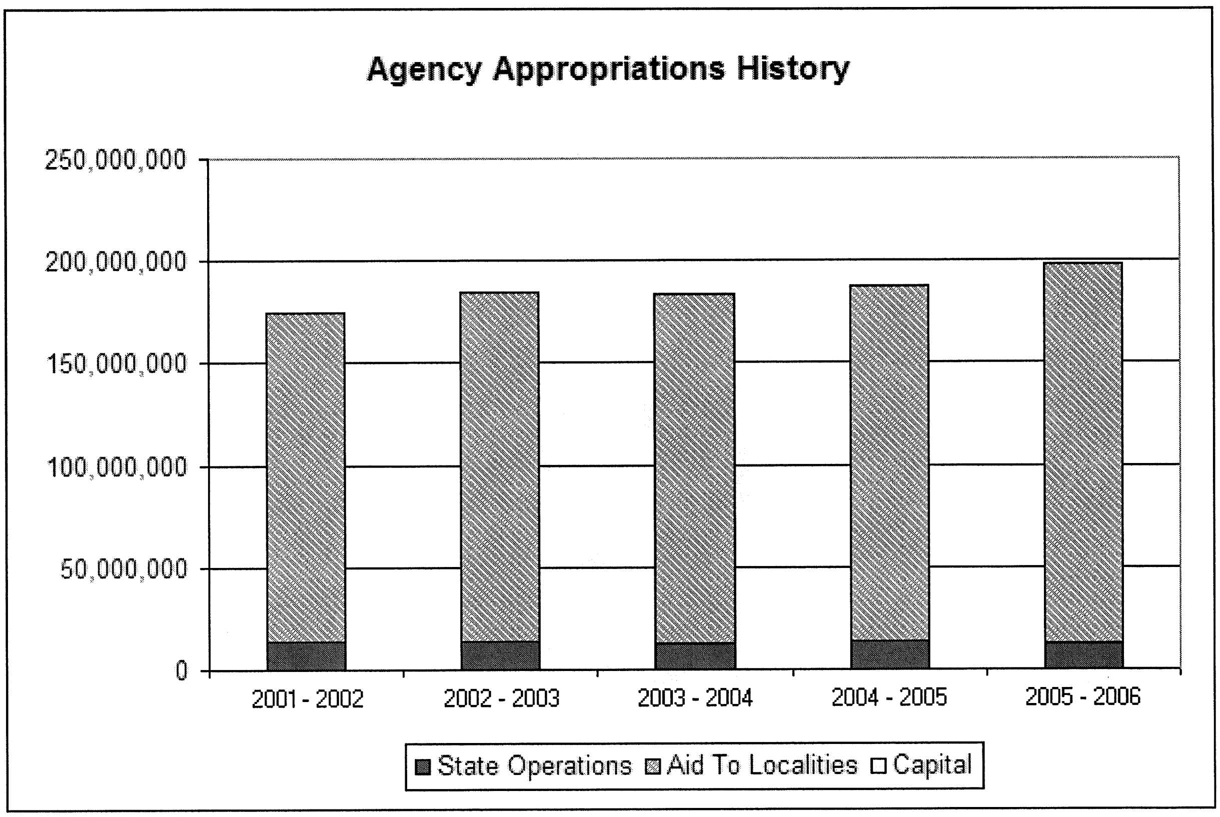
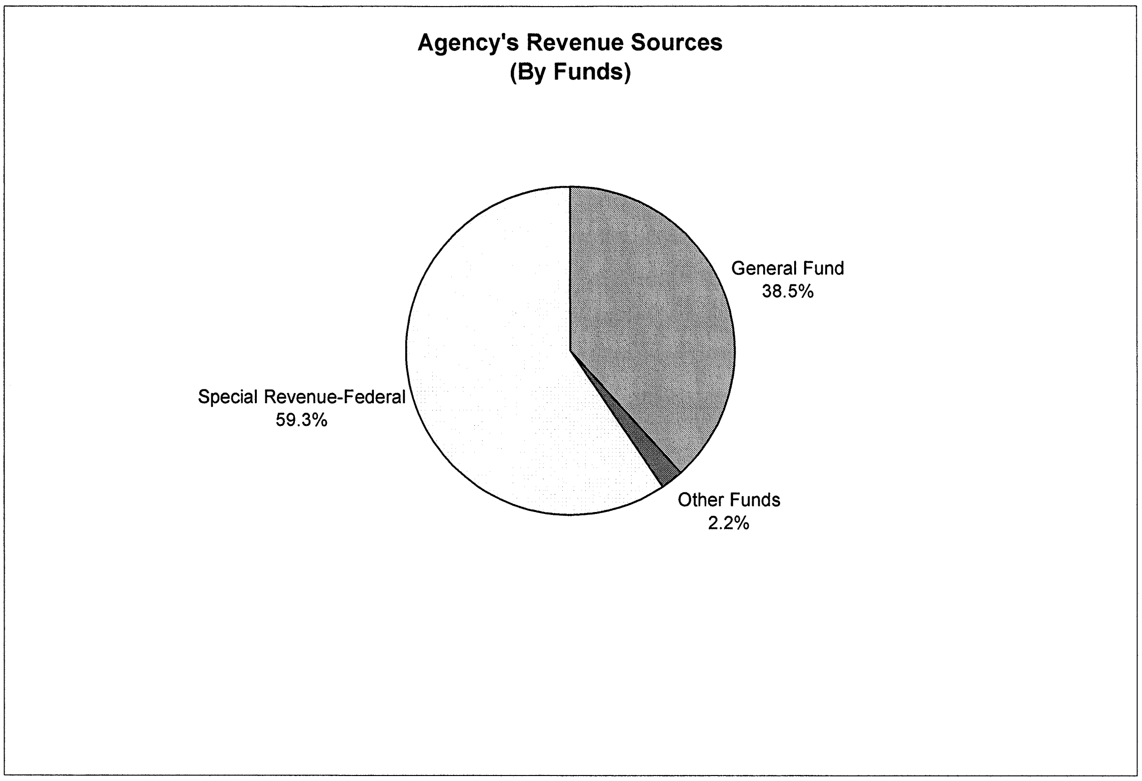
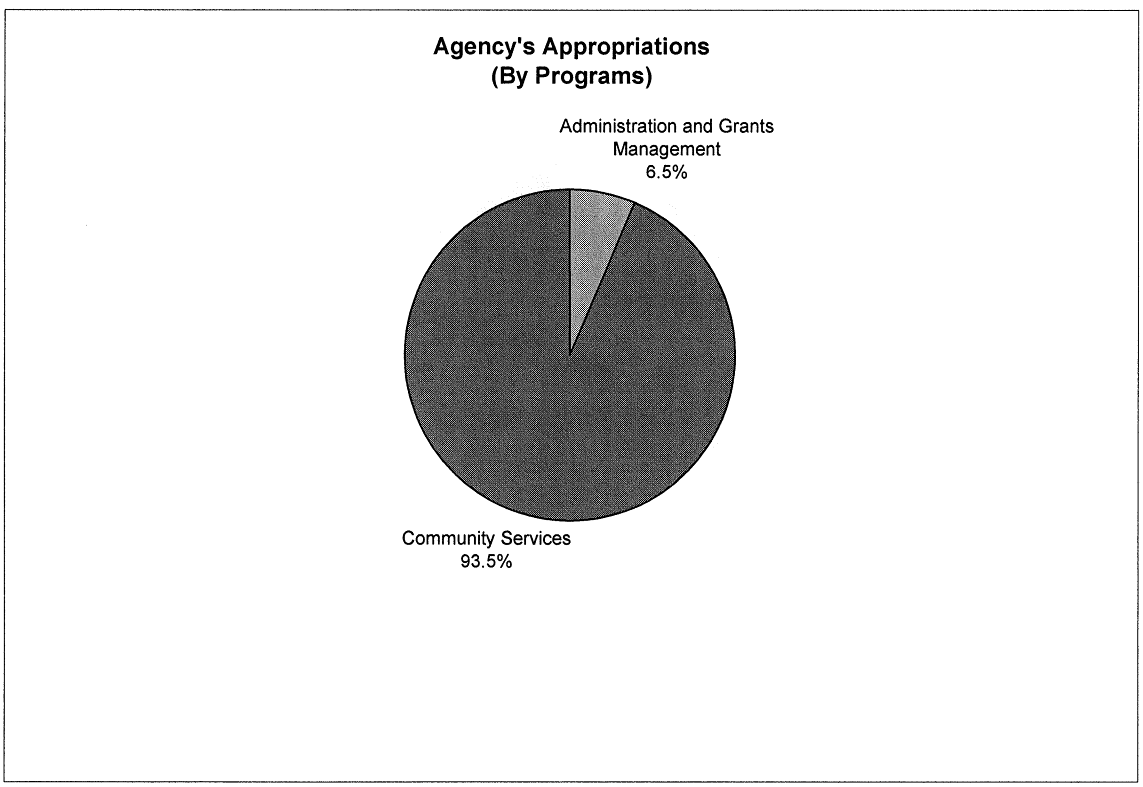
OFFICE FOR THE AGING

