

OFFICE FOR THE AGING

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	79,163,300	96,494,300	17,331,000	21.9%
Special Revenue-Other	4,300,000	4,300,000	0	0.0%
Special Revenue-Federal	117,850,000	117,850,000	0	0.0%
Enterprise	100,000	100,000	0	0.0%
Total for AGENCY SUMMARY:	201,413,300	218,744,300	17,331,000	8.6%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	28	27	(1)
All Other Funds:	107	107	0
TOTAL:	135	134	(1)

Agency Mission

(Executive Budget: pp. 113 - 116)

The New York State Office for the Aging (SOFA) is responsible for coordinating and administering federal, State, and local programs and services for the 3.2 million State residents who are sixty years of age or older. The mission of SOFA is to help older New Yorkers remain as independent as possible through effective policies and programs, as well as through encouragement of informal support networks and, as necessary, formal support services. SOFA oversees 59 Area Agencies on Aging, as well as numerous other local programs and providers serving New York's senior citizens.

This agency's budget is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following:

- an expansion of the current host agency relationship with the Division of the Budget for administrative activities;
- funding for the Expanded In-home Services for the Elderly Program;
- a planned three-year cost of living adjustment that would apply to the Expanded In-home Services for the Elderly Program (EISEP), the Community Services for the Elderly Program, and the Supplemental Nutrition Assistance Program;
- an additional \$5,000,000 from the Housing Trust Fund in the Division of Housing and Community Renewal for the Access to Home program, to be combined with the \$10,000,000 included in the SFY 2005-06 budget. Although not administered by SOFA, the Access to Home program is of special interest to the senior community, as it provides funding to low and moderate income elderly and disabled for the purpose of making home improvements that would enable them to remain in their homes; and
- cost savings initiatives totaling \$73,000,000 in the Elderly Pharmaceutical Insurance Coverage (EPIC) Program, administered by the Department of Health. These initiatives include mandating that low income EPIC beneficiaries enroll in Medicare Part D coverage; reducing the reimbursement rate for all pharmacies participating in the EPIC program from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent for brand name drugs and from AWP minus 16.5 percent to AWP minus 30 percent for generics; and eliminating reimbursement for drugs to treat erectile dysfunction. Although not administered by the State Office for the Aging, the EPIC Program is of vital importance to the more than 350,000 seniors who rely on this program for their prescription drug needs.

Budget Detail

The Executive recommends an All Funds appropriation of \$218,744,300, a net increase of \$17,331,000, or 8.6 percent, over SFY 2005-06. This increase is attributable to an overall increase of \$17,331,000 in the General Fund appropriation. The total workforce for SOFA is proposed at 134 full-time equivalent (FTE) positions.

State Operations

The Executive recommends a total State Operations General Fund appropriation of \$2,359,000, a decrease of \$180,000, or negative 7.09 percent, from SFY 2005-06.

Proposed Increases

- The Executive proposes a General Fund increase of \$150,000 to fund the new Green House Pilot Program which would study new nursing home models for rural and suburban areas to serve frail nursing home eligible seniors.

Proposed Decreases

The Executive proposes:

- a General Fund savings of \$180,000, resulting from an expansion of the current host agency relationship with the Division of the Budget for administrative activities; and
- a General Fund savings of \$250,000, resulting from the elimination of the Single Intake Technology program.

Aid to Localities

The Executive recommends a total Aid to Localities General Fund appropriation of \$94,135,300, an increase of \$17,511,000, or 22.85 percent over SFY 2005-06.

The Governor also continues funding for the following Legislative initiatives, enacted in the SFY 2005-06 Budget:

- Supplemental Nutrition Assistance Program – \$1,000,000; and
- Neighborhood Naturally Occurring Retirement Community Program - \$1,200,000.

Proposed Increases

The Executive proposes:

- a \$15,000,000 General Fund increase for EISEP to bring total program funding to \$50,000,000 for SFY 2006-07;
- a \$2,331,000 General Fund increase to provide a 2.5 percent cost of living adjustment (COLA), effective October 1, 2006, to support year one of a planned three-year COLA which would be tied to the Consumer Price Index in the out years.

The COLA would apply to the Expanded In-home Services for the Elderly Program; the Community Services for the Elderly Program; and the Supplemental Nutrition Assistance Program; and

- an additional \$200,000 for elder abuse education and outreach.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
Special Revenue-Federal	4,550,000	4,550,000	0	0.0%
Enterprise	10,000	10,000	0	0.0%
Total for AGENCY SUMMARY:	4,560,000	4,560,000	0	0.0%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
All Other Funds:	18	18	0
TOTAL:	18	18	0

Agency Mission

(Executive Budget: pp 117 - 118)

The Developmental Disabilities Planning Council (DDPC) helps persons with developmental disabilities to be independent and productive participants in the life of their communities. The DDPC's staff monitor contracts with not-for-profit service providers who work with consumers, helping them to achieve community integration. The 32-member Council is federally funded through the Federal Developmental Disabilities Assistance and Bill of Rights Act of 1975.

This agency is included in the Health and Mental Hygiene appropriation bill.

Budget Detail

The Executive recommends an All Funds appropriation of \$4,560,000, reflecting no change from SFY 2005-06. The staffing level will remain constant at 18 full time equivalent (FTE) positions.

DEPARTMENT OF HEALTH

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	9,257,629,600	9,700,831,300	443,201,700	4.8%
Special Revenue-Other	8,291,569,000	7,274,171,000	(1,017,398,000)	-12.3%
Special Revenue-Federal	29,693,568,585	29,779,350,000	85,781,415	0.3%
Capital Projects Fund	76,600,000	182,600,000	106,000,000	138.4%
Capital Projects Fund - Advances	185,000,000	85,000,000	(100,000,000)	-54.1%
Federal Capital Projects Fund	65,000,000	32,937,000	(32,063,000)	-49.3%
Enterprise	10,000	10,000	0	0.0%
Total for Agency:	47,569,377,185	47,054,899,300	(514,477,885)	-1.1%
Total Contingency:	1,771,200,000	1,771,200,000	0	0.0%
Total for AGENCY SUMMARY:	49,340,577,185	48,826,099,300	(514,477,885)	-1.0%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	1,932	1,994	62
All Other Funds:	3,830	3,849	19
TOTAL:	5,762	5,843	81

Agency Mission

(Executive Budget: pp. 119 - 133)

The Department of Health is the designated State agency responsible for promoting and supervising public health activities, ensuring sound and cost-effective quality medical care, reducing infectious diseases, and providing the first line of defense against any biologically based terror attack. The Department of Health has worked towards its goal of ensuring the highest quality, most appropriate, cost-effective, health care for all New Yorkers. Since State Fiscal Year (SFY) 1996-97, when authority for the State's Medical Assistance (Medicaid) program was transferred from the former Department of Social Services, the Department of Health has served as

the principal State agency responsible for coordinating with Federal and local governments, health care providers, and program participants on behalf of the Medicaid program in New York.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following recommendations:

- Proposed actions that would reduce overall Medicaid spending by \$1,863,300,000 and provide over \$1,349,000,000 in General Fund savings to the State. If implemented, these actions would result in nearly \$1,300,000,000 in direct cuts to New York's health care system, leading to the loss of an estimated 29,700 jobs statewide.
- Of the proposed \$1,349,000,000 savings in State share, \$568,100,000 is from direct cuts on providers; \$309,100,000 from cuts targeted at Medicaid and Family Health Plus recipients; and \$471,800,000 from new revenue and other actions.
- Projected total savings to local governments of \$1,166,043,000 in SFY 2006-07 including \$638,043,000 as the result of the implementation of a cap on local Medicaid expenditures. The State also has assumed the local share of Family Health Plus (FHP) for projected local savings of \$528,000,000 in SFY 2006-07.
- Codifying the Office of Medicaid Inspector General and transferring the Medicaid Audit and Fraud Prevention Program and its responsibilities from the Department of Health to this new office.
- A proposal to phase in an updated nursing home reimbursement methodology over the next five years, contingent on the implementation of specific cuts.
- A continuation of \$7,509,000 in AIDS Institute funding and \$2,823,300 in Center for Community Health Program funding that was enacted as Legislative initiatives in the SFY 2005-06 Budget.
- A 2.5 percent cost of living adjustment (COLA), effective October 1, 2006, to support year one of a planned three-year COLA, tied to the Consumer Price Index (CPI) for various programs within the AIDS Institute, Administration Program, and the Center for Community Health Program.
- Changes to the Elderly Pharmaceutical Insurance Coverage (EPIC) Program, including mandatory enrollment of EPIC enrollees in Medicare Part D; a reduction in the pharmacy reimbursement rate; and the elimination of drugs for erectile dysfunction.
- Changes to the General Public Health Works Program (Article 6), including a plan to increase base grant funding for each county; to increase reimbursement to the counties from

30 percent to 36 percent for optional services; and to implement a \$20,000,000 contingency fund for public health emergencies.

