Testimony
New York State Healthcare Reform Team
New York City, N.Y.
Wednesday, May 18, 2011

Submitted by Ralph Palladino
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Local 1549 represents 17,000 employees working for the City of New York. We represent 5000 employees of the public NYC Health and Hospitals Corporation (HHC) and its' Metro Plus HMO. In addition the Local represents 2500 Eligibility Specialists in the Human Resources Administration (HRA) who determine Food Stamp and Medicaid program eligibility. I served on Governor Spitzer's Healthcare Transition Team, have been employed for 32 years at Bellevue Hospital where I also receive my healthcare, and served on the Bellevue Community Advisory Board.

Keep the Exchange Public

There is discussion taking place about whether the Exchange should become a public, non-profit or private entity. It must be made a public Exchange. This will ensure that the program will be less costly and more accountable to public scrutiny. It is a fact that public health services are less expensive than those delivered by the for-profit and non-profit sectors.

The best way to guarantee fairness in this whole process is for it to be a public entity. This will also guarantee public transparency and oversight and help insulate the exchange from outside, competing pressures. A recent example is the Governor of Florida trying to privatize Medicaid so that the company he ran could get the business is an example.

Since Medicaid eligibility is and will continue to be determined by public employees, it makes sense the Exchange follow suit. In fact we suggest that the public Eligibility Specialists who determine Medicaid programs and Food Stamp eligibility do so for the Exchange as well.

Keep Eligibility Determination Local Where Possible

In New York City Medicaid eligibility determination is best done at the local level by the city. It follows that this should be true of determination and enrollment into healthcare programs in the Exchange as well. The linguistic and cultural diversity of the city is unique and therefore better administered and serviced by those closest to the ground. This would lower state costs.

Efficiency is the key

It is good that applications will be simplified and available on line, by telephone, mail and in person. Face to face meetings will no doubt have to occur for a very large segment of the public in order to get assistance in filling out applications, answering questions and making sure the correct documentation is provided. This is especially true in areas with heavy multicultural, multi-lingual populations such as New York City. Over use of an online system can be problematic since it is difficult, if not impossible, to ask or clarify questions and give clear

direction. There is always the problem of the need for translation services. Backlogs and delays in the process could occur because of this.

Eligibility Specialists have been critical of the current computer system. In some cases computers are slow and inefficient. This has led to slowing down the application time for clients and backlogs.

Support, Don't Cut Medicaid

There is continual pressure to reduce Medicaid spending. This makes this vital program for health reform vulnerable to both rising costs for recipients and/or benefit reductions. It plays a role in the closing of healthcare facilities.

Reductions and spending caps do not translate to quality healthcare. The overhead for Medicaid and other public health programs such as the HHC Metro Plus HMO is just 5%. New York's required Medicaid benefit coverage is one of the most comprehensive of any state. THIS IS RIGHTLY SO! The bottom line should be the people's health and not high CEO pay and profit margins for the healthcare and pharmaceutical industry.

This next period should be one where health provider capacity expands so as to meet greater demand. Insurance expansion does not mean greater access. Massachusetts expanded insurance but the number of primary care doctors and providers so access to healthcare is now a big problem in that state.

Disparities in Healthcare

We must guarantee that those communities that need healthcare the most get it. We do not have enough health care services in many communities, especially in communities of color. This has been documented by reports including one from the New York City Council. Disparities in healthcare will not be solved by Medicaid and other public health program cuts. Nor will this problem be solved by public dollars going to private entities seeking a better "bottom line" or higher pay for CEO's, rather than paying for healthcare for communities that need it most.

There must be more coordinated healthcare planning throughout the state at all levels from local communities to state-wide. The public must have a say on what kind of services they need and input in helping to decide on service delivery.

Public Institutions must be protected.

Healthcare reform should not just be "about the money'. It should mainly be about enhancing the public's health. Public institutions such as HHC in New York City service the neediest patients and are the safety net providers for the neediest communities. When St. Vincent Hospital closed in Manhattan, Bellevue Hospital saw a 16% increase in ER use and increases in Ambulatory Care. When two Queens hospitals closed, Elmhurst Hospital's ER use rose 14% and Queens Hospital Center saw an increase of anywhere from 13% to 44% increase in ER volume. Yet these institutions had to absorb the extra cost and could not increase badly needed staffing.

Public hospitals, clinics and HMO's such as Metro Plus do not receive the funding that private entities do and should not bear the same cuts as they did in the budget passed this past April. HHC received a $133 million state Medicaid cut and so services will have to be cut. This

is unfair especially given the low overhead at HHC compared to private entities where some CEO's make well over $1 million annual pay.