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	66,194,300	76,413,300	10,219,000	15.4%
Special Revenue-Other	4,300,000	4,300,000	0	0.0%
Special Revenue-Federal	116,662,000	117,850,000	1,188,000	1.0%
Enterprise	100,000	100,000	0	0.0%
Total for AGENCY SUMMARY:	**187,256,300**	**198,663,300**	**11,407,000**	**6.1%**



* 2001-02 through 2003-04 reflect enacted appropriations.
* 2004-05 reflects the Executive adjusted appropriations.
* 2005-06 reflects Executive recommended appropriations.


Agency's Revenue Sources
(By Funds)
General Fund
38.5%
Special Revenue-Federal
59.3%
Other Funds
2.2%


Agency's Appropriations
(By Programs)
Administration and Grants
Management
6.5%
Community Services
93.5%

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	29	28	(1)
All Other Funds:	107	107	0
TOTAL:	**136**	**135**	**(1)**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 89 - 92)

The New York State Office for the Aging (SOFA) is the State agency designated with the responsibility of 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 efficiently delivered services directed toward this population.

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

The Executive recommends an All Funds appropriation of $198,663,300, a net increase of $11,407,000, or 6.1 percent, over State Fiscal Year (SFY) 2004-05. This increase is primarily due to an increase of $10,250,000 in the General Fund Aid to Localities appropriation.

The adjusted appropriations for the Office for the Aging (SOFA) include a recommended deficiency of $3,050,000 in SFY 2004-05 Special Revenue-Other appropriations and creates new Health Care Reform Act (HCRA) Transfer Funds within SOFA to receive this funding. The recommended proposal includes an increase of $50,000 in State Operations for Administration and Grants Management and $3,000,000 in Aids to Localities for the Community Services Program. The proposed deficiency appropriations are needed to enable SOFA to create Long Term Care Insurance Centers, which were approved in SFY 2004-05. The legislation, however, failed to provide the appropriation authority required to implement the statute.

State Operations

The Executive recommends a total State Operations General Fund appropriation of $2,289,000, a decrease of $31,000, or 1.34 percent from State Fiscal Year (SFY) 2004-05.

In order to maximize efficiencies, the Executive proposes to initiate a host agency relationship with the Division of the Budget for the administration of training activities. This proposal would save SOFA $50,000 for State Operations in SFY 2005-06.

Aid To Localities

The Executive recommends a total Aid to Localities General Fund appropriation of $74,124,300, an increase of $10,250,000, or 16.05 percent over SFY 2004-05, resulting from two increases in the Community Services Program.

The Executive proposes a $250,000 increase in the Community Services for the Elderly (CSE) program. The CSE program provides community-based, supportive services to frail, low income elderly who need assistance in order to maintain their independence at home. The Executive also proposes an increase of $10,000,000 for the Expanded In-home Services for the Elderly Program (EISEP), bringing funding for that program to $34,972,000 in SFY 2005-06. EISEP provides in-home, non-medical care for the frail elderly who are not eligible for Medicaid coverage. The Executive Budget notes an intent to increase funding for EISEP to $50,000,000 in SFY 2006-07.

The Executive proposes to increase the Aid to Localities Special Revenue Funds-Federal appropriation by $1,500,000, associated with additional Federal funds for the following programs:

- nutrition program activities, $1,000,000;
- caregiver resource programs, $400,000; and
- other Health and Human Services programs, $100,000.

Although not administered by the State Office for the Aging, the Executive's Access to Home proposal is of special interest to the senior community. This program would provide funding to the low and moderate income elderly and disabled for the purpose of making home improvements that would enable them to remain in their homes, rather than entering long term care facilities. The Executive proposes to dedicate $10,000,000 from the Housing Trust Fund in the Division of Housing and Community Renewal for this program.

Also of special interest to the senior community is the Elderly Pharmaceutical Insurance Coverage (EPIC) Program which is administered by the Department of Health (DOH). The Executive is proposing Article VII legislation that would authorize DOH to coordinate EPIC coverage with the new Medicare Part D. Low income seniors (under 135 percent of the Federal Poverty Level) would have their EPIC enrollment fees waived and would automatically be enrolled in the Medicare plan. Enrollees would be given an opportunity to opt out of the plan. The Executive estimates that this proposal would save $10,000,000 in SFY 2005-06, in addition to the $22,000,000 already projected from implementation of the Federal program, for a total of $32,000,000 in combined saving for the 2005-06 fiscal year. The Executive also proposes giving DOH access to enrollees' income tax returns in order to verify their income and appropriate benefit level, for estimated State savings of $2,000,000 in SFY 2005-06.

Article VII

The Executive proposes Article VII legislation that would extend the Naturally Occurring Retirement Community (NORC) Program for two years, until December 31, 2007.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
Special Revenue-Federal	4,607,000	4,550,000	(57,000)	-1.2%
Enterprise	10,000	10,000	0	0.0%
Total for AGENCY SUMMARY:	**4,617,000**	**4,560,000**	**(57,000)**	**-1.2%**

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
All Other Funds:	18	18	0
TOTAL:	**18**	**18**	**0**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 93 - 94)

The Developmental Disabilities Planning Council (DDPC) describes its mission as "...supporting systemic change, capacity building and advocacy activities to help improve New York State's service delivery system for people with developmental disabilities." The ultimate goal, as articulated by the Council, is "to enable individuals with developmental disabilities to exercise self-determination, be independent, be productive and be integrated and included in all facets of community life." The 32-member Council is federally funded through the Federal Developmental Disabilities Assistance and Bill of Rights Act of 1975, originally passed in 1975 and reauthorized by Congress. Federal Law mandates that at least 60 percent of the Council's membership must be persons with developmental disabilities or members of their families. The Council has a staff of 18 that administers and monitors contracts with not-for-profit agencies that are responsible to enhance services and service delivery to persons with developmental disabilities. Council oversight is intended to ensure that federal funds are utilized to augment and to expand services and do not supplant other support.