- A continuation of the Health Care Reform Act (HCRA) as an on-budget program for which the Executive proposes \$249,000,000 in new spending to be offset by \$70,000,000 in proposed spending reductions and \$308,000,000 in new revenue from a \$1 increase in the State cigarette tax.
- An increase of \$40,000,000 for Roswell Park Cancer Institute, including \$15,000,000 for cancer research and \$25,000,000 for capital improvements.
- A continuation of HEAL NY for support of health care technology improvements, facility upgrades, reconfigurations and consolidations.

Budget Detail

The Governor requests the following:

- All Funds appropriations totaling \$48,826,099,300, a decrease of \$514,477,885, or negative 1.0 percent from SFY 2005-06;
- General Fund appropriations totaling \$9,700,831,300, an increase of \$443,201,700, or 4.8 percent above SFY 2005-06;
- Special Revenue Fund–Other appropriations, including a \$1,154,310,000 Health Care Reform Act (HCRA) appropriation, totaling \$7,274,171,000, a decrease of \$1,017,398,000 or negative 12.3 percent from SFY 2005-06; and
- Special Revenue Fund–Federal appropriations totaling \$29,779,350,000, an increase of \$85,781,415 or 0.3 percent over SFY 2005-06.

In the SFY 2006-07 Executive Budget, the Governor proposes an increase of 81 full-time equivalent (FTE) positions agencywide, by adding 104 new positions and eliminating 23 positions associated with nonessential programs, for a total workforce of 5,843 FTEs.

The Governor also continues base funding of \$78,000,000 for Roswell Park Cancer Institute from the Health Care Reform Act Program and proposes \$40,000,000 in new funding, including \$15,000,000 in HCRA anti-tobacco money for cancer research and \$25,000,000 in HEAL NY money for capital improvements.

State Operations

The Executive proposes the following appropriations for State Operations:

- a total All Funds appropriation of \$4,645,606,000, a decrease of \$2,946,000 or negative 0.06 percent from SFY 2005-06;
- General Fund appropriations totaling \$162,242,000, an increase of \$8,430,000, or 5.48 percent over SFY 2005-06;
- Special Revenue–Other appropriations totaling \$504,210,000, an increase of \$14,305,000, or 2.92 percent over SFY 2005-06; and
- Special Revenue–Federal appropriations totaling of \$3,979,144,000 which represents a decrease of \$25,681,000, or negative 0.64 percent from SFY 2005-06.

Proposed Increases

The Executive proposes the following:

- a \$5,000,000 General Fund increase for equipment for the Wadsworth Laboratories;
- a \$4,300,000 General Fund increase for regional perinatal centers;
- a \$2,000,000 General Fund increase to support a statewide fiscal agent for the Early Intervention Program; and
- a \$564,000 General Fund increase to support the hospital acquired infection reporting program.

Proposed Decreases

The Executive proposes the following:

- a \$30,000,000 General Fund savings generated by securing additional federal revenues to offset Medicaid expenses related to administrative activities;
- a \$3,800,000 General Fund savings from continuing to finance the Office of Professional Medical Conduct from physician fees;
- a \$1,200,000 General Fund savings from reducing technology and overtime costs;
- a \$2,700,000 General Fund savings from eliminating the requirement that the Department of Health post the Prescription Drug Price List on its website;
- a \$300,000 General Fund savings from eliminating the requirement for durable medical equipment registration;
- a \$300,000 General Fund savings from eliminating the requirements of the Lymphedema education and outreach program; and

- to eliminate the statutory requirement for the Reflex Sympathetic Dystrophy Syndrome program and the Tattoo and Body Piercing inspection program. These generate no savings as no funds have been committed to these programs.

Aid to Localities

The Executive proposes the following appropriations for Aid to Localities:

- All Funds appropriations totaling \$42,108,756,300, a decrease of \$485,468,885 or negative 1.14 percent from SFY 2005-06;
- General Fund appropriations totaling \$9,538,589,300, an increase of \$434,771,700, or 4.78 percent over SFY 2005-06;
- Special Revenue–Other appropriations totaling \$6,769,961,000, a decrease of \$1,031,703,000, or negative 13.22 percent from SFY 2005-06;
- Special Revenue–Federal appropriations totaling \$25,800,206,000 which represents a decrease of \$111,462,415, or negative 0.43 percent from SFY 2005-06.

The Governor continues \$7,509,000 in AIDS Institute Program funding that was enacted as Legislative initiatives in the SFY 2005-06 budget. These programs include:

- Communities of Color (\$3,000,000);
- Community Service Programs (CSP) (\$1,768,000);
- Multi-Service Agencies (MSA) (\$1,768,000);
- Specialty Contracts (\$625,000);
- Homeless Housing (\$179,000); and
- Permanency Planning (\$169,000).

The Governor continues \$2,823,300 in Center for Community Health Program funding that was enacted as Legislative initiatives in the in the SFY 2005-06 budget. These programs include:

- Health and Social Services Sexuality-Related Programs (\$1,373,300);
- Brain Trauma Foundation (\$500,000);
- Alzheimer's Disease Initiatives (\$250,000);
- Arthritis Foundation (\$250,000);
- Donor Registry Awareness Campaign (\$250,000); and
- Breast Cancer Initiatives (\$200,000).

Proposed Increases

The Executive proposes:

- a General Fund increase of \$11,400,000 in the General Public Health Works Program (Article 6), together with a \$20,000,000 contingency appropriation that would be available in the event of a public health emergency. The \$11,400,000 in additional funding would be used as follows: \$4,700,000 to support a planned increase in the base funding grant for each county, and \$6,900,000 to increase reimbursement for optional services from 30 percent to 36 percent if the counties meet certain performance objectives to be set by the DOH;
- a \$7,300,000 General Fund increase to support a 2.5 percent cost of living adjustment (COLA), effective October 1, 2006, to support year one of a planned three-year COLA, tied to the Consumer Price Index (CPI); the second year would take effect on April 1, 2007 and the third year on April 1, 2008. The COLA would apply to various programs within the AIDS Institute, Administration Program, and the Center for Community Health Program;
- an increase of \$2,000,000 in General Fund to continue support for respite services for Early intervention families. In previous years, these services had been supported by federal funds;
- a \$2,000,000 General Fund increase for Red Cross Disaster Preparedness;
- a \$1,200,000 General Fund increase for disease prevention and control services;
- a \$500,000 General Fund increase to support Dor Yeshorim premarital genetic testing; and
- a \$265,000 General Fund increase for childhood obesity services and the Activ8Kids program.

Proposed Decreases

For the General Fund, the Executive proposes:

- to achieve savings in the Elderly Pharmaceutical Insurance Coverage (EPIC) Program of \$73,000,000 through the following actions: reducing the pharmacy reimbursement rate for brand name drugs from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent and for generics from AWP minus 16.5 percent to AWP minus 30 percent for \$42,300,000 in savings; mandating low income EPIC beneficiary's enroll in Medicare Part D coverage for \$30,000,000 in savings; and eliminating reimbursement for drugs to treat erectile dysfunction, consistent with Federal policy, for \$700,000,000 in savings.

