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Testimony of
Carmen Collado, Director of Public Policy & Government Relations
The Jewish Board of Family & Children's Services

At the Joint Legislative Public Hearing
Executive Budget 2012-2013 - Mental Hygiene

Chairs:
Senator John A DeFrancisco
Assembly Member Herman D Farell, Jr.
Senator Roy J McDonald
Assembly Member Felix W Ortiz

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UJA Federation of New York

Good morning, my name is Carmen Collado. I am Assistant Executive Director overseeing Public Policy and Government Relations and Immigrant Services at the Jewish Board of Family and Children's Services , an affiliate of UJA-Federation of New York.

I'd like to thank Senator DeFrancisco and Assembly Member Farrell for chairing this meeting and Assembly Member Ortiz and Senator McDonald and the members of the Committees for this opportunity to bring to your attention the impact the proposed Executive Budget could have on the services we provide to New Yorkers with a range of Mental Health issues.

As one of the largest non-profit mental health and social service providers in New York, there are three areas of the budget we are particularly concerned with – the continued deferral of the Cost of Living Adjustment (COLA), the way the proposed administrative cap will be interpreted and actualized, and the human impact of prescriber limits on medications due to insurance company formularies.

As you know, the Governor proposes a major change in the long deferred State's commitment to a cost of living adjustment to employees of not for profits in the human service community to a "performance" based model. Under the model, State agencies shall develop and calculate annual adjustments to established payments to providers of such services, based on performance metrics to be determined by the Commissioners of the agencies overseeing the services - in our case, Office of Mental Health (OMH) Office of Addiction and Substance Abuse Services (OASAS) Office of People With Developmental Disabilities (OPWDD) and Office of Children and Family Services OCFS. We understand the metrics will include:

the actual costs of providing such services,
the reduction of administrative costs,
the determination and levels of executive compensation,
and such other criteria as such commissioners may determine.

As background, The COLA has been reduced or deferred for human services workers every year since 2009 while wages for our sector were already severely lagging behind other sectors when the COLA was passed in 2007. While certain service categories received portions of the COLA, this will be the 4th consecutive year that the COLA was not delivered.

while not-for-profits were freezing salaries or giving increases of less than 1% in each of the last 4 years since the 2008 recession, the State Employees were benefiting from previously contracted salary increases which only now are coming into line with the economic realities we are all facing. The limit on public employees seeking increases starting now has been in place for the not for profit employees these past years.

The total cost for the unpaid COLA's in New York from FY10-FY12, which are indexed to inflation, was over $150 million and the projected COLA for FY13 would be approximately $160 million.

With salaries strained, organizations like ours experience high turnover rates among employees. This trend impedes the delivery of quality services but also results in efficiency losses due to time lost training new staff which further compound our budget woes and impedes our ability to deliver necessary care to New Yorkers in need.

I believe most of you are also aware of the former payment methodology that governed the way Human Service providers' rates were set. They were set based on cost that was always at least two years behind. In effect mental health, child welfare, and to a different degree, developmental disability providers, pay the actual cost increases until the State made them whole two years or more hence. While tying the COLA to performance now would be welcome if it results in long overdue reimbursement for costs providers like JBFCS have already incurred providing mental health services, we are deeply concerned that the metrics applied must be relevant and accurate and do not result in further cuts to necessary services.

Included in the Governor's proposal is that providers must assure that at least seventy-five percent of state funding for operating expenses shall be directed to provide direct care or services rather than to support the costs of administration. while the Budget Bill is being debated, we encourage you to understand how such costs as computerization- so key to changing the paradigm of health care delivery through interoperability, quality improvement, regulatory compliance, and skilled business management are no longer options. They are essential to operations. They must be viewed as direct costs and not viewed as administrative "padding". We urge you to influence the Division of the Budget to make sure that these are viewed as essential operational costs.

Finally, the limit on administrative expenses would appear only to apply to the extent to which state resources are allocated to the service. As a result, an agency that receives a substantial amount of its revenue from non-state sources would have more leeway to determine appropriate costs provided they could show those costs are supported by non-state dollars. While agencies like ours, which are fortunate to receive significant philanthropic dollars can feel more confident we can supplement the necessary costs that the state won't pay, we are concerned about the impacts on smaller organizations and providers who are entirely dependent upon State Support . If those "safety-net"agencies are disproportionately affected by these limitations, the impact on the system will be felt by us all.

It is critical to remember that the extended economic slump has already created recurrent budget pressures that have necessitated every public service provider make their operations as

lean as possible. Indeed, any agency that can stand before you today has only been able to keep their doors open because we were able to cut costs while preserving essential services.

The final budget needs to restore the ability to manage strained budgets to providers who have already proven our ability to do so and at the least, must improve clarity in regards to the details of administrative restrictions that will be imposed.

Another major concern for mental health providers, especially for children requiring medication, is the negative impacts on Medicaid recipients who were carved into HMOs for prescription drug coverage last October. Previously, Medicaid recipients received a separate pharmacy-only card for their drugs. Our "exempt" populations are still exempt from the HMO formularies when they are in foster care or the Residential Treatment Facility, but not before admission or after discharge.

Were this new rule to apply only to patients being prescribed medication for the first time, we would be more sympathetic to the rigid use of formularies and reliance on generic medicines. But to change an effective medication for another which often produces a new chemical reaction and causes de-compensation by a patient is close to immoral. It goes against the first rule of medicine: do no harm. Parents will tell you how changes such as this or the more common delays in approving the prior medication that were working have caused terrible damage to their children. Psychiatrists in our clinics, our highest paid employees, are reporting spending extensive time on phones begging and arguing with insurance company representatives to restore effective medications in place of ones in the formulary. We believe this is primarily about medication cost containment and arrangements with drug companies. If this is the case, is it really saving money in terms of children de-compensating, parents not able to focus or stay at work, and increased crisis interventions? And is it really right?

We are asking that physician override be reinstated, especially for children and adolescents under age 18 and that HMO's be required to work with child psychiatrists to establish an effective, uniform formulary based on clinical and not just financial considerations.

Thank you for your work providing care for New Yorkers in need and for the opportunity to testify today.