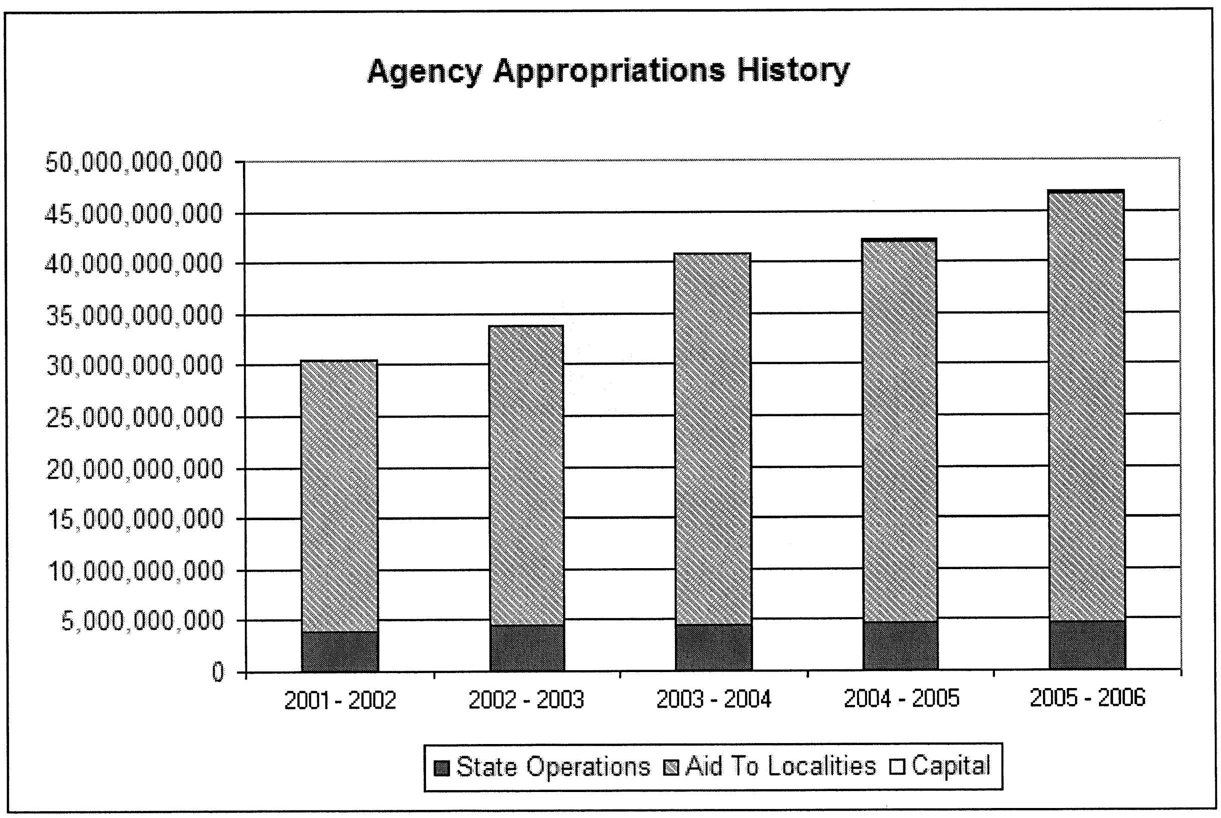
This agency is included in the Health and Mental Hygiene appropriation bill.

State Operations

The Executive recommends an appropriation of $4,560,000, a decrease of $57,000 or 1.23 percent. The decreased appropriation reflects the agency's actual anticipated needs.

DEPARTMENT OF HEALTH

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	7,695,686,600	8,207,661,600	511,975,000	6.7%
Special Revenue-Other	4,567,268,200	7,637,492,000	3,070,223,800	67.2%
Special Revenue-Federal	28,284,787,700	28,978,466,000	693,678,300	2.5%
Capital Projects Fund	11,600,000	76,600,000	65,000,000	560.3%
Capital Projects Fund - Advances	21,000,000	185,000,000	164,000,000	781.0%
Federal Capital Projects Fund	65,000,000	65,000,000	0	0.0%
Enterprise	10,000	10,000	0	0.0%
Total for Agency:	40,645,352,500	45,150,229,600	4,504,877,100	11.1%
Total Contingency:	1,476,000,000	1,771,200,000	295,200,000	20.0%
Total for AGENCY SUMMARY:	**42,121,352,500**	**46,921,429,600**	**4,800,077,100**	**11.4%**