- to achieve savings in the Early Intervention (EI) Program of \$56,000,000 from a re-estimate of total EI spending based on lower than expected utilization and enrollment. The Executive also proposes Article VII language to require insurance companies to cover EI services if these are services they would normally cover and the plans are approved by DOH. Such action is projected to produce savings of \$5,100,000 in SFY 2007-08 ;
- to reduce the General Public Health Works (Article 6) spending by \$37,000,000 by eliminating the required redistribution of the prior year GPHW funds;
- to eliminate \$5,000,000 for Infertility Services;
- to eliminate \$3,000,000 for Health Information Technology;
- to eliminate \$1,300,000 for the Individual Subsidy Program;
- to eliminate \$500,000 for the North Shore LIJ Health System;
- to eliminate \$500,000 for Southside Hospital;
- to eliminate \$200,000 for Gilda's Club of the Capital Region;
- to eliminate \$179,000 for the National Black Leadership Commission; and
- to eliminate \$89,000 for the New York AIDS Coalition.

Medical Assistance (Medicaid) Program

The Executive proposes the following Medicaid appropriations in the State Fiscal Year 2006-07 Budget:

- An All Funds appropriation in Aid to Localities of \$37,076,585,000, a net decrease of \$69,588,585 or negative 0.19 percent from SFY 2005-06;
- General Fund appropriations totaling \$8,828,821,000, an increase of \$479,299,000, or 5.74 percent over SFY 2005-06.
- Special Revenue Fund – Other appropriations totaling \$4,108,700,000, a decrease of \$616,800,000, or negative 13.05 percent from SFY 2005-06.
- Special Revenue Fund – Federal appropriations totaling \$24,139,064,000, an increase of \$67,912,415, or 0.28 percent over the SFY 2005-06.

On January 1, 2006, the State implemented a cap on the local share of Medicaid expenditures. For calendar year 2006, local Medicaid contributions will be capped at 3.5 percent growth over 2005 expenditures. The growth rate will drop to 3.25 percent in 2007

and to 3.0 percent for 2008 and thereafter. The Executive projects the cap will save counties a total of \$638,043,000 in SFY 2006-07. As of January 1, 2006, the State also assumed the full local share of Family Health Plus (FHP) expenditures and the Governor projects this takeover will cost the State \$528,000,000 in SFY 2006-07. The total savings to local governments statewide is projected to be \$1,166,043,000 in SFY 2006-07 from the two actions.

The Governor has proposed Article VII language creating the Office of Medicaid Inspector General. All fraud prevention and detection activities currently within the Department of Health would be transferred to the Office of Medicaid Inspector General. The Medicaid Inspector General would have the responsibility for coordinating fraud activities with the Medicaid Fraud Control Unit (MFCU), located within the Office of New York State Attorney General, and developing a streamlined process that would facilitate greater coordination between the various state agencies with Medicaid responsibilities. The Governor also proposes other statutory reforms related to Medicaid fraud including: improving whistleblower protections; increasing fraud related penalties; mandating court venues in Albany; and establishing drug diversion penalties. The Governor raises the Medicaid Audit Target by \$150,000,000 to account for the increased recoveries anticipated from these anti-fraud proposals.

The Executive also proposes actions that would reduce overall Medicaid spending by \$1,863,300,000 and provide \$1,349,000,000 in General Fund savings to the State. Of the proposed State share savings, \$568,100,000 would be achieved by direct cuts on providers; \$309,100,000 from cuts targeted at Medicaid and Family Health Plus recipients; and \$471,800,000 as the result of new revenue and other cost savings actions.

The revenue actions proposed by the Governor include:

- a savings of \$151,500,000 related to the General Fund's release from liability for revenue shortfalls in the HCRA Tobacco Pool as revenue projections for the Pool have been met;
- an increase in the Medicaid Audit Target by \$150,000,000 to account for increased recoveries expected from new anti-fraud activities;
- a savings of \$25,200,000 from transferring General Fund spending for HEAL NY to HCRA; and
- increasing drug rebate revenue by \$71,600,000.

Proposed Increases

The Executive proposes:

- an increase of \$13,000,000 for the first year of a five year plan to update the base year for nursing home reimbursement from 1983 to 2003. This new rate would be

phased in at a rate of 20 percent per year from SFY 2006-07 to SFY 2010-11. Implementation of this new methodology is linked to elimination of certain rate additions;

- an additional \$6,700,000 to support criminal background checks on nursing home and home care employees; and
- an additional \$10,000,000 to support long term care waiver proposals and a single point of entry system.

Proposed Decreases

Hospitals

The Executive proposes new cuts totaling \$163,300,000 in State share (\$326,600,000 All Funds) savings in SFY 2006-07 from the following actions:

- eliminating the 2.5 percent hospital trend factor - \$80,600,000 in savings;
- re-evaluating Graduate Medical Education (GME) based on actual costs - \$36,200,000 in savings;
- modifying the volume adjustment to eliminate length-of-stay relief for volume increases - \$23,200,000 in savings;
- reducing payment rates for non-complicated detoxification cases, phased in over three years - \$23,200,000 in savings; and
- increasing penalties for facilities that do not file cost reports - \$100,000 in savings.

Nursing Homes

In addition to making the 6 percent provider assessment on nursing homes permanent, the Executive proposes new nursing home cuts totaling \$232,800,000 in State share savings (\$300,400,000 All Funds) in SFY 2006-07 from the following actions:

- recouping the nursing home assessment from delinquent payers- \$95,300,000 in savings;
- eliminating the 2.5 percent trend factor - \$72,700,000 in savings;
- reimbursing Adult Day Health Care service providers based on actual costs - \$25,000,000 in savings.
- removing Medicare from the case mix formula (Tied to the Governor's rebasing proposal) - \$20,000,000 in savings;

- eliminating the rate add-on for facilities with over 300 beds (Tied to the Governor's rebasing proposal) – \$8,000,000 in savings;
- eliminating the rate add-on for hospital-based nursing homes (Tied to the Governor's rebasing proposal) – \$5,000,000 in savings;
- reviewing billing anomalies in a nursing homes base year – \$2,800,000 in savings;
- requiring that nursing home rates be calculated based on costs – \$2,000,000 in savings; and
- modifying the procedures for reimbursing working capital interest – \$2,000,000 in savings.

Pharmacy

The Executive proposes new cuts totaling \$172,000,000 in State share savings (\$259,400,000 All Funds) in SFY 2006-07 from the following actions:

- reducing Medicaid reimbursement for brand name drugs from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent and for generics from AWP minus 16.5 percent to AWP minus 30 percent - \$48,200,000 in savings;
- reducing EPIC pharmacy reimbursement for brand name drugs from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent for generics from AWP minus 16.5 percent to AWP minus 30 percent - \$42,300,000 in savings;
- adding cost as a factor that is considered in Clinical Drug Review Program (CDRP) determinations and removing the physician prevailing provisions from the Preferred Drug Program (PDP) and CDRP– \$36,800,000 in savings;
- changing the PDP and CDRP by streamlining the review process and granting the Commissioner of Health more authority to add certain drugs to the excluded list – \$18,700,000 in savings;
- eliminating coverage for erectile dysfunction drugs – \$14,900,000 in savings;
- implementing administrative changes to the pharmacy benefits, involving early refills and 340B rebates - \$11,100,000 in savings.

Recipients

In addition to modifying the Family Health Plus statute to allow a provider to deny services to recipients who are unable to pay their co-payments, the Executive proposes new cuts to

this program totaling \$21,900,000 in State share (\$43,800,000 All Funds) savings in SFY 2006-07 from the following actions:

- eliminating Family Health Plus (FHP) eligibility for individuals who work for an employer with more than 100 employees – 21,400,000 in savings; and
- increasing the FHP co-payment for emergency room visits from \$3 to \$25 for inappropriate emergency usage– \$500,000 in savings.