Other Reform Related Concerns

1. **Medicaid dollars should flow to where the Medicaid patients get served**. Medicaid funding should go to where the Medicaid patients go. It is only fair.
2. **Any funding generated *for* healthcare should be used *for* healthcare**. Too often funding designated such as FMAP and other health related "settlement" funds go to the state's general fund and not healthcare. This is unfair.
3. **Bad Debt and Charity Pools should allocate funds based on the percentages of uninsured in an institution.** Reform is needed in this area and the proposal by the Commission on Public Health Systems (CPHS) should be instituted.
4. **Regulate pricing of Pharmaceutals.** HMO rates are now more regulated under the new Healthcare Reform. But pharmaceuticals can raise prices at will. We all pay for this and those that cannot afford these drugs suffer.
5. **Do not lower Medicaid Rates.** The rates are much too low already and the costs of care cannot be met without cutting in other areas. More institutions could close because of this problem. HHC lost $330 million in funding the past 4 years due to unfair reductions in rates.

Finally

Healthcare should not be about dollars and cents. It is a life and death issue. Financing reform is needed and welcomed but should not be at the expense of essential programs, especially in communities that already lack adequate healthcare. These decisions should not be made by a handful of people. They need to be made by people from all communities and backgrounds in the state. This includes advocacy organizations, patients, healthcare workers, and businesses large and small. Soliciting ideas in short sound bites is not the way to do it properly.

Too many city and state officials state that "tough decisions had to be made" in the just passed state budget when health advocates speak about public health getting short changed. No such "tough" decisions were made concerning taxing the wealthiest individuals, biggest corporations and Wall Street however. Those entities are prospering at our expense. There is plenty of money around to spend on healthcare and other social services and the people want it to be spent that way. We need budget fairness.
Thank you.

PS- I have attached a recent article about disastrous attempts to privatize and centralize government assistance programs in Wisconsin, Indiana and Texas.

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Walker wants private sector to run assistance programs

JESSICA VANEGEREN | The Capital Times | jvanegeren@madison.com | Posted: Wednesday, May 11, 2011 11:15 am

Vivian Colon is often the first point of contact for Dane County's most vulnerable residents when they find themselves in desperate situations.

From parents seeking emergency medical care for a sick child to those who live paycheck to paycheck and have little money left for food, Colon treats everyone the same when they walk through the doors of the Dane County Job Center on Aberg Avenue. She greets them with a smile.

"A lot of people need help when they first come in," says Colon, who has worked for the county for nearly four years. "For some people, it's their first time applying for benefits. Other people aren't computer-friendly. They don't know how to use a mouse or they can't type. It's my job to help them if they get stuck during any part of the process — beginning, middle or end."

Every county across the state has a center like the one where Colon works. The centers function as one-stop shops where people can apply for food and medical assistance at the same time. Applications can be filled out online, over the phone or on paper. Whichever way applicants choose to go, county and state workers are there to help them through any stumbling blocks.

But a provision in Gov. Scott Walker's proposed budget would change all that by creating an "income maintenance administrative unit" to centralize and largely privatize the operation of the food assistance, or FoodShare program, and Medicaid programs in Wisconsin.

Specifically, Walker's proposal would give the state Department of Health Services the authority to enter into contracts with public and private entities to receive applications, determine eligibility, conduct fraud investigations, implement error reduction procedures and recover overpayment of benefits for all FoodShare and Medicaid recipients.

Applicants could still apply for benefits online, over the phone or by mail, but the personal assistance that comes with having county-level centers would be gone. While the transition in most counties would not happen overnight, the problem-ridden Milwaukee Enrollment Services Center, or MILES, is specifically targeted to be closed.

In all, 270 public employees are expected to lose their jobs through the consolidation. Cost savings to the state would be $8.4 million for each of the first two years, according to a Legislative Fiscal Bureau budget memo. By year three, the state is expected to begin saving $48 million annually.

"The goal of the provisions in the governor's budget is to ensure that duplication of eligibility is eliminated and there is a one-stop shop for those who can apply for FoodShare and related programs," says Cullen Werwie, a spokesman for the governor.

Just how quickly this new centralized system would be up and running and who exactly would run it are some of the many questions surrounding Walker's proposal that have yet to be answered.

But what is clear is that if the governor's push to centralize and to a large extent privatize operation of the state's FoodShare and Medicaid programs is approved by the Republican-controlled Legislature, it would be the most sweeping attempt the state has ever made to privatize the state's two largest entitlement programs.