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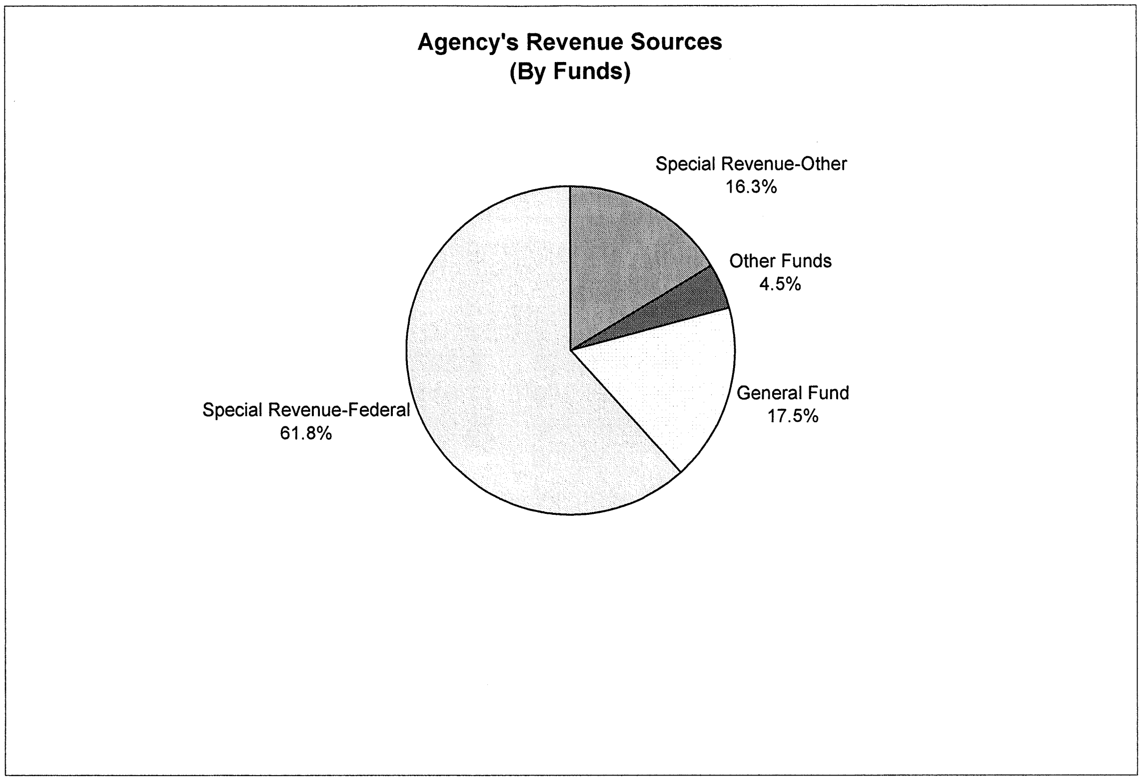
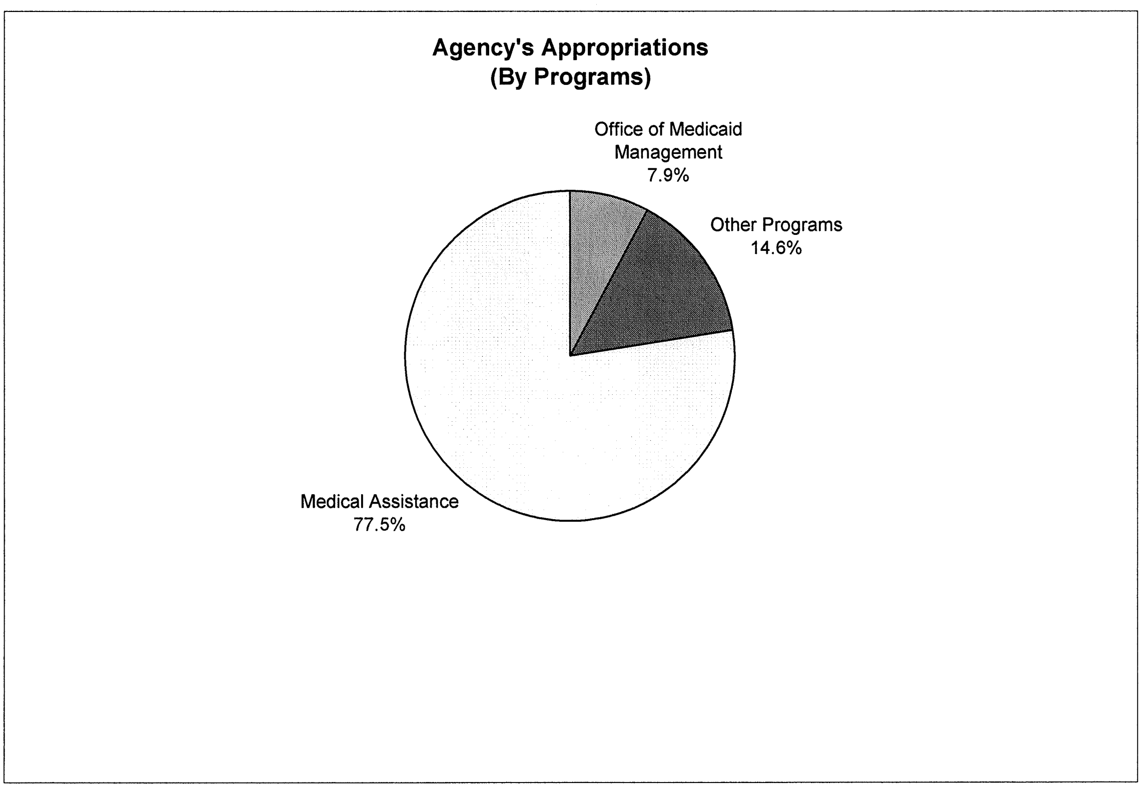
* 2005-06 reflects Executive recommended appropriations.


Agency's Revenue Sources
(By Funds)
Special Revenue-Other
16.3%
Other Funds
4.5%
General Fund
17.5%
Special Revenue-Federal
61.8%


Agency's Appropriations
(By Programs)
Office of Medicaid
Management
7.9%
Other Programs
14.6%
Medical Assistance
77.5%

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	2,058	2,073	15
All Other Funds:	3,814	3,889	75
TOTAL:	**5,872**	**5,962**	**90**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 95 - 109)

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. Transfer of all Medicaid functions to the Department of Health consolidated for the first time in one agency all the operational and oversight responsibilities for the Medicaid program, allowing for greater efficiencies in administration and oversight and clarification of the State's Medicaid policy.

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

The Governor recommends All Funds Appropriations for the Department of Health (DOH) totaling $46,921,429,600, an increase of $4,800,077,100, or 11.4 percent over SFY 2004-05. This increase is primarily attributable to an increase in Special Revenue Fund-Other associated with transitioning funding for programs under the Health Care Reform Act (HCRA) on budget. The SFY 2005-06 appropriation request for HCRA is $1,749,350,000. The total proposed Special Revenue Fund–Other appropriation for SFY 2005-06, including the HCRA appropriation, is $7,637,492,000, an increase of $3,070,223,800 or 67.2 percent over SFY 2004-05. The Governor also recommends General Fund appropriations for the Agency totaling $8,207,661,600, an increase of $511,975,000, or 6.7 percent above SFY 2004-05. Additionally, the Governor recommends Special Revenue Fund–Federal for the Agency totaling $28,978,466,000, an increase of $693,678,300 or 2.5 percent over SFY 2004-05.

The adjusted appropriations for the Department of Health (DOH) include a recommended deficiency appropriation for Special Revenue Funds–Other in Aid to Localities for $27,000,000 for the Elderly Pharmaceutical Insurance Coverage (EPIC) Program resulting from higher than projected program growth and drug costs.

The Executive also proposes in an Article VII deficiency bill to increase the Family Health Plus allocation from $348,000,000 to $374,000,000 for calendar year 2004 and from $181,000,000 to $228,000,000 for calendar year 2005 due to increased enrollment. While sufficient appropriations authority exists the allocations made in HCRA need to be increased.

This bill would make a number of other changes, including a modification to the medically needy standard to match federal law, a technical change to an effective date for Child Health Plus, a modification to Graduate Medical Education payment dates, an amendment to provide dollar-for-dollar asset protection under the Partnership for Long Term Care insurance program, and authorization for the transfer of funds from HCRA to Medicaid for the Nursing Home Financially Disadvantaged program. In addition, the bill would expand existing language authorizing the conversion of health insurance plans from not-for-profit to for-profit entities.

State Operations

The Executive recommends a total All Funds appropriation for State Operations of $4,717,351,000, an increase of $49,865,100 or 1.07 percent over SFY 2004-05. The Executive proposes General Fund State Operation appropriations totaling $184,565,000, an increase of $6,483,000, or 3.64 percent over SFY 2004-05, primarily due to negotiated salary increases. The Executive also recommends a Special Revenue–Other State Operations appropriation of $477,878,000, an increase of $41,773,800, or 9.58 percent, over SFY 2004-05. The Governor also proposes a Special Revenue–Federal appropriation of $4,054,898,000 which represents an increase $1,608,300, or 0.04 percent over SFY 2004-05.

In the SFY 2005-06 Budget the Governor proposes an increase of 90 full-time equivalent (FTE) positions agencywide. Of the 90 FTEs, 15 positions associated with the implementation and administration of the Medicare Part D plan would be funded by the General Fund appropriation and 15 positions related to the Forge-Proof Prescription Program would be funded by the Special Revenue–Other appropriation. The Executive proposes to add 60 positions to reach the federal target for priority public health programs, funded by a Special Revenue Fund–Federal appropriation.

The Governor also proposes to eliminate various public health programs and requirements that were enacted during the 2001 and 2002 Legislative sessions. These programs include: Endoscopy Study (Chapter 438 of the Laws of 2002); Reflex Sympathetic Dystrophy Syndrome Prevention and Education Program (Chapter 429 of the Laws of 2002); Tattooing and Body Piercing License and Regulation Program (Chapter 562 of the Laws of 2001); and the Durable Home Medical Equipment (DME) Regulatory Program (Chapter 618 of the laws of 2002). The Governor estimates that the elimination of these programs would save the State $700,000 in SFY 2005-06.

