



A Proposal for Comprehensive Reform of New York's Long-Term Care System

Long-term care comprises roughly 28% of New York's Medicaid budget, which itself is approximately 39% of the overall state budget. Around 46% of Medicaid long-term care spending — \$5.4 billion per year — is spent on home and community-based services. New York has been far ahead of the national curve in funding care at home, likely saving hundreds of millions of dollars by avoiding unnecessary and expensive institutionalization. However, the way in which home care services are delivered is no longer sustainable in the face of growing deficits and a soaring demand driven by the aging of the population. If growth continues at the current rate, home care services will cost Medicaid an additional \$3 billion a year by 2014.

The “system” for delivering Medicaid-funded home care in New York is not a system at all, but a patchwork of sometimes overlapping programs, each with its own set of requirements and paperwork as well as constituencies and champions. Despite — or perhaps because of — the huge size of these programs, the state has been unable to ensure that taxpayer money is spent effectively and that home care consumers are able to choose appropriate, high quality programs to meet their needs.

It has now reached a critical point. New Yorkers in need of care, particularly upstate, still find themselves forced into institutions because they are unable to receive services at home. At the same time, some sectors of the industry downstate have grown exponentially, driven by a fee-for-service incentive to high spending on patients with low acuity. Home health aide and personal care aide are the first and third fastest-growing occupations statewide, but too often these jobs are characterized by poverty wages, leading to high rates of turnover and jeopardizing the quality of care provided. As the Attorney General's Operation Home Alone has shown, the fastest-growing sector of the industry — for-profit Certified Home Health Agencies — is plagued by profiteering and outright fraud, and is also characterized by substandard quality of care. The system as a whole is ill-equipped to deal with the challenges posed by health care reform, including the need to avoid preventable hospital readmissions.

In the past few years, the Executive Branch has proposed reforms to the home care system to address some of these problems, including a switch from fee-for-service to prospective payment and a ban on subcontracting in some programs. These efforts were largely defeated by strong resistance from entrenched interests, including those who have been able to realize large profits from their participation in Medicaid home care. However, the state budget crisis, coupled with hundreds of millions of new dollars available for home and community-based services through federal health care reform, presents a rare opportunity to succeed where others have failed.

A comprehensive reform package should meet the following goals:

Rationalize the care delivery system to meet the challenges of health care reform.

- Institute a standard assessment tool for determining eligibility for long-term care services and making appropriate referrals based on client needs and preferences.
- Combine programs with similar patient populations and services.
- Ensure that individuals with complex needs have access to quality care management, avoiding unnecessary hospitalizations or interruptions in care.
- Ensure equal access to home and community-based services throughout the state.

Establish a flexible, well-trained workforce to meet the challenges of providing quality long-term care in various settings.

- Set a minimum level of wages and benefits for workers on Medicaid cases to reduce turnover and ensure that the bulk of taxpayer money goes directly to the provision of services.
- Reform licensing requirements to create a career ladder from entry-level personal care worker to more skilled advanced aide, nursing assistant and licensed practical nurse.
- Increase the flexibility of the workforce, for example by allowing aides to perform additional tasks under the supervision of an RN.

Ensure accountability for taxpayers.

- Require that licensed home care services agencies be approved by the state Medicaid program in order to be able to subcontract on Medicaid cases.
- Create transparency in reporting of costs and subcontracting relationships.

Contain costs to build a long-term care system that is sustainable for the future.

- Reform payment methodologies, moving from those based on fee-for-service billing to those based upon patient acuity.
- Enhance oversight of high-growth providers to prevent over-utilization.

Maximize all available Federal financial participation

- Work with the Federal government to improve the care for those eligible for both Medicaid and Medicare and share the savings realized from providing appropriate and coordinated care.
- Ensure that New York meets the threshold for seeking enhanced federal funding for Medicaid home and community-based services that will be made available as a part of federal health care reform.