Only two other states have tried what Walker is proposing. The results, according to the U.S. Department of Agriculture, which oversees the food assistance program, were less than stellar.

Closing down county-level centers and hiring an unknown number of private workers has some lawmakers, including the Republican co-chairs of the Legislature's budget-adjusting Joint Finance Committee, and advocates, including Disability Rights Wisconsin and the Wisconsin Council on Children and Families worried. It has also prompted the federal government to weigh in and for a large coalition of counties to push an alternative plan.

"What Walker is proposing is a dramatic shift in policy," says Jon Peacock, policy director with the Wisconsin Council on Children and Families. "Similar efforts haven't worked in other states and taking public workers completely out of the equation violates federal law. We'd also be losing face-to-face contact, something many of the applicants need. Not everyone has access to a computer."

States across the country have been outsourcing state jobs to private companies at an increasing rate for decades. Blaming mounting deficits, they've privatized everything from zoos to libraries, ambulance services, prisons and veterans homes.

"There has been a long trend, and it seems to be picking up now, as governments across the country face mounting debt and more fiscally conservative lawmakers are elected to office," says Andrew Reschovsky, a professor of public affairs and economics at the University of Wisconsin-Madison. "Private company employees tend to be non-unionized and tend to have lower salaries. That is one of the appeals."

Werwie says Walker's privatization proposal was included in the budget to give the state the "flexibility to effectively and efficiently determine eligibility" of FoodShare and Medicaid applicants.

But unlike past state efforts to privatize engineering and IT jobs, privatizing a federally funded entitlement program gets the attention of the federal government.

In an April 14 letter to the state officials, Ollice Holden, administrator for the U.S. Department of Agriculture's Midwest regional office, says "the plan in Wisconsin's proposed budget regarding privatizing administrative services including determining eligibility is out of compliance" with a section of the federal Food and Nutrition Act of 2008. Holden's office oversees the state's FoodShare program. The USDA does not have any oversight over Medicaid.

In his letter to Eloise Anderson, secretary of the state Department of Children and Families, and Dennis Smith, secretary of the state Department of Health Services, Holden warns that the work of interviewing applicants and deciding who is eligible for the FoodShare program are tasks that need to be performed by public, not private, workers.

The Department of Health Services now oversees the FoodShare program, but it is being transferred to Anderson's department in January 2013.

Should Wisconsin choose to use private workers to perform all tasks associated with determining an applicant's eligibility for benefits, the state would lose the federal money it receives annually to help administer the FoodShare program.

Wisconsin received $41.7 million in federal funds in 2010 to administer the program, according to the USDA and state health department. The federal government spent another $1.5 billion to pay for FoodShare benefits to state residents. Wisconsin spent $37 million to help administer FoodShare.

In his letter, Holden says only public-sector employees are allowed to have direct contact with FoodShare applicants or anyone already participating in the FoodShare program. Also, private employees working at a call center are not allowed to make changes to applications over the phone. Private employees only are allowed to conduct what Holden refers to as non-discretionary tasks. These include data entry, typing, data matching and document scanning, provided these functions do not involve contact with the applicants.

Werwie says the governor has reviewed the changes he is proposing to the programs and "believes that those changes comply with federal law."

But, writes Holden, "I caution the state when making decisions regarding the delivery of services and ask the state to ensure that Wisconsin's key measures of access, customer service and accuracy of benefits be maintained. Poor decisions made by states regarding the delivery of benefits have quickly deteriorated the customer service provided and accuracy rates in those states."

The states Holden alludes to are Texas and Indiana, both of which centralized and privatized their medical and food assistance programs several years ago.

Texas started using a private company in 2005 to screen medical and food assistance applications. By 2010, there were 56,000 unresolved food stamp applications, according to a report by the Dallas Morning News.

In addition, 37 percent of all applicants — and more than 50 percent of applicants in the greater Dallas and Houston areas — were not told whether they qualified for benefits within 30 days of filing, as federal law requires, according to the newspaper. And applications from 13 percent of the truly destitute — people defined by the newspaper as virtually out of cash and unable to afford groceries — weren't processed in the seven days required by federal law, it reported.

In 2009, Indiana Gov. Mitch Daniels' administration canceled its 10-year, $1.4 billion contract with IBM. The state had hired the company in 2007 to oversee and manage a number of small contractors, all of whom were working to determine eligibility for state residents seeking health care coverage and food assistance.

The state has since sued IBM, charging the company failed to meet the stipulations of the contract and the needs of the state's neediest residents. The case is still in court.

Despite its experience with IBM, Indiana is still committed to privatization.