In addition to implementing an asset transfer penalty for home care over the next year, the Executive proposes new cuts to long term care services totaling \$41,200,000 in State share savings (\$82,400,000 All Funds) in SFY 2006-07 from the following actions:

- eliminating the right of spousal refusal for long term care services - \$34,200,000 in savings;
- requiring the penalty period for asset transfers to begin on the date services are received, instead of the day the transfer was made - \$6,300,000 in savings;
- expanding the definition of estate - \$600,000 in savings; and
- extending the penalty period for asset transfers from 36 months to 60 months - \$100,000 in savings.

The Executive proposes \$246,000,000 (\$260,600,000 All Funds) State share in other Medicaid cuts targeting recipients from the following actions:

- eliminating Medicaid wraparound coverage for the dual eligible population enrolled in Medicare Part D on July 1, 2006, except for HIV/AIDS, mental illness, and organ transplant medications which would still be eligible for wraparound coverage – \$216,400,000 in savings;
- eliminating non-emergency services for illegal immigrants – \$15,000,000 in savings;
- eliminating the guaranteed six months of eligibility for Medicaid Managed Care and Family Health Plus - \$10,200,000 in savings; and
- reclassifying transportation as an administrative service – \$4,400,000 in savings.

In addition to the actions proposed in the DOH, the Governor includes \$14,600,000 in expected savings from other State agencies for Mental Hygiene rate revisions and anti-fraud actions.

Administrative Actions

The Executive expects to generate \$18,400,000 (\$36,800,000 All Funds) in savings from administrative expanding Medicaid Managed Care enrollments from the following actions:

- requiring mandatory enrollment of the SSI population in Medicaid Managed Care for medical benefits – \$16,600,000 in savings;
- mandated conversion of voluntary counties into Medicaid Managed Care - \$1,300,000 in savings; and
- changing from two to one, the number of Medicaid Managed Care plans a county needs to have for mandatory enrollment - \$500,000 in savings.

Health Care Reform Act (HCRA)

In SFY 2006-07, the Governor continues The Health Care Reform Act (HCRA) on budget and proposes a Special Revenue - Other appropriation of \$1,154,310,000 for HCRA programs. This appropriation represents a \$454,240,000 decrease, or 28.24 percent from SFY 2005-06. The Executive proposes \$249,000,000 in new spending to be offset by \$70,000,000 in spending reductions and \$308,000,000 in new revenue.

The Governor advances new revenue enhancing initiatives for HCRA, including:

- increasing the State cigarette tax from \$1.50 to \$2.50 per pack which is projected to generate \$308,000,000 in new HCRA revenue; and
- authorizing insurance plans to convert from not-for-profit to for-profit entities and dedicating proceeds from any conversions, current and future, to HCRA.

Proposed Increases

The Governor proposes:

- an additional \$55,000,000 for anti-tobacco activities, including \$15,000,000 for cancer research at Roswell Park, bringing the total for such activities to \$95,000,000;
- an increase in the HEAL NY “hard dollar” transfer from HCRA of \$100,000,000 to support non-bondable technology and facility transition costs of which \$25,000,000 is dedicated for capital improvements at Roswell Park Cancer Institute;
- an increase in funding for Excess Medical Malpractice of \$65,000,000, bringing total funding to \$130,000,000; and
- an increase of \$29,000,000 to purchase avian flu medications.

Proposed Decreases

The Executive proposes:

- a \$32,000,000 reduction in funding for the Worker Retraining Program;
- a \$13,000,000 reduction from the elimination of Long Term Care Revitalization funding;
- a savings of \$15,000,000 related to a more aggressive pursuit of delinquent billings; and
- a savings of \$10,000,000 in HCRA funding for family planning services by shifting support for these services to Temporary Assistance to Needy Families (TANF) funding.

Capital Projects

The Executive continues the Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) program to help enhance the efficiency of New York's health care system. Funds for this program are used to support health care technology improvements, as well as facility upgrades, reconfigurations, and consolidations. The Governor proposes to advance the second annual \$250,000,000 installment of the total \$1,000,000,000 available over the next four years. The Governor also proposes the following changes to the program:

- dedicates \$75,000,000 of the non-bondable "hard dollar" portion of the HEAL NY program to be used for technology and facility transition costs; and
- dedicates \$25,000,000 in HEAL NY money for capital improvements at the Roswell Park Cancer Institute.

The Executive also proposes \$10,000,000 to support capital projects at the Wadsworth Laboratories.

Article VII

Part A: The Medical Assistance (Medicaid) Program

The Executive recommends Article VII legislation that would:

- eliminate the Medicaid wraparound for Medicare Part D and allow for a six month transition benefit;
- rebase the nursing home reimbursement rate from a 1983 base year to 2003 and tie the rebasing to the elimination of certain rate add-ons;

- establish the Office of Medicaid Inspector General with responsibility to prevent, to detect, and to investigate fraud, waste, and abuse and to coordinate control activities for all State agencies;
- implement statutory reforms related to Medicaid fraud including: improving whistleblower protections; increasing fraud related penalties; mandating court venues in Albany; and establishing drug diversion penalties;
- authorize a demonstration program in Chemung County;
- add cost as a factor that is considered in Clinical Drug Review Program (CDRP) determinations, remove the physician prevailing provisions from the Preferred Drug List (PDL) and CDRP; and change the PDL and CDRP by streamlining the review process and granting the Commissioner of Health more authority to add certain drugs;
- reduce Medicaid reimbursement for brand name drugs from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent and for generics from AWP minus 16.5 percent to AWP minus 30 percent;
- reduce hospital rates, eliminate specialty rates for Mental Health outpatient programs, and reduce GME payments;
- eliminate the trend factor for hospitals and nursing homes, implement other reductions to the nursing home reimbursement rate, and make the 6 percent nursing home assessment permanent;
- eliminate spousal refusal, extending the look back period from 36 months to 60 months, impose an asset transfer penalty for long term care, require the penalty period for asset transfers to begin on the date services are received, instead of the day the transfer was made, and expand the definition of estate;
- restrict eligibility to the Family Health Plus program, increase the co-payment for emergency services, and allow a provider to deny care if a beneficiary cannot pay the co-payment amount;
- make Medicaid Managed Care permanent; eliminate guaranteed 6 month eligibility for Managed Care and Family Health Plus, and expand mandatory enrollment to include the SSI population and counties that are currently voluntary or exempt; and
- provide various technical changes and extend prior year cost containment actions.

Part B: Public Health Programs

The Executive recommends Article VII legislation that would:

- increase the base grant under the General Public Health Works Program (Article 6) to \$100,000, and increase the optional services reimbursement to 36 percent for counties that meet performance measured determined by the Department of Health;
- authorize a \$20,000,000 contingency fund for public health emergencies to be spent at the discretion of the Commissioner of Health;
- eliminate various sections of the public health law including Section 611 relating to mosquito and vector control; Section 276-A requiring DOH to make prescription drug retail price lists available on its website; Section 207 requiring special health education for Lympeidema; Article 27-I authorizing the Reflex Sympathetic Dystrophy Syndrome Prevention and Education Program; and Article 36-A authorizing the Durable Home Medical Equipment (DME) Regulatory Program. The Executive also proposes to modify the statutory provisions associated with the Tattooing and Body Piercing License and Regulation Program to eliminate the inspection requirement;
- making permanent the financing of the Physician Profiling Program from the Office of Professional Medical Conduct (OPMC) account;

Early Intervention (EI)

- require insurance companies to reimburse for EI services if these are services they would normally cover and they are approved by DOH;
- authorize the State to use a statewide fiscal agent for the Early Intervention program;

Elderly Pharmaceutical Insurance Coverage (EPIC) Program

- mandate low income EPIC beneficiaries enroll in Medicare Part D Coverage, and require enrollees to provide asset information to allow DOH to verify eligibility;
- reduce EPIC pharmacy reimbursement for brand name drugs from Average Wholesale Price (AWP) minus 12.75 percent to AWP minus 15 percent and generics AWP minus 16.5 percent to AWP minus 30 percent; and
- eliminate EPIC reimbursement for drugs to treat erectile dysfunction, consistent with the Federal policy and Medicaid Initiative.