Institutional Management

The Department of Health currently maintains five direct care institutions: Helen Hayes Hospital in West Haverstraw and four nursing homes for the care of veterans and their dependants – Oxford, New York City, Montrose, and Western New York.

The Governor continues $78,000,000 for Roswell Park Cancer Institute from the Health Care Reform Act Program fund.

Aid To Localities

The Executive recommends All Funds Aid to Localities appropriations totaling $40,106,278,600, an increase of 4,226,012,000, or 11.78 percent, over SFY 2004-05. This increase is primarily attributable to an increase in Special Revenue Fund – Other appropriations, reflecting the transfer of $1,749,350,000 in HCRA funds on budget.

The Executive proposes General Fund appropriations totaling $8,023,096,600, an increase of $505,492,000, or 6.72 percent over SFY 2004-05. The Executive also recommends a Special Revenue Fund – Other appropriation of $7,159,614,000, an increase of $3,028,450,000, or 73.31 percent over the SFY 2004-05, primarily due to the transfer of HCRA funds to budgeted appropriations. Additionally, the Governor recommends a Special Revenue Fund – Federal appropriation of $24,923,568,000, an increase of $692,070,000, or 2.86 percent over SFY 2004-05.

The Executive proposes the creation of a new program called the Health Care Reform Act Program. This program moves The Health Care Reform Act (HCRA) on budget and establishes a Special Revenue Fund - Other appropriation of $1,749,350,000. This program includes $494,000,000 for Graduate Medical Education; $78,000,000 for Roswell Park Cancer Institute; $69,000,000 for the Healthy New York program; $65,000,000 for the Excess Medical Malpractice program; $60,000,000 for the AIDS Drug Assistance Program (ADAP); $58,400,000 for health workforce retraining; $52,200,000 for recruitment and retention of health care workers; and $38,600,000 for the Tobacco Use Prevention and Control Program, to mention but a few.

For the Early Intervention (EI) Program, the Executive proposes $260,000,000 for SFY 2005-06, an appropriation cut of $10,000,000. In recent years, this program has seen growth in both enrollment and utilization of services, prompting the Executive to propose significant changes to the EI program yet again in SFY 2005-06. The Executive proposes implementing a sliding-scale parental fee schedule. Families over 250 percent of the Federal Poverty Line (FPL) would pay a monthly fee that would range from $25 to $215 per month or between $300 and $2,580 annually. The Executive also proposes the elimination of the enhanced rate for extended visits. The Executive also proposes to improve insurance coverage by prohibiting insurers from denying care they would normally provide due to administrative preclusions on the plan, such as out-of-network provider or invalid place of service. In addition, the Governor's proposal would allow counties to negotiate lower rates with EI providers in an attempt to lower costs and also would require independent evaluation of children who require one service per week to ensure medical necessity. The Executive does not estimate any State savings resulting from the proposed measures until SFY 2006-07 because of the payment lag in the EI program. When fully implemented in SFY 2006-07, the Executive estimates that these EI proposals would save both the State and local governments $25,500,000

The Executive proposes a $27,000,000 deficiency appropriation in the Elderly Pharmaceutical Insurance Coverage (EPIC) program in SFY 2004-05, primarily due to higher than anticipated enrollment and drug costs. The Executive proposes an $841,000,000 Special Revenue Fund – Other appropriation for the EPIC program in SFY 2005-06. This represents a $105,100,000, or 14.28 percent increase over SFY 2004-05, primarily due to an increase in price and utilization. The Executive proposes to authorize DOH to coordinate EPIC coverage with the new Medicare Part D drug benefit. Low income seniors (under 150 percent FPL) would have their EPIC enrollment fees waived and would automatically be enrolled in the Medicare plan. EPIC enrollees would be given an opportunity to opt out of the plan. The Executive estimates that this proposal will save $10,000,000 in SFY 2005-06 in addition to the $22,000,000 projected from the Coordination of EPIC with Medicare Part D for a total of $32,000,000 in combined saving for '05-'06 fiscal year. The Executive also proposes giving DOH access to enrollees' income tax returns in order to verify their income and appropriate benefit level for an estimated savings of $2,000,000 in SFY 2005-06. The Governor does not propose any expansion of EPIC with these savings.

The General Public Health Works Program (Article 6) supports local public health activities. The Governor continues an appropriation level of $221,500,000 in SFY 2005-06 for the program. The Executive, however, estimates cash savings of $30,000,000 in SFY 2005-06, due to a reduction in claims for reimbursement from the counties. The Governor proposes a conversion of this program from a spending entitlement program to a grant program to the counties in SFY 2005-06. Under the Executive's proposal, each county would get a capped grant based on expenditures over the past 3 years. This grant would be adjusted each year by a Consumer Price Index (CPI) growth trend. This proposal also would create a $10,000,000 contingency fund that could be used by the Commissioner of Health to assist localities should a public health emergency arise.

The Governor continues local assistance funding for the AIDS Institute at the SFY 2004-05 level.

The Executive does not continue a $10,000,000 appropriation for pregnancy prevention that had been funded with (TANF) funds in SFY 2004-05. The program would be Temporary Assistance to Needy Families eligible for funding, however, under the Governor's proposed Flexible Funds for Family Services initiative at county option.

The Executive recommends no appropriation for the Medical Malpractice Insurance Association (MMIA). In SFY 2005-06, a decrease of $65,000,000 from State Fiscal Year 2004-05. An appropriation is no longer necessary due to the resolution of outstanding federal tax liability issues stemming from MMIA's dissolution.

Medical Assistance (Medicaid) Program

The Executive recommends an All Funds Medicaid appropriation in Aid to Localities of $34,577,927,000, a net increase of $2,910,416,000 or 9.19 percent over SFY 2004-05.

The Executive proposes General Fund appropriations totaling $7,306,201,000, an increase of $538,392,000, or 7.96 percent over SFY 2004-05. The Executive also recommends a Special Revenue Fund – Other appropriation of $3,965,400,000, an increase of $1,166,700,000, or 41.69 percent over SFY 2004-05. Additionally the Governor recommends a Special Revenue Fund – Federal appropriation of $23,306,326,000, an increase of $1,205,324,000, or 5.45 percent over the SFY 2004-05.

The Executive Budget proposes a phased in takeover of the local share of Medicaid by January 1, 2008. The Executive's plan would require a $166,000,000 increase in the State share of Medicaid in SFY 2005-06.

The Governor also proposes State share savings of $1,125,200,000 from an assortment of cuts and taxes, imposed on both Medicaid recipients and providers. The Executive also proposes additional revenue sources totaling $839,000,000 to provide a total State savings on $1,964,200,000. Factoring in the local takeover figures the total saving from the Governor's plan is $1,798,200,000

The Executive proposes a $2,200,000 appropriation for the NY ANSWERS program. This program is charged with implementing a single point of entry system in New York State.

Local Medicaid Takeover

The Governor's budget proposes a plan to take over a significant share of local Medicaid expenditure growth beginning January 1, 2008. The Executive proposes capping the local share of Medicaid at its 2005 level. The counties paying a county specific capped amount, adjusted by a growth factor. Beginning January 1, 2006, the counties would pay 2005 costs capped at 3.5 percent growth or actual costs, whichever is less. The growth rate would drop to 3.25 percent in 2007 and to 3.0 percent for 2008 and thereafter. In 2008, counties could continue under a cap or they could elect to have the State assume the full local cost of Medicaid in exchange for remitting to the State a calculated percentage of local sales tax revenue. The Executive estimates that this proposal would relieve local taxpayers of $121,000,000 in Medicaid costs in SFY 2005-06 and of more than $2 billion over the next three years.