"IBM was the problem," says Marcus Barlow, a spokesman for the Indiana Family and Social Services Administration. "We learned we had to have much more control over the contractors, and now we deal with them directly. Indiana's system is still as privatized as it was under IBM, except IBM is no longer in the picture."

Barlow says the state-run system the Daniels administration inherited didn't operate well either. He says it was plagued by high error rates and processed applications too slowly.

"Under Gov. Daniels, we have always stuck to a philosophy that an employee with a state of Indiana (employee) badge isn't a better employee just because they work for the government," Barlow says. "I think what gets lost in the ideological battle over privatization is you have to go with what works. And now, our system works."

Still, the feds are not keen on how privatization efforts have played out in Texas and Indiana. "Our experience with the two states that went that route was deemed not to be in the best interest for the clients," says Alan Shannon, a spokesman with the USDA's regional office in Chicago.

Opponents of Walker's plan to centralize and privatize the FoodShare and Medicaid programs say you don't need to look to Texas or Indiana for cautionary tales. Ongoing problems also plague Wisconsin's first statewide effort to privatize one medical assistance program begun under former Democratic Gov. Jim Doyle.

In 2009, in an effort to make sure all state residents had health insurance, the state implemented a new program for childless adults with incomes less than 200 percent of the federal poverty level, or $21,000 annually. Known as BadgerCare Core, the state-funded program was met with unexpected popularity. Some 40,000 residents now receive benefits. Another 80,000 are on a waiting list.

Instead of giving counties another program to administer, the state decided to administer the program through one centralized location. Doyle approved the creation of the statewide Enrollment Support Center, or ESC, to administer the BadgerCare Core program. Applicants are screened for FoodShare eligibility at the same time. All other Medicaid programs continue to be administered at the county level.

The ESC call center is run by Hewlett Packard. Werwie says the state's contract with the company costs $25 million per year, roughly half of which is federally reimbursed.

The system isn't perfect.

According to data compiled by an advisory committee of the Wisconsin County Human Service Association, the ESC call center's error rates in processing BadgerCare Core and FoodShare applications are higher and the efficiency rates are lower than those of the state's county-level human services centers that process all other Medicaid program applications along with FoodShare applications. The association opposes Walker's plan to privatize and centralize the programs it now administers.

One comparison focused on the processing of FoodShare applications, which, under federal law, must be done within 30 days. Yet in March, the Enrollment Support Center managed to process only 16 percent of applications received during the previous month. The record by counties was much better, but far from perfect, with 75 percent of applications received the previous month getting processed, according to the WCHSA.

Advocates argue the difference is not just quantitative; applicants wait longer to talk to someone by phone and opportunities for face-to-face interviews aren't as easily arranged when there is only one office serving the entire state.

For example, in March, customers trying to reach someone by phone to discuss food or medical assistance waited an average of three minutes to reach someone at the counties, compared to a 15-minute wait to reach someone at the ESC.

"The vast majority of county employees who do this work are very committed and very knowledgeable. You don't get that kind of expertise and experience right away when you turn it over to a private company," says Wisconsin Children and Families' Peacock. "Even over time, a company is driven to make money and maximize its profits. That means less pay for its workers, which can result in higher turnover and continued lack of experience."

At the Dane County Job Center earlier this week, Colon helped one person after another who either didn't want to go online to access benefits or who encountered problems once they did. One elderly man walked in and nearly left when Colon told him he could apply for food assistance online. He was more receptive to the idea of making a phone call, so she gave him the number.

A younger guy came to Colon looking for help after he got stuck trying to access his FoodShare account online. He was trying to find out when his benefits were set to expire.

Patricia DeLessio, an attorney with Legal Action Wisconsin, points to other issues, including clients having difficulties setting up in-person meetings with call-center staff and call-center employees simply closing cases or discontinuing benefits if they cannot immediately reach the applicant by phone.

In a March 24 letter to Trish Solis, director of Food and Nutrition Services with the USDA's Chicago office, DeLessio cites several examples that suggest the actions of ESC employees are violating federal law.

She says applications filed with the ESC were improperly denied without the opportunity for a review. Federal law requires the state to schedule interviews for all applicants who are not interviewed on the day they submit their applications.

“We determined that instead of scheduling interviews, ESC would simply attempt to reach the applicant by phone and, if they were not able to reach the individual, the application would be denied. No interview — by phone or otherwise — was scheduled,” states DeLessio in her letter.

She adds that Legal Action of Wisconsin is “aware of the state’s plan to process all food stamp applications and cases from a central location presumably without local offices. Given the problems that we have and continue to encounter at ESC, such a plan could very well result in the continued violation of federal requirements.”