Part C: Cost of living Adjustment

The Executive recommends Article VII legislation that would:

- authorize a cost of living adjustment (COLA), based upon the federal Consumer Price Index (CPI) in each of three years, with the first COLA effective on October 1, 2006; the second on April 1, 2007 and the third on April 1, 2008.. The COLA would apply to various human services programs and within the Department of Health it would impact specific programs within the AIDS Institute, Administration Program, and the Center for Community Health Program.

Part D: The Health Care Reform Act

The Executive recommends Article VII legislation that would:

- reduce allocations for worker retraining;
- increase allocations for anti-tobacco programs;
- increase allocations for the Excess Medical Malpractice Program;
- expand State Planning and Research Cooperative System (SPARCS) to include ambulatory data from hospitals and clinics;
- require hospitals to have established, published, and functioning Charity Care policies in order to receive payments from the Indigent Care pool;
- allow the Department of Health greater flexibility in pursuing delinquent provider assessments;
- authorize a greater percentage of HEAL NY to be funded by non-bonded funds through HCRA;
- authorize any non-profit health plan to convert to for-profit status and establish a set policy for such conversions; and
- increase the cigarette tax from \$1.50 to \$2.50 per pack and reduce New York City's tax to \$0.50.

Deficiency Request

The adjusted appropriations for the Department of Health (DOH) include a recommended deficiency appropriation for General Fund - Aid to Localities totaling \$606,000,000 for the Medicaid program. The components of the General Fund request are as follows:

- Due to timing issues, \$500,000,000 in Medicaid spending that was originally budgeted through HCRA needs to be financed by the General Fund. The SFY 2006-07 Budget proposes an equal amount, \$500,000,000, of HCRA funding to offset this cost. This proposal would have no net impact on HCRA resources over the two fiscal years.
- An additional \$106,000,000 is required to account for a delay in the collection of hospital assessments. These assessments are used to offset General Fund Medicaid expenditures.

MEDICAID INSPECTOR GENERAL, OFFICE OF THE

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	21,653,000	35,023,000	13,370,000	61.7%
Special Revenue-Other	4,500,000	4,500,000	0	0.0%
Special Revenue-Federal	50,073,000	55,073,000	5,000,000	10.0%
Total for AGENCY SUMMARY:	76,226,000	94,596,000	18,370,000	24.1%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	199	280	81
All Other Funds:	212	212	0
TOTAL:	411	492	81

Agency Mission

(Executive Budget: pp. 135 - 138)

The State Fiscal Year (SFY) 2006-07 Executive Budget would amend the Public Health Law to create the Office of Medicaid Inspector General (OMIG) as an independent entity within the Department of Health (DOH). OMIG would be responsible for improving and preserving the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid. In carrying out its mission, the Office would conduct and supervise all prevention, detection, audit and investigation efforts and coordinate such activities with the Department of Health's Office of Medicaid Management, the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS). OMIG would work closely with the Medicaid Fraud and Control Unit (MFCU) in the Attorney General's Office and would endeavor to strengthen partnerships with Federal and local law enforcement agencies.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The SFY 2006-07 Executive Budget submission includes the following:

- Article VII language creating the Office of Medicaid Inspector General and transferring the Medicaid Audit and Fraud Prevention Program and its responsibilities from DOH to OMIG;
- an increase of \$15,000,000 to support 81 new staff and contractual resources to develop more aggressive anti-fraud tools and auditing activities;
- “whistleblower” protection for employees who report fraud;
- heightened criminal penalties for fraudulent health care practices;
- new criminal penalties for the possession of diverted drugs; and
- an increase of \$150,000,000 in the Medicaid General Fund Audit Target, based on the improved recoveries expected from the activities of OMIG. The additional revenues would be used to offset Medicaid General Fund Spending.

Budget Detail

The OMIG would administer the Medicaid Audit and Fraud Prevention Program that was formerly under the auspices of DOH. The Governor requests All Funds appropriations totaling \$94,596,000, an increase of \$18,370,000, or 24.1 percent over SFY 2005-06.

Staffing for the Office would consist of 627 full-time equivalent (FTE) positions, including 81 new positions and FTEs transferred from other agencies. The staff would consist of:

- current Office of the Medicaid Inspector General Staffing (15 FTEs);
- transferred staff from the Department of Health (389 FTEs);
- transferred staff from OMRDD (5 FTEs);
- transferred staff from OASES (2 FTEs);
- new staff (81 FTEs); and
- contract staff (135 FTEs).

State Operations

The Governor requests State Operations appropriations totaling \$94,596,000 for OMIG, which includes no change in Special Revenue Fund-Other appropriations.

Proposed Increases

- The Governor requests General Fund appropriations totaling \$35,023,000, an increase of \$13,370,000, or 61.75 percent over SFY 2005-06 and Special Revenue Fund–Federal appropriations totaling \$55,073,000, an increase of \$5,000,000, or 9.99 percent over SFY 2005-06; all of which previously funded the Medicaid Audit and Fraud Prevention Program in DOH in SFY 2005-06. The appropriations would include:

- \$5,000,000 to fund 81 new staff to develop new front-end edits, support new auditing activities, expand claims analysis, and more aggressively enforce program compliance; and
- \$10,000,000 to contract with clinicians at the State University of New York and the University of Massachusetts for program expertise in developing clinical guidelines and improved protocols to identify patterns associated with fraud, waste or abuse.

Article VII

The Executive recommends Article VII legislation that would:

- establish the Office of Medicaid Inspector General;
- strengthen criminal penalties for certain fraudulent health care practices (e.g., defrauding a health plan in connection with the delivery of payment for health care benefits, items or services, etc);
- establish criminal penalties for possession of diverted prescription drugs and clarifying other related penalties;
- provide improved “whistleblower” protection for employees who report health care fraud;
- increase penalties for Medicaid providers who engage in fraudulent activities from \$2,000 to \$10,000 (for first time offense) and \$7,500 to \$30,000 (for subsequent offenses) for each falsified claim; and
- designate the Supreme Court in Albany as the only venue where providers could challenge Medicaid actions brought by DOH.

DEPARTMENT OF MENTAL HYGIENE

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	(150,000,000)	(150,000,000)	0	0.0%
Special Revenue-Other	150,000,000	150,000,000	0	0.0%
Total for AGENCY SUMMARY:	0	0	0	0%

Agency Mission

(Executive Budget: p. 139)

The Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS) comprise the Department of Mental Hygiene (DMH). All three agencies, as direct providers of care, earn revenue in the form of Medicaid, Medicare, third-party insurance and private payment. The first obligation of the revenue is to pay debt service on outstanding mental hygiene bonds. The funds remaining are deposited in the Patient Income Account (PIA) to help pay the cost of patient care. Anticipated PIA revenue is appropriated within the budgets of the mental hygiene agencies. However, during the course of the fiscal year, additional, unanticipated revenue may be received or bond refinancing might decrease debt service requirements. Unanticipated revenue is appropriated in the Department of Mental Hygiene and then allocated in proper proportion to the appropriate mental hygiene agency.

This Department is included in the Health and Mental Hygiene appropriation bill.

Budget Detail

The Executive recommends a Special Revenue Fund – Other appropriation of \$150,000,000, reflecting no change from State Fiscal Year (SFY) 2005-06.