The Governor also proposes accelerating the State's takeover of Family Health Plus, currently at 50 percent but scheduled for full takeover on January 1, 2006. The Executive proposes moving the starting date to October 1, 2005, for all counties except New York City. New York City's share would transition to the State as planned on January 1, 2006. The Executive estimates this action would provide $25,000,000 in local tax relief. The Governor also proposes $20,000,000 in Medicaid transitional funding assistance for counties outside New York City experiencing the greatest economic hardship. He conditions both the acceleration of the FHP full takeover and the availability of transition funding on enactment of the Medicaid cost containment actions proposed in the 2005-06 Executive Budget.

Medicaid Provider Cuts and Assessments

The Governor proposes new cuts and assessments on providers totaling $816,900,000 in State share savings in SFY 2005-06, that affect every sector of the health care industry.

In the pharmacy sector, the Governor proposes new cuts totaling $76,000,000 in State share savings in SFY 2005-06. Specifically, the Governor proposes instituting a Preferred Drug Program for Medicaid and Medicaid Managed Care which would provide $50,800,000 in savings. The Governor would also authorize DOH to require prior approval for certain high cost/high risk drugs for Medicaid and Medicaid Managed Care, for savings of $25,200,000.

In the hospital sector, the Executive proposes new cuts and taxes totaling 395,100,000 in State share savings in SFY 2005-06. The Governor proposes implementing a 0.7 percent non-reimbursable assessment on hospital revenues, which would generate State share revenue of $194,300,000. The Governor also proposes a revaluation of the Graduate Medical Education (GME) based on actual costs – $23,300,000 savings; and a recoupment of GME overpayments from Medicaid HMO recipients – $65,300,000 savings. The Executive also proposes contracting with specific facilities for specialized services – $11,300,000 savings; eliminating the two percent trend factor for SFY 2005-06 – $41,400,000 savings; eliminating specialty rates for mental health outpatient services in a hospital setting – $2,100,000 savings; implementing case management programs for certain OMH/OASAS populations – $12,900,000 savings; and reducing the payment rates for non-complicated detoxification cases – $44,500,000 savings.

In the nursing home sector, the Governor proposes new cuts and taxes totaling $251,900,000 in State share for SFY 2005-06. Specifically, the Governor proposes increasing the assessment from five percent to six percent on nursing home revenues – $70,000,000 in revenue; implementing a regional pricing system for nursing home reimbursement – $67,900,000 in savings; removing Medicare from the case mix formula – $57,800,000 in savings; eliminating the two percent trend factor for SFY 2005-06 – $48,800,000; reducing Supplemental Quality Improvement funds by 50 Percent– 6,200,000 in savings; and shifting pharmacy costs to Medicare Part D - $1,200,000 in savings.

In the home care sector, the Governor proposes actions which would result in State savings of $13,100,000 in SFY 2005-06. Specifically, the Governor proposes eliminating the current limit on the amount of State savings that can be realized from the existing cap on administrative costs for Certified Home Health Care providers - $1,500,000 in savings; imposing a cap on administrative costs for the Long Term Home Health Care Program – $3,900,000 in savings; and freezing the premiums for Managed Long Term Care – $9,900,000 in savings. These savings are offset by the addition of $2,200,000 for Certified Home Health Care demonstration programs.

In Managed Care, the Governor proposes to reduce or freeze the premiums paid on Medicaid Managed Care – $30,200,000 savings; re-enroll previously exempt OMH populations in managed care - $1,800,000 in savings; and cap marketing costs – $23,200,000 in savings, for a total of $55,300,000. The Governor also proposes freezing Child Health Plus premiums for savings of $9,500,000; reducing FHP premiums for savings of $41,100,000, allowing localities to negotiate rates and contracts for transportation – $4,400,000 in savings; reducing enrollment broker charges for managed care – $300,000 in savings; and empowering the Office of the Attorney General to recover available assets in certain instances - $5,600,000 in savings. These savings are offset by a rate add-in for background checks on nursing home and home care employees - $2,100,000 in new revenue.

New Medicaid Recipient Cuts

In addition to direct cuts to providers, the Governor also proposes a total of 296,000,000 in cuts that would indirectly impact these providers, but are targeted at Medicaid and Family Health Plus recipients.

The Governor proposes substantial change to the Family Health Plus (FHP) program. Specifically, the Executive proposes a significant reduction in the FHP benefit package, eliminating such services as vision, dental, speech and hearing, mental health, alcohol and substance abuse, hospice, and durable medical equipment (DME), for savings of $141,800,000. In addition, the Executive proposes changes to FHP eligibility rules, including increasing the waiting period from six months to a year for an individual who previously had group health insurance coverage; prohibiting individuals that work for businesses with more than 50 employees or work for governmental entities from enrolling in the program; eliminating facilitated enrollment; and imposing larger co-pays.

The Governor also proposes to eliminate several "optional" services from Medicaid and Medicaid Managed Care, for $65,100,000 in savings. These "optional" programs include non-clinic dental coverage, private duty nursing, audiology, podiatry, and clinical psychiatry. The Executive also proposes an increase in pharmacy co-pays from $.50 to $1 for generics and $2 to $3 for name brands; an elimination of podiatry services; and a continuation of the MUTS system for a total savings of $7,000,000.

The Governor also proposes closing loopholes in the long term care system, which will provide the State with $27,000,000 in savings. This proposal would eliminate spousal refusal and extend the "look back" period on assets to 60 months.

Additional Revenue Sources

The Executive's budget also proposes $839,000,000 in new revenue actions in SFY 2005-06 that would offset Medicaid spending. These actions include:

- a savings of $192,000,000 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;

- a savings of $312,000,000 from the one time transfer of pharmacy spending to HCRA;

- a savings of $129,000,000 related to the transfer of other Medicaid spending to HCRA;

- a savings of $110,000,000 from the re-estimation of FHP enrollment due to a decline in enrollment growth;

- additional Federal funds of $54,000,000 related to emergency medical care to aliens;

- additional Federal funds of $18,000,000 related audit contracts; and

- an estimated $25,000,000 from increased audit recoveries.

Health Care Reform Act (HCRA)

The Executive proposes an extension of Health Care Reform Act (HCRA) through June 30, 2007. The Executive's proposal calls for moving all of the off-budget HCRA pools to one on-budget account. The Executive's plan would replace the individual pool accounts with one general on-budget HCRA account entitled The Health Care Reform Act Resources Pool. This unified pool would maintain the same allocations and funding sources for the Tobacco Control and Insurance Incentives Pool, Health Care Initiatives Pool, and the Indigent Care Pool, as had been prescribed previously, with the exception of specific changes made in the proposed bill. The Executive also proposes to maintain Workforce Recruitment and Retention funding and to extend the Child Health Plus program through June 30, 2007.

New HCRA Initiatives

In SFY 2005-06, the Governor proposes several new spending initiatives to be financed by HCRA funds over the next two years, including:

- a $12,000,000 appropriation to implement a new Pay For Performance demo program that would establish and implement clinical measures, and the metrics on which to measure provider performance, for the purpose of providing financial incentives to providers that achieve increased quality and cost effectiveness, and report on their effectiveness;

- a $2,000,000 authorization for the purchase of three Mobile Dental Vans to service rural areas;

- a $5,000,000 appropriation to support an increase in the number of Disease Management programs and remove the limit on the number of demonstration projects;

- a $3,000,000 expansion of the Childhood Obesity program to include programs located in a school setting; and

- a $2,000,000 expansion of the Newborn Screening Program to increase from 11 to 44 the number of disorders for which newborns are screened.

