be the most challenging budget year we have yet to face, please be assured that NYAHSA will pursue every means possible to maintain the unique and sacred mission of New York's non-profit senior care and services providers.

To that end our analysis of the budget is in full swing, and we will be providing members with the most up-to-date information. The ground work for our advocacy has already been laid. As always, we stand ready to work with our partners in other associations facing the same challenges. Now more than ever we need the continued support and involvement of our Board,

Cabinets and total membership as we fight the good fight. There could not be a more important time to schedule a meeting with your legislator and join us for Advocacy Day on March 15. Please visit our [advocacy Web site](#) for more information.

The official budget press release is available by [clicking here](#), and the actual budget documents are available by [clicking here](#).

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