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TESTIMONY SUBMITTED BY

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ON

Medicaid Fraud and Reform in New York State

BEFORE THE

New York State Senate
Republican Task Force on Medicaid Fraud

March 8, 2010

Good morning, I am Tom Santulli, Chemung County Executive and the President of the New York State Association of Counties (NYSAC). I would like to begin by thanking Senator Hannon, the committee and particularly our very own Senator, George Winner, for the opportunity to come before you today. I would also like to thank you for your efforts to bring about Medicaid reform. I believe this program, if left unchecked, will ultimately lead to the fiscal demise of this State.

When you look at total Medicaid spending in New York State, which has now escalated to nearly \$52 Billion or nearly one-third of New York State's spending, it is clear that this ticking time bomb is about to explode. This program alone will continue to strangle all other public policy priorities, both at the State and local level, unless immediate action is taken.

The facts surrounding the magnitude of New York State's Medicaid program are astonishing at \$52 Billion, that's one billion dollars every week! It is larger than the total individual budgets of 43 other states. If New York's Medicaid program was a business it would rank 35th on the Fortune 500 list. It comprises nearly 30 percent of all healthcare spending. Finally, most interesting and some what disturbing, is the fact that 50 percent of all births in our State are paid for with Medicaid dollars.

A comparison of total Medicaid spending versus enrollment growth over the last decade paints a clear picture and a comparison that can not be ignored; spending is up 72 percent and enrollment is up 67 percent. If it was the State's intention over the last decade to use the Medicaid program as a means to drive to universal healthcare then the local share cost involvement in this program must stop immediately. If it is the State's decision that universal healthcare is a priority then surely that decision must be met with the financial responsibility to pay for that cost.

As I stated earlier, the cost of this program is strangling all other local spending priorities. Specifically, the Medicaid program consumes over 73 percent of the Chemung County real property tax levy and a significant percent of the tax levy of all other counties in

New York State. As the current NYSAC President, I am aware of no other program that has commanded more concern and time for local officials over the last ten year period than the devastating effects of this program on county budgets.

Of additional importance is the State's decision to take advantage of Medicaid maximization which has the dual policy impact of drawing substantial Federal dollars to the State. The Healthcare Association of New York State (HANYYS) estimates that as much as an additional \$9 Billion is added to the State's revenue stream. This adds to the local financial burden due to the current state/local cost sharing arrangement. This is an unparalleled disproportionate local share when compared to every other state in the nation. I am sure that you are aware of this information, and, hopefully, you are ready to work with counties across the state to provide constructive solutions for managing a program that all of us surely agree is becoming a fiscal disaster. New York State's Medicaid program is financially unsustainable in its current form, putting in peril the many other programs and services that government provides for its taxpayers. The New York State Association of Counties, in conjunction with all its member counties, have made numerous suggestions over the years to control the growth in spending of the Medicaid program. Some of our ideas have been implemented but there is still so much more we can do together to control costs and improve the quality of healthcare.

I did not come here today to suggest that we shift the local share of Medicaid to the State, although, I would not argue against this suggestion. My purpose today is to suggest that we should change the paradigm of our Medicaid relationship from one of the silent partner assisting with the enrollment of recipients and a proportional payment of the bill, to one of an "incentivized" care management partner assisting with providing better medical outcomes and reducing unnecessary and wasteful spending. But how do we do this, and more importantly, how do we measure success. We can all agree this is something government does not always do as effectively as we could.

One week ago today Chemung County opened Priority Community Healthcare, our Medicaid Medical Home, as a patient centered environment designed to do just that;

improve medical outcomes and reduce costs. These are not mutually exclusive possibilities, and in fact, I would argue that this may be the one way to balance the competing interests in this program and save it from self destruction.

In addition, NYSAC recommended a demonstration program for thirteen New York counties to review claims by providers participating in the Medicaid program. Unfortunately, this program did not produce the desired outcome - to ferret out fraud, waste, and abuse by providers in the Medicaid system. The system failed for many reasons, mostly because the State did not embrace local governments as a necessary and important partner but also because the State itself lacked the critical element of “clinical review” to analyze the outliers, the anomalies, and other findings produced by county governments. Without the “clinical review”, the statistics that need further review to determine fraud, waste, or abuse become meaningless and the integrity of the program remains in question. Learning from the University of Massachusetts, we can, and should, explore establishing the requisite “clinical review” by partnering with the many fine institutions we have in New York. Institutions like Upstate Medical partnering with Onondaga County, or SUNY Buffalo partnering with Erie County, or SUNY Stony Brook partnering with Nassau County, we can make a difference and these partnerships should be explored.

Others that are about to follow me in this presentation will drill into the amazing data tracking system from Salient Corporation, which I am proud to say is Chemung County based, as well as the care management approach of our medical home. The medical home will utilize the data mining tool provided by the Salient Corporation, in combination with electronic medical records, to examine patient services and costs which can identify opportunities to lower overall medical costs. By providing this single point of entry into the healthcare system, recipients will receive quality healthcare and reduce the inappropriate use of the emergency room and other healthcare services utilized by Medicaid enrollees.

Let me close my remarks by saying many of these policy decisions are yours; enrollment growth and Medicaid maximization must be dealt with and more specifically their impact on real property tax rates for our constituents. However, we stand ready to assist you, again as “incentivized” partners, to provide quality healthcare in a cost conscious way.

I thank you for this opportunity to address you and I am sure you will be impressed with the visibility and accountability that the Salient tool will bring to our review of Medicaid information and the promise that the patient centered medical home can bring to the complimentary goal of providing quality health outcomes and controlling Medicaid spending.

Medicaid Growth – Total Spending

2000 – \$29.9 Billion

2010 projected – \$51.5 Billion

72% increase over last ten years

Key Facts about New York Medicaid

- *Medicaid/Family Health Plus/Child Health Plus : Account for over 30% of the State Budget*
- *28% of All Health Care Expenditures in New York State are Medicaid expenditures*
- *NY's 52 Billion Medicaid Program: Would be in the top 35 on the Fortune 500 list*
- *Medicaid covers 50% of All Births in New York*

Cost Drivers

1- Enrollment Growth:

2000 - 2.7 Million

2009 - 4.5 Million

67% increase

Effective April 1, 2010 face to face interviews for eligibility have been eliminated.

2- Medicaid Maximization:

HANYS estimates that about \$9 Billion of total annual Medicaid spending in NYS is attributable to State policies to obtain more federal financial support.

3- Managed Care vs. Care Management

25% of covered Medicaid population account for **65%** of total spending.

Yet in our 12 County Salient group in 2008, 7% of recipients continuously enrolled in a Managed Care program had no apparent medical encounters. The cost of capitations paid for this group was nearly \$40 Million. Over 3,000 children 0-7 years old had no reported encounter for a routine health visit or vaccination.

What is Chemung County Doing?

A fundamental different approach to care management must be implemented to coordinate appropriately the needs of these high-cost beneficiaries while controlling spending.

Our Medicaid Medical Home

- *Priority Community Healthcare opened March 1, 2010*
- *Will serve up to 4,000 previously unenrolled Medicaid managed care patients*
- *Single point of entry to healthcare system providing quality healthcare while reducing the inappropriate use of the emergency room and other healthcare services*
- *Private/Public partnership*
- *Will utilize Salient's data tracking tool, combined with electronic medical records to examine patient services and costs which can identify opportunities to lower overall medical spending.*