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	308,056,000	339,316,000	31,260,000	10.1%
Special Revenue-Other	31,372,000	30,872,000	(500,000)	-1.6%
Special Revenue-Federal	151,532,000	144,673,000	(6,859,000)	-4.5%
Capital Projects Fund	9,200,000	9,730,000	530,000	5.8%
Mental Hygiene Capital Improvement Fund-389	29,450,000	67,686,000	38,236,000	129.8%
Total for AGENCY SUMMARY:	529,610,000	592,277,000	62,667,000	11.8%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	848	855	7
All Other Funds:	106	108	2
TOTAL:	954	963	9

Agency Mission

(Executive Budget: pp.141 - 145)

The Office of Alcoholism and Substance Abuse Services (OASAS) administers a statewide system of chemical abuse prevention, early intervention and treatment services. The agency operates 13 addiction treatment centers (ATC) located across the State to provide intermediate term treatment as a complement to the more intensive, short-term treatment provided in community hospitals. OASAS also licenses and regulates 1,200 agencies that treat addictions ranging from alcohol and drug addiction to compulsive gambling. In addition, OASAS licenses 300 providers of community prevention services.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following:

- implementation of a three-year plan to provide cost of living (COLA) adjustments, tied to the federal consumer price index (CPI), in each year. OASAS proposes a 2.5 percent COLA adjustment to State aid payments made to local government and not-for-profit service providers, in order to improve staff recruitment and retention and provide relief from inflationary pressures. The effective date of the first COLA adjustment would be October 1, 2006. Subsequent increases would be on April 1, 2007 and April 1, 2008;
- a proposal to construct 108 new beds to provide chemical abuse treatment services to adolescents and to women with children;
- a proposal to establish a 50-bed residential treatment program for veterans;
- a joint initiative with the Division of Parole to strengthen social supports and to improve linkages with community housing and treatment agencies for persons leaving prisons;
- a collaborative effort with the NYC Department of Homeless Services to establish detoxification demonstration models in at least three homeless shelters;
- OASAS assistance with an Office of Children and Family Services (OCFS) initiative to minimize placement of children in foster care during the time that their parents are being treated for chemical dependency. OASAS would provide OCFS with administrative, program design and evaluation assistance as OCFS implements this initiative;
- initiation of four demonstration models to provide adolescent outpatient treatment, specifically designed to involve youths' families in their treatment;
- expansion of OASAS' campaign to combat underage drinking by including college and university campuses; and
- establishing a pilot program, jointly with the Office of Mental Health (OMH), to enroll mentally ill chemical abuser populations in managed care programs, in order to reduce the cost of treating a population that is heavy users of inpatient and detoxification services.

Budget Detail

The Executive proposes an All Funds appropriation of \$592,277,000, an increase of \$62,667,000, or 11.8 percent. The agency's workforce will be increased by nine full-time equivalent (FTE) positions, for a total of 963.

State Operations

The Executive proposes an All Funds State Operations appropriation of \$81,912,000, a net increase of \$4,278,000, or 5.5 percent.

Proposed Increases

The Executive proposes the following:

- \$3,800,000 for negotiated salary increases, civil service position adjustments, and inflationary increases related to the cost of pharmaceuticals, utilities and fuel; and
- \$340,000 for staff and nonpersonal service costs associated with the joint OASAS/OCFS initiative to minimize foster care placements for the children of persons in chemical dependence treatment.

Proposed Decreases

- The Governor proposes a \$2,000,000 decrease in Special Revenue-Other Funds from the Patient Income Account (PIA), resulting from an increase in debt service requirements and an adjustment to Alcohol Treatment Center (ATC) rates.

Aid to Localities

The Executive proposes an All Funds Aid to Localities appropriation of \$432,949,000, an increase of \$19,623,000, or 4.75 percent.

Proposed Increases

The Executive proposes the following:

- \$10,520,000 in General Fund reflecting the cost of annualizing actions taken in SFY 2005-06, including opening additional residential treatment beds, completing transfer of the Compulsive Gambling Treatment and Prevention Program from the Office of Mental Health, and using General Fund support to offset a federal reduction in the Substance Abuse Prevention and Treatment Fund award;
- \$4,100,000 in General Fund support to provide a 2.5 percent cost of living adjustment to State aid for chemical abuse service providers, based upon the federal consumer price index (CPI). This first of three annual increases would be implemented on October 1, 2006 and the full annual value of this first COLA would be \$8,200,000. The second COLA would be effective April 1, 2007 and the third on April 1, 2008;

- \$3,000,000 in General Fund support for OASAS' share of a joint funding effort with the Division of Parole for not-for-profit consortia to establish a re-entry initiative for persons leaving prison with chemical dependence problems. The Division of Parole will provide an additional \$3,000,000 for the program. OASAS' share would increase to \$5,000,000 in SFY 2007-08;
- \$2,300,000 in General Fund support for a joint demonstration project with the NYC Department of Homeless Services to operate chemical dependence detoxification demonstration models in a minimum of three homeless shelters;
- \$2,000,000 in General Fund support for operational costs of a new, 50-bed chemical dependence residential treatment facility serving armed services veterans;
- \$2,000,000 in General Fund support to provide for four demonstration programs testing models intended to involve families more directly in outpatient chemical dependence treatment programs for adolescents;
- \$2,000,000 in General Fund support to expand OASAS' campaign to combat underage drinking to colleges and universities statewide;
- \$500,000 in General Fund support as OASAS' share of a \$2,000,000 pilot program, in cooperation with OMH, to enroll mentally ill chemical abusers voluntarily into managed care programs; and
- a \$1,500,000 increase to the Special Revenue-Other, Chemical Abuse Service Fund, reflecting an increase in revenue to be derived from fines, penalties and assessments levied against under-performing or fraudulent service providers. These funds would be used to enhance enforcement activities and to provide any necessary additional assistance to a voluntary agency that agrees to assume management of the provider agency that is in receivership.

Proposed Decreases

The Executive proposes the following:

- \$1,300,000 in General Fund savings as a limit is applied to reimbursements paid to not-for-profit providers for administrative overhead costs that exceed a statewide average; and
- \$6,997,000 reflecting decreases in Federal grant awards, including a \$6,235,000 decrease in the Substance Abuse Prevention and Treatment Block Grant.

Capital Projects

The Executive proposes the following:

- \$38,236,000 in bonded capital appropriations for various capital construction projects including a 108-bed initiative that would add 60 beds for adolescents and 48 beds for women with children; continued development of beds first authorized in previous years and rehabilitation projects at both State-operated and community-operated facilities; and
- \$530,000 in non-bonded funding to address unanticipated capital needs.

Article VII

The Executive recommends Article VII legislation that would:

- provide a cost of living adjustment, tied to the federal consumer price index, to voluntary chemical and gambling addiction service providers in each of the next three years;
- extend until March 31, 2009, legislation authorizing certain Article 28 hospitals to replace General Fund State aid with federal disproportionate share payments to cover the cost of chemical abuse outpatient treatment services;
- authorize OASAS to deposit revenues, obtained from the imposition of penalties and fines on under-performing or fraudulent providers, into the Chemical Dependence Service Fund and to use these resources to support oversight and compliance activities and to help defray the costs of placing non-compliant providers in receivership; and
- authorize OASAS to make State aid payments to not-for-profit providers that take over operation of underperforming or fraudulent service providers that have been placed in receivership.

OFFICE OF MENTAL HEALTH

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	1,366,274,000	1,619,360,000	253,086,000	18.5%
Special Revenue-Other	684,481,000	598,761,000	(85,720,000)	-12.5%
Special Revenue-Federal	41,856,000	41,856,000	0	0.0%
Capital Projects Fund	43,010,000	43,010,000	0	0.0%
Mental Hygiene Capital Improvement Fund-389	220,804,000	567,275,000	346,471,000	156.9%
Internal Service Fund	2,509,000	2,509,000	0	0.0%
Enterprise	8,349,000	8,349,000	0	0.0%
Total for AGENCY SUMMARY:	2,367,283,000	2,881,120,000	513,837,000	21.7%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	16,524	16,983	459
All Other Funds:	523	523	0
TOTAL:	17,047	17,506	459

Agency Mission

(Executive Budget: pp. 147 - 157)

The Office of Mental Health (OMH) has oversight of all mental health services in New York State. The agency is a direct provider of medium and long-term care at 16 adult psychiatric centers (PC) and six children's psychiatric centers (CPC). In addition, OMH provides diagnostic and treatment services to persons involved with the criminal justice system at three forensic psychiatric centers (FPC). Research staff at the NYS Psychiatric Institute and the Nathan S. Kline Institute for

Psychiatric Research conduct basic and applied research into the causes and treatment of psychiatric disorders, supported by State funds and grants from outside sources.