Reductions in HCRA Allocations

In SFY 2005-06, the Governor proposes various reductions in HCRA allocations, including:

- a $12,000,000 reduction for the Nursing Home Quality Improvement Grants program;

- a $2,000,000 decrease related to the elimination of funding for the Catastrophic program; and

- a $1,300,000 reduction in the Individual Subsidy program.

New HCRA Revenue

In SFY 2005-06, the Governor proposes several revenue enhancing initiatives for HCRA, including:

- revenue from the conversion of Empire Blue Cross/Blue Shield from not-for-profit to for-profit status. The Governor also proposes language that would establish policy for future conversions; $1,800,000,000.

- an increase in the Covered Lives Assessment from $725,000,000 to $775,000,000 - $50,000,000; and

- an increase in the surcharge on patients bills covered by third party payers, from 8.85 percent to 8.95 percent for private payers and from 6.47 percent to 6.54 percent for governmental payers.

In addition, for the purpose of reforming the health care systems, the Executive proposes a variety of commissions and task forces in his SFY 2005-06 budget. Including, a Task Force on the local Medicaid takeover plan; a Commission on hospital "rightsizing;" and a commission on Long Term Care.

Capital Projects

The Executive proposes a new program called the Healthcare System Improvement Capital Grant Program to help enhance the efficiency of New York's health care system. Funds for this program would be used to support health care technology improvements, as well as facility upgrades, reconfigurations, and consolidations. The Governor proposes an initial appropriation of $250,000,000 for SFY 2005-06, with $10,000,000 specifically dedicated to community health centers. The programs will continue over the next four years and will make a total of

$1,000,000,000 available. Three quarters of this funding, or $750,000,000, would be financed by bonds from the Dormitory Authority with debt service supported by HCRA funds.

The Executive's also proposes a commission called the "Commission on Health Care Facilities in the Twenty-First Century," to study the options to reconfigure New York's hospital and nursing home system by proposing cuts and consolidations. This Commission would include 15 voting members five appointed by the Governor, two from the Senate majority, two from the Assembly Majority, one from each of the minority houses, and four from the heal care industry. The Executive proposes that the Commission be appointed by February 15, 2005 and prepare a list of recommendations by May 31, 2005. The Commission would be empowered to act on their recommendations after June 30, 2005 unless the Legislature passes resolutions rejecting the entire recommendation. Many of the Commission's recommendations would be funded by the proposed Health Care System Improvement Capital Grant Program.

Article VII

The Governor proposes:

Part A:

Public Health Programs

- changing reporting requirement for county and health assessment documents from two to four years and adding the West Nile virus to the Disease Control program;

- eliminating section of the public health code describing mosquito and vector control; the Endoscopy Study (Chapter 438 of the Laws of 2002); Reflex Sympathetic Dystrophy Syndrome Prevention and Education Program (Chapter 429 of the Laws of 2002); Tattooing and Body Piercing License and Regulation Program (Chapter 562 of the Laws of 2001), and the Durable Home Medical Equipment (DME) Regulatory Program (Chapter 618 of the laws of 2002);

- converting the General Public Works Program from an entitlement to a grant program;

- authorizing the Commissioner of Health to redistribute unused appropriations to municipalities deemed needy by the Commissioner;

- authorizing $10,000,000 for public health emergencies to be spent at the discretion of the Commissioner of Health for 50 percent reimbursement to the counties; and

- making permanent financing of the Physician Profiling Program from the Office of Professional Medical Conduct (OPMC) account.

Early Intervention (EI)

- requiring insurance companies to reimburse for EI services if these are services they would normally cover. Coverage cannot be denied based on provider network or location of service;
- allowing localities to negotiate lower reimbursement rates with EI providers to reduce reimbursement rates;
- imposing a sliding scale parental fee schedule for families over 250 percent of the Federal Poverty Level;
- eliminating the extended rate for home and community based visits over 60 minutes.

Elderly Pharmaceutical Insurance Coverage (EPIC)

- allowing EPIC to use income tax information from The Department of Tax and Finance to verify income and appropriate benefit level;
- waiving EPIC enrollment fees for member who enrolls in Medicare Part D;
- allowing EPIC to auto-enroll members in Medicare Part D;
- allowing EPIC to endorse one or more Medicare Part D plans; and
- allowing EPIC to waive contractual procurement guidelines for Medicare Part D plans.

Part B: The Health Care Reform Act (HCRA)

HCRA Extension

- extending HCRA authorization for two years through June 30, 2007;
- replacing individual pool accounts with one general on-budget HCRA account, called The Health Care Reform Act Resources Pool;
- extending current allocations from the Tobacco Control and Insurance Incentives Pool;
- extending current allocations from the Health Care Initiatives pool;
- extending authority to distribute GME indigent care payments and allocating revenue to the Indigent Care pool;
- continuing Workforce Recruitment and Retention funding; and

- extending Child Health Plus (CHP), and freezing CHP premiums at the current rate, providing income verification on enrollment, and discontinue presumptive enrollment for Medicaid eligible children.

New Programs

- implementing a new Pay for Performance program;

- expanding authorization for the purchase of Mobile Dental Vans;

- expanding State Planning and Research Cooperative System (SPARCS) to include ambulatory data from hospitals and clinics;

- establishing a demonstration program for the creation of Transitional Care Units for Medicare recipients;

- expanding child obesity programs to include school-based activities; and

- requiring hospitals to have established, published, and functioning Charity Care policies in order to receive payments from the Indigent Care pool.

New Revenue

- allowing any non-profit health plan to convert to for-profit status and establishing a set policy for this conversion;

- increasing the Covered Lives Assessment from $725,000,000 to $775,000,000; and

- increasing Surcharges from 8.85 percent to 8.95 percent for private payers and from 6.47 percent to 6.54 percent for governmental payers.

Part C: The Medical Assistance (Medicaid) Program

- assuming responsibilities for the local share of Medicaid by January 1, 2008;

- accelerating Family Health Plus takeover from January 1, 2006 to October 1, 2006 for all counties except New York City;

- providing transitional funding for Medicaid relief for counties outside New York City experiencing the greatest economic need;

- implementing a Preferred Drug Program (PDP) and requiring prior authorization of drugs not on the PDP;;

- reducing Hospital rates, eliminating specialty rates, and reducing GME payments;
- implementing 0.7 percent assessment on hospital revenue and instituting a Medicaid only case mix;
- increasing the reimbursable nursing home assessment from 5 percent to 6 percent and making the assessment tax deductible for private pay patients;
- instituting a regional pricing program for nursing home reimbursement;
- increasing pharmacy co-payments, and increasing the limit on maximum co-payments that can be made annually;
- eliminating spousal refusal, extending the look back period from 36 months to 60 months, imposing an asset transfer penalty for long term care, and requiring the penalty period for asset transfers to begin on the date services are received, instead of the day the transfer was made;
- reducing Family Health Plus benefits to the Healthy NY level, restricting eligibility, and eliminating facilitated enrollment; and
- eliminating adult, non-clinic dental coverage, podiatry, and other practitioners.