DeLessio notes that disabled and elderly people are especially hard hit when the state centralizes a benefit-application process. She says the current arrangement with county-level offices gives workers a greater chance of personally knowing the applicants.

“I’m afraid that knowledge and connection will be lost,” DeLessio says. “I think (privatization) increases the potential for mistakes.”

Given what they see as the deficiencies inherent in privatizing the administration of assistance programs, a coalition of county officials and advocates is preparing an alternative plan to Walker’s budget proposal.

Amy Mendel-Clemens, a former state Department of Health Services staffer who now works for Dane County, is helping lead the effort.

“Ever since I took this job and the budget came out, we’ve been working on an alternative,” says Mendel-Clemens, Dane County’s new economic assistance and work services division administrator.

Key players working on the alternative plan include administrators of Outagamie and Sheboygan counties; the Wisconsin Counties Association and the Wisconsin County Human Service Administration. Thirty-six of the state’s 72 counties have contributed input and the boards of both county groups approved the draft plan at their last meetings.

Mendel-Clemens says everyone involved recognizes the state needs to save money.

A draft copy of the plan was shown to lawmakers in early April and additional meetings were held with key politicians earlier this week, she says. The county plan has not yet been made pubic.

Mendel-Clemens suspects the county-supported plan will cost slightly more than the $109 million she has heard the state wants to spend, but she emphasizes it has additional benefits; it maintains face-to-face contact between applicants and program staff; finds efficiencies and includes state, county and private workers in the model.

She says the county-backed plan supports an application process that continues the tradition of determining FoodShare and Medicaid eligibility all at the same time for families with extremely low incomes, or less than $30,000 annually for a family of four.

She describes the response from lawmakers to the county-backed plan as “encouraging.”

“Across the board, they seemed interested in considering a different model (from what Walker proposed),” Mendel-Clemens says. “But we know the state is looking at several.”

Kitty Rhoades, deputy secretary of the Department of Health Services, also notes that other proposals are circulating but she did not offer specifics.

“Advocates (for an alternative plan) have made an assumption on who will be doing the work, and we haven’t answered that yet,” says Rhoades. “What we are looking to do is to take existing best practices and build them into a new system.”

The cost of the county-supported plan and the number of county and state jobs that would be saved is still being determined by the counties.

The Legislature’s Joint Finance Committee is expected to debate and approve the state Department of Health Services budget that includes Walker’s privatization proposal next week. Mendel-Clemens says the counties will have the data they need sometime this week in order to make their plan a viable option the JFC members could vote on.

The ability of counties to process Medicaid applications, no matter which proposal finance committee members go with, will likely be affected by a requirement in President Obama’s health care reform act that requires states to set up a health care exchange by 2014.

Under such an exchange, it is possible that residents would no longer be able to apply for food and medical assistance at the same time, says Rhoades. States do not have to have specifics of the exchange available for federal review until Jan. 1, 2013.

Rhoades stresses that while Walker’s plan is far from finalized, it would modernize the application process for those needing FoodShare and Medicaid assistance.

“Currently, everything is done at the county level, but even there, some locations aren’t close to people,” she says. “What we are working on, we believe, would give people greater flexibility in applying for benefits. You can still apply for benefits online or by phone.”

She adds that teams of workers may also be used to travel around the state as a way to maintain personal assistance for applicants who need help navigating through the application process.

Dane County Executive Joe Parisi, who stepped down from a state Assembly seat in April, says the counties are fighting for an alternative because the current system works.

He recognizes, however, that getting any alternative through the Republican-controlled Legislature will be an “uphill battle.”

“It’s going to be a challenge,” Parisi says. “But it’s the job of the counties to provide a safety net to their citizens. Privatizing the entire system, taking that safety net away from the residents hardest hit by the recession, is not a good direction for the state to be going in.”

ADDENDUM

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Submitted by Ralph Palladino
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I am offering this addendum to my testimony given on May 18 to the Healthcare Reform Team. I would appreciate it if you attach it to the testimony that I emailed last Friday and also hand delivered on the 18th. Thank you.

Consider Public Option

A Public Option should be considered to be on the menu of the Insurance Exchange. It would help drive costs down and fit in with Governor Cuomo's statement about how New York State takes the lead in innovation.

Maybe such an option can be done as a 5 year pilot project in New York City in conjunction with the HHC. The Metro Plus HMO could be the vehicle for this option or part of it.

Obviously many details including how to fund if needed need to be worked out. The point is to explore the possibilities.