OMH licenses and regulates more than 2,500 not-for-profit, government-operated and proprietary mental health agencies that serve 600,000 persons each year.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following:

- a proposal to treat sexual predators within a secure setting as part of OMH's Adult Program. A total of 697 full-time equivalent (FTE) positions will be added to support this initiative;
- capital funding for a number of construction projects implementing the Executive's sexual predator initiative. Included among these projects is the razing of an existing correctional facility (Camp Pharsalia) and the construction of a secure treatment facility on this site;
- capital funding for Phase I of a multi-year plan to rehabilitate the Bronx PC and Bronx CPC;
- capital funding for Phase I of a multi-year plan to convert part of the Dunlop Building at the Manhattan PC into a forensic psychiatric facility in anticipation of a planned closure of the Kirby FPC;
- implementation of a three-year plan to provide cost of living adjustments, tied to the consumer price index (CPI) in each of the years. OMH proposes a 2.5 percent COLA adjustment to State aid payments for adult and children's programs, beginning on October 1, 2006;
- implementation, in cooperation with the State Office for the Aging, of the Geriatric Mental Health Act wherein OMH will award demonstration grants to providers that develop programs to improve services;
- implementation of the Children's Clinic Plus initiative, a program for detecting serious emotional problems in children;
- addition of 350 new Home and Community Based Services Waiver(HCBS) slots (each slot serves two children per year), bringing the total number of slots to approximately 1,440.
- elimination of Article 28 hospital mental health clinic specialty rates which will result in savings to the Department of Health's Medicaid budget;

- introduction of a Rural Tele-psychiatry Program to provide child psychiatry services to children living in remote areas of the State;
- a further increase, above that provided in SFY 2005-06, to the stipends for Supported Housing;
- funds to support opening new scattered site apartments under the NY/NYIII agreement. The funds may be transferred to other State agencies serving populations covered in the agreement between the State and the City of New York; and
- implementation of a suicide prevention initiative.

Budget Detail

The Executive recommends an All Funds appropriation of \$2,881,120,000, a net increase of \$513,837,000, or 21.7 percent. OMH will maintain a staffing level of 17,506 during SFY 2006-07, an increase of 459 full-time equivalent (FTE) positions;

State Operations

The Executive recommends a net All Funds State Operations appropriation of \$1,302,099,000, a net increase of \$96,563,000, or 8.01 percent. In OMH, more than 99 percent of the appropriations for State Operations are derived from a combination of General Fund and the Patient Income Account (PIA), a Special Revenue Fund which consists of revenues received by the State as payment for providing treatment to patients.

Proposed Increases

The Governor proposes the following increases:

- \$41,543,000 for a negotiated salary increase, civil service grade changes and non-personal service costs;
- \$26,820,000 for personal service costs (\$18,250,000) and non-personal service costs (\$8,570,000) associated with implementation of the Executive's sexual predator initiative. OMH is adding 256 FTEs during SFY 2005-06 and expects to add 441 FTEs by March 31, 2007, for a total of 697 FTEs to support this initiative;
- \$20,122,000 for inflationary increases related to the costs of pharmaceuticals, utilities and fuel;
- \$4,000,000 appropriated to cover pharmacy costs associated with implementation of Medicare Part D. OMH will claim reimbursement from the federal government;

- \$2,938,000 for initiatives intended to improve coordination and delivery of services by community-based providers; and
- \$1,604,000 to annualize prior year initiatives.

Proposed Decreases

The Governor proposes the following decreases:

- \$1,550,000 resulting from control of overtime; and
- \$1,000,000 as increased revenues offset the cost of operating the Cook/Chill program.

Aid to Localities

The Executive proposes an All Funds appropriation of \$968,736,000, an increase of \$70,803,000, or 7.89 percent over SFY 2005-06 levels.

Proposed Increases

The Executive proposes the following General Fund increases:

- \$16,576,000 for a 2.5 percent cost of living adjustment to State aid for voluntary mental health service providers based on the CPI. This first of three annual increases would be implemented on October 1, 2006 and the full annual value would be \$22,105,333 in SFY 2007-08. The second COLA would be effective April 1, 2007 and the third on April 1, 2008;
- \$16,100,000 for implementation of the Children's Clinic Plus screening initiative, a program for detecting serious emotional problems in young children. The full annual value would be \$21,466,667;
- \$15,497,000 to annualize actions taken in SFY 2005-06 including adjustments to reimbursements to residential providers, operating costs of beds, adjustments to rates paid to residential treatment facilities for children, and the addition of 64 HCBS Waiver slots;
- \$7,700,000 to bring the first NY/NY III Supported Housing beds on-line, any part of which may be transferred to other State agencies serving populations covered by the agreement, including up to \$2,200,000 to be transferred to the Office of Children and Family Services for 100 beds;

- \$6,500,000 to increase the stipends paid to cover leases and case management services for existing Supported Housing units;
- \$5,200,000 for 350 new Home and Community Based Services Waiver (HCBS) slots. The full annual value of this appropriation will be \$6,933,333;
- \$2,000,000 to fund Geriatric Mental Health Act demonstration programs;
- \$1,500,000 to implement a suicide prevention program;
- \$370,000 for the children's Rural Tele-psychiatry demonstration;

Proposed Decreases

The Executive proposes a General Fund savings of:

- \$600,000 from the elimination the Alternative Rate Methodology payments to Article 28 hospitals.

Although not reflected in the OMH budget, the Executive recommends savings of \$4,020,000 in the Department of Health (DOH) budget by eliminating the Article 28 outpatient mental health specialty clinic rate.

Capital Projects

The Executive recommends a Capital Projects appropriation of \$610,285,000, an increase of \$346,471,000, or 131.3 percent. Major components of that increase are:

- \$165,000,000 for the cost of demolishing existing structures at the Camp Pharsalia site, constructing a new 500 bed secure facility on that site to house sexual predators committed to the care of OMH, and implementing structural adaptations to improve security at the Central New York FPC and, as needed, at certain other adult psychiatric facilities intended to house sexual predators in the short-term;
- \$68,000,000 for the first Phase of a multi-year rehabilitation plan for the Bronx Psychiatric Center and the Bronx Children's Psychiatric Center. The plan also includes sale of certain parcels of land at the Bronx PC; and
- \$28,000,000 for Phase I of a multi-year plan to renovate the Dunlop Building of the Manhattan PC, on Ward's Island, creating a separate, secure wing to house former residents of the Kirby FPC as it is taken out of operation.

Article VII

The Executive recommends Article VII legislation that would:

- eliminate Article 28 hospital outpatient mental health clinic specialty rates;
- extend until March 31, 2009, legislation authorizing certain Article 28 hospitals to replace General Fund State aid with federal disproportionate share payments to cover the cost of mental health outpatient services; and
- authorize implementation of a cost of living adjustment (COLA) based upon the federal CPI in each of three years, with the first applied on October 1, 2006, the second on April 1, 2007 and the third on April 1, 2008.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	912,745,000	1,066,632,000	153,887,000	16.9%
Special Revenue-Other	2,063,344,000	2,203,729,000	140,385,000	6.8%
Special Revenue-Federal	230,000	230,000	0	0.0%
Capital Projects Fund	56,257,000	58,235,000	1,978,000	3.5%
Mental Hygiene Capital Improvement Fund-389	80,023,000	89,365,000	9,342,000	11.7%
Internal Service Fund	150,000	150,000	0	0.0%
Enterprise	2,374,000	2,374,000	0	0.0%
Total for AGENCY SUMMARY:	3,115,123,000	3,420,715,000	305,592,000	9.8%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	23,019	23,267	248
TOTAL:	23,019	23,267	248

Agency Mission

(Executive Budget: pp. 159 - 166)

The Office of Mental Retardation and Developmental Disabilities (OMRDD) administers a statewide network of services to persons with developmental disabilities and their families through 13 regional developmental disabilities services offices (DDSO). Adults with developmental disabilities have a choice of services and treatment options available to them whether they reside in: a State-operated developmental center, a voluntary operated or State operated community residential placement or remain in their family home. In addition, developmentally disabled adults who have behavioral issues or have been involved with the criminal justice system may be placed in a State-operated secure treatment facility.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following:

- implementation of a three-year plan to provide cost of living (COLA) adjustments, tied to the federal consumer price index (CPI), in each year. OMRDD proposes a 2.5 percent COLA adjustment to State aid payments for services that are not eligible for a trended increase to Medicaid. The effective date of the first COLA adjustment would be October 1, 2006. Subsequent increases would be effective April 1, 2007 and April 1, 2008;
- addition of 63 new State-operated beds to serve persons with behavioral issues, including persons with dual developmental disability and mental health diagnoses;
- a new research initiative on autism to focus on the development of treatment protocols to be undertaken at OMRDD's Institute for Basic Research in Developmental Disabilities (IBR);
- conversion of certain Joint Venture Clinics to free-standing Article 16 clinics to improve client accessibility; and
- an initiative to expand the Family Support Services program with a particular focus on consumers with autism. The Family Support program provides respite, crisis intervention and case management services to support families caring for developmentally disabled family members at home.

