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Governor Paterson Releases 2010-11 Executive Budget \$5.5 billion in Cuts Proposed

In order to address a predicted state budget deficit of \$7.4 billion in his 2010-2011 Executive Budget, Governor Paterson is pursuing a series of cuts and new revenues, including \$1 billion in health care cuts, \$1.1 billion in education cuts and a \$1 billion reduction in state agency budgets. New taxes are proposed too: There would be a \$1/pack increase in cigarette taxes, and a new tax on sugared beverages, expected to raise \$655 million.

Cuts to Health Care (Medicaid)

Not surprisingly, the Governor has proposed cuts in Medicaid as a way to achieve fiscal solvency. Cuts would be targeted to hospitals, nursing homes, home care, personal care, pharmacy services, insurance and managed care. There would be a further ratcheting up of Medicaid fraud efforts. Some details:

- » For hospitals, the state is proposing to restructure payments for indigent care, limit payments for preventable conditions, increase the assessment on inpatient services from .35 percent to .75 percent, and eliminate the 2010 trend factor, for a savings of \$244 million.
- » Nursing homes would be subject to a limitation on rate appeals and reduced reimbursement for holding beds vacant. There would be an increase in the nursing home assessment from six percent to seven percent, removal of drug costs from nursing home rates, and elimination of the 2010 trend factor, for a savings of \$140 million.
- » AIDS nursing homes would be subject to a second year of targeted cuts in Medicaid reimbursement for AIDS skilled nursing facility beds through the continued elimination of the AIDS occupancy adjustment. This cost AIDS nursing homes \$8 million last year. These cuts would be on top of other budget actions negatively impacting nursing homes overall.
- » Nursing Home regional pricing will be delayed until March 1, 2011. In its place, the budget would extend nursing home rebasing (the planned update of cost-based rates from 1983 to 2002) through February 28, 2011.
- » Home care and personal care services would face a capping of personal care services to 12 hours a day, an increase in the home care assessment from .35 percent to .7 percent, and elimination of the 2010 trend factor. In addition, the Governor's proposed budget includes implementation of a Prospective Payment System model for Certified Home Health Agencies, starting in January 2012. Such a proposal could financially ruin Certified Home Health Agencies (CHHAs) that serve high-need AIDS patients.



Village Care of New York is a non-profit organization that offers comprehensive care for persons living with HIV/AIDS and for older adults with chronic and continuing care needs.

- » Surcharges currently imposed on hospital and outpatient radiation treatment and ambulatory surgery will be extended to physicians' offices that perform the same procedures.
- » The state is proposing to eliminate the exemption for HIV medications (among others) from the Medicaid preferred drug program. While this would put the state in a better negotiating position with pharmaceutical companies to secure bigger rebates, it will also give the state the legal authority not to cover some HIV medications on the Medicaid formulary.
- » Pharmacy benefits would no longer include Medicaid payments for dual eligible Medicare Part D drugs that are now covered under Medicare, and the special pharmacy reimbursement for HIV pharmacies would be terminated.
- » Premiums for Medicaid managed care and Family Health Plus plans would be reduced by 1.7 percent.
- » The Executive Budget also proposes a consolidation of AIDS programs (for which details have not yet been provided), and a \$29.6 million cut in agency operations at state Health Department.
- » The budget continues statewide AIDS spending of \$3.2 billion for HIV programs, including \$120 million for the AIDS Institute. The AIDS Institute will likely also face operational funding cutbacks that the Governor is applying across-the-board to all state agencies.
- » The budget bill includes language to provide \$42.3 million in funding for the AIDS Drug Assistance Program (ADAP), which last year has been cut when the state relied on a one-time surplus of drug rebates to sustain the program. This restoration fulfills a promise to the HIV community that state funding for ADAP would be restored in the 2010-2011 budget.
- » The OSAH (Operational Support for AIDS Housing) program is being transferred from Department of Health to the Office of Temporary Disability Assistance, along with a cut of 10 percent in funding.
- » There is also a proposed reduction in funding for supportive Single Room Occupancy (SRO) programs at OTDA.
- » The HIV Employment Program funding will be decreased by \$129,000 from its prior year level of \$1.29 million to \$1.161 million.

The Executive Budget represents the Governor's proposed budget for fiscal year 2010-2011. The state Legislature must approve a final budget in agreement with the Governor.

Cuts to Office of Temporary and Disability Assistance (OTDA)

- » Persons living with HIV/AIDS who are on public assistance may not realize the full increase in the public assistance grant that was promised last year. The Executive Budget proposes delaying the full implementation of a scheduled public assistance grant increase begun last year, reducing from ten percent to five percent the statutory July 2010 increase and delaying full implementation of the full 30 percent increase until July 2013 (a \$14 million savings).

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