Budget Detail

The Executive proposes an All Funds appropriation of \$3,420,715,000, an increase of \$305,592,000, or 9.8 percent. OMRDD projects a staffing level of 23,267, an increase of 248 full-time equivalent (FTE) positions.

State Operations

The Executive proposes an All Funds State Operations appropriation of \$1,454,196,000, an increase of \$98,422,000, or 7.3 percent. In the Office of Mental Retardation and Developmental Disabilities, more than 99 percent of the appropriations for State Operations are derived from a combination of General Fund and funds from the Patient Income Account (PIA), a Special Revenue fund. The PIA consists of revenues received by the State, primarily from the federal government and third party insurers, in payment for providing services to persons with developmental disabilities.

Proposed Increases

The Executive proposes the following increases:

- \$70,992,000 for negotiated salary increases, annual civil service position adjustments, annualization of SFY 2005-06 budgetary actions, and other inflationary adjustments;
- \$15,975,000 for inflationary increases in the cost of pharmaceuticals, utilities and fuel;
- \$9,084,000 for payment of the provider of services assessment;
- \$4,171,000 in total for the addition of 63 State operated beds serving persons with behavioral issues. The full annual value of the appropriation will equal \$10,182,000;
- \$200,000 for a research initiative on autism at IBR that will support five new FTE positions. The full annual value of the appropriation will equal \$400,000; and
- \$63,670,000 in the Patient Income Account, reflecting the net impact of a 2.5 percent enhanced trend increase to Medicaid rates for SFY 2006-07.

Proposed Decreases

The Executive proposes the following decrease:

- \$2,000,000 in savings through imposition of strict controls on the use of overtime.

Aid to Localities

The Executive recommends an All Funds, Aid to Localities appropriation of \$1,818,919,000, an increase of \$195,850,000, or 12.1 percent.

Proposed Increases

The Executive proposes the following increases to General Fund appropriations:

- \$150,641,000 for annualization of SFY 2005-06 budget actions, including: residential placements for persons aging out of their prior placements, operational costs of new beds, a 5.0 percent total trend factor to Medicaid rates, and the conversion of Joint Venture Clinics to Article 16 status;

- \$17,400,000 to increase reimbursement rates to not-for-profit providers in order to improve their ability to provide their employees with health care coverage. An increase to the reimbursement rate for this purpose also was included in the SFY 2005-06 budget;
- \$3,000,000 for a Family Support Services initiative focusing on providing services to families caring for consumers with autism at home;
- \$2,500,000 for a 2.5 percent cost of living adjustment to non-Medicaid State Aid payments to voluntary service providers, based on the consumer price index (CPI). This first of three annual increases would be implemented on October 1, 2006 and the full annual value would equal \$5,000,000. The second COLA would be effective April 1, 2007 and the third on April 1, 2008;
- \$76,715,000 as a net Special Revenue Fund-Other appropriation, resulting primarily from an increase in federal reimbursements to OMRDD as beds and services come "on-line" under the NY-Opportunities for Persons Through Services (NY-OPTS) program and the creation of a Special Revenue Fund to correct a technical billing problem related to certain Intermediate Care Facilities (ICF) residents who participate in day habilitation services under the home and community based services waiver (HCBS).

Proposed Decreases

The Governor proposes the following decreases:

- \$40,100,000 to reflect the end of certain one-time budget actions; and
- \$14,306,000 to reflect savings achieved through maximizing federal financial participation in eligible programs.

Capital Projects

The Executive recommends the following increases to appropriations for capital projects:

- \$9,342,000 in additional bonded funding for the acquisition of leased properties and the continued development of voluntary operated community beds.
- \$1,978,000 in non-bonded appropriations for short-term projects to improve accessibility for persons with handicapping conditions at State-operated community residences, as well as other health and safety related projects.

Article VII

The Executive recommends Article VII legislation that would:

- authorize OMRDD to implement a cost of living adjustment (COLA) based upon the federal consumer price index (CPI) in each of three years, with the first COLA applied on October 1, 2006, the second on April 1, 2007 and the third on April 1, 2008.

COMMISSION ON QUALITY OF CARE AND ADVOCACY FOR PERSONS WITH DISABILITIES

	Adjusted Appropriation 2005-06	Executive Request 2006-07	Change	Percent Change
AGENCY SUMMARY				
General Fund	4,305,000	4,449,000	144,000	3.3%
Special Revenue-Other	4,269,000	4,277,000	8,000	0.2%
Special Revenue-Federal	7,249,000	7,625,000	376,000	5.2%
Enterprise	45,000	45,000	0	0.0%
Total for AGENCY SUMMARY:	15,868,000	16,396,000	528,000	3.3%

ALL FUNDS PERSONNEL BUDGETED FILL LEVELS

Fund	Current 2005-06	Requested 2006-07	Change
General Fund:	46	46	0
All Other Funds:	59	59	0
TOTAL:	105	105	0

Agency Mission

(Executive Budget: pp. 167 - 173)

The Commission on Quality of Care and Advocacy for Persons with Disabilities (CQC/APD) was created by the April 1, 2005 merging of the Commission on Quality of Care for the Mentally Disabled with the Office of Advocate for Persons with Disabilities. The Commission promotes community outreach, provides information, referral and advocacy services, and administers the Surrogate Decision-Making Committee Program which acts on behalf of persons in the mental hygiene system who are not competent to make medical care decisions for themselves. In addition, CQC/APD provides independent oversight of the three mental hygiene agencies: the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS). Oversight includes investigating allegations of abuse or mistreatment and any reports of injuries or deaths of persons served within the mental hygiene system.

This agency is included in the Health and Mental Hygiene appropriation bill.

Programmatic Highlights

The State Fiscal Year (SFY) 2006-07 Executive Budget includes the following:

- final agency consolidation with the relocation of all agency staff in Schenectady; and
- transformation of the Technology Related Assistance for Individuals with Disabilities (TRAID) from a fund in the Administration Program to a separate and distinct agency program.

Budget Detail

The Executive recommends an All Funds appropriation of \$16,396,000 for this agency, which is an increase of \$528,000 or 3.3 percent. The agency's staffing is expected to remain constant at 105 full-time equivalent (FTE) positions.

State Operations

The Executive recommends an All Funds State Operations appropriation of \$15,685,000, an increase of \$528,000 or 3.5 percent.

Proposed Increases

The Executive proposes:

- a \$144,000 increase in General Fund which would provide \$84,000 for the cost of annual salary adjustments and \$60,000 to cover moving and lease costs related to relocating staff to Schenectady;
- a net \$376,000 increase in Special Revenue Federal Funds, reflecting a \$628,000 increase in the federal award for the TRAID program offset by technical adjustments to the timing of contracts, resulting in a decrease of \$252,000 in available appropriations for SFY 2006-07; and
- a Special Revenue Other grant award increase of \$8,000.

Aid to Localities

The Executive recommends an All Funds Aid to Localities appropriation of \$711,000, reflecting no change from SFY 2005-06.