DEPARTMENT OF MENTAL HYGIENE

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	(200,000,000)	(150,000,000)	50,000,000	25.0%
Special Revenue-Other	200,000,000	150,000,000	(50,000,000)	-25.0%
Total for AGENCY SUMMARY:	**0**	**0**	**0**	**0%**

BUDGET HIGHLIGHTS

(Executive Budget: p. 111)

The Department of Mental Hygiene (DMH) is comprised of 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). All three agencies earn revenue as direct providers of service in State-operated mental hygiene facilities in the form of Medicaid, Medicare, third-party insurance and private payment. The revenue is first used to pay the debt service on outstanding mental hygiene bonds. The funds remaining after the payment of debt service are deposited in the Patient Income Account (PIA) to help pay for the cost of patient care. Anticipated PIA revenue is appropriated within the budgets of the three mental hygiene agencies. During the course of the fiscal year, however, additional unanticipated revenue may be received or bond refinancing may lessen debt service requirements. In either instance, the result is an increase in available PIA funds. Without appropriation authority from the Legislature, the State would not be able to expend such anticipated revenue. Unanticipated revenue is appropriated in the Department of Mental Hygiene to allow such funds to be allocated in proper proportion to the appropriate agency.

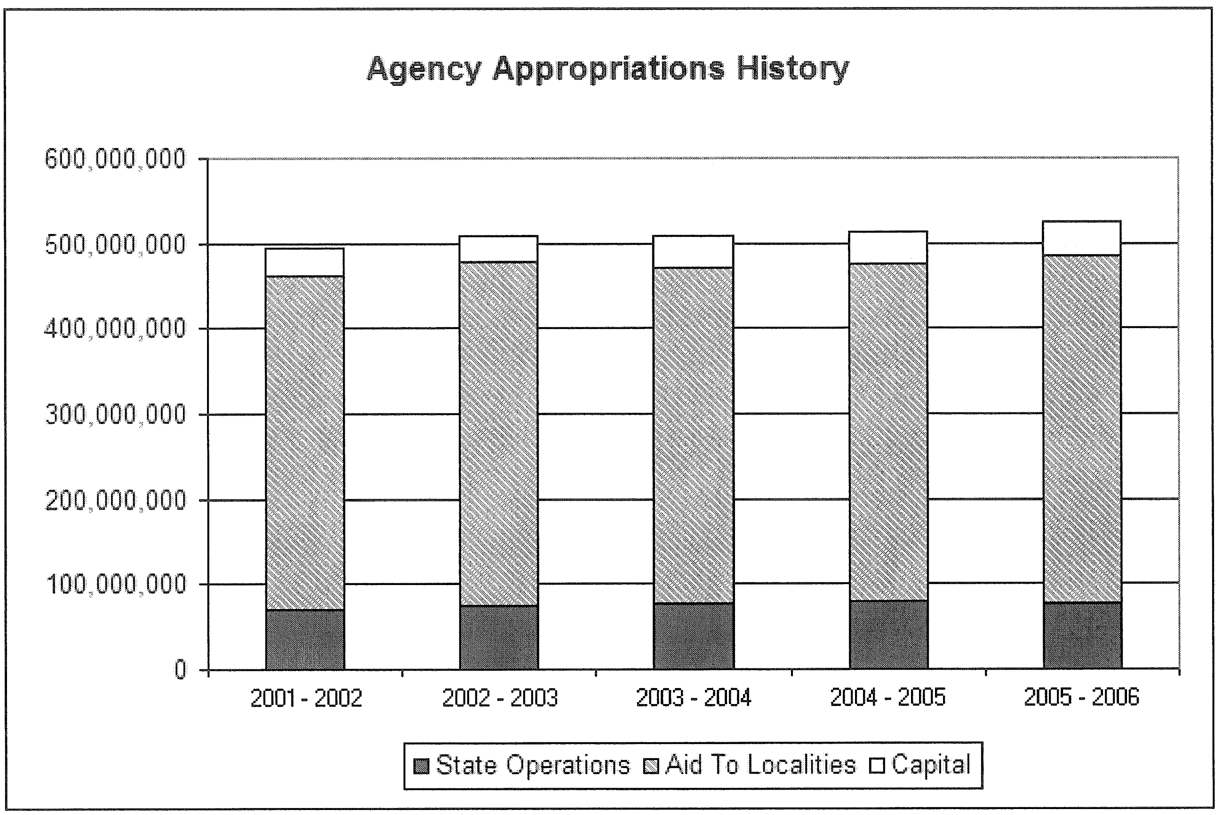
This Department is found in the Health and Mental Hygiene appropriation bill.

State Operations

The Executive recommends a Special Revenue Fund-Other appropriation of $150,000,000, reflecting a decrease of $50,000,000 or 25 percent in the PIA. The Executive does not anticipate generating as much unanticipated revenue from debt refinancing in SFY 2005-06.

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	292,906,000	302,981,000	10,075,000	3.4%
Special Revenue-Other	30,004,000	31,372,000	1,368,000	4.6%
Special Revenue-Federal	153,810,000	151,532,000	(2,278,000)	-1.5%
Capital Projects Fund	9,180,000	9,200,000	20,000	0.2%
Mental Hygiene Capital Improvement Fund-389	27,750,000	29,450,000	1,700,000	6.1%
Total for AGENCY SUMMARY:	**513,650,000**	**524,535,000**	**10,885,000**	**2.1%**



* 2001-02 through 2003-04 reflect enacted appropriations.
* 2004-05 reflects the Executive adjusted appropriations.
* 2005-06 reflects Executive recommended appropriations.

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	853	850	(3)
All Other Funds:	105	106	1
TOTAL:	**958**	**956**	**(2)**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 113 - 117)

The Office of Alcoholism and Substance Abuse Services (OASAS) administers a statewide system of chemical abuse prevention, early intervention and treatment services, provided in various inpatient and outpatient settings. Each year, approximately 263,000 patients receive chemical abuse treatment services from over 1,300 agencies across the State that are licensed and regulated by OASAS. The agency also provides funding support to 300 chemical abuse prevention agencies that identify and develop programming for persons exposed to known risk factors. In addition to its licensing and regulation functions, OASAS is responsible for providing leadership and advocacy in the field of chemical dependency. OASAS continues the process of forging a single, consolidated and coordinated chemical dependency treatment system out of what had been two separate alcohol and substance abuse treatment and prevention systems. OASAS has restructured Medical Assistance (Medicaid) support for treatment of chemical dependency by developing a consolidated fee for outpatient chemical dependency services, as well as a new Medicaid fee for non-hospital based detoxification.

The Executive expects to complete the process of moving the Compulsive Gambling Education and Treatment Program from the Office of Mental Health to OASAS in order to consolidate responsibility for treatment of addictive disorders within one agency. The Executive recommends expansion of the Managed Addiction Treatment Services demonstration to as yet unnamed counties.

For State Fiscal Year (SFY) 2005-06, the Executive requests funding to support 956 full-time equivalent (FTE) staff positions to provide oversight and technical assistance to community-based service providers, as well as to provide direct care services at the 13 State-operated Addiction Treatment Centers (ATCs) located statewide. The ATCs annually provide inpatient services to approximately 7,000 persons who require intermediate term care after completing a more intensive acute care treatment phase provided in community hospitals. The Executive projects no change in staffing levels at the ATCs.

The Executive recommends an All Funds appropriation of $524,535,000, a net increase of $10,885,000 over SFY 2004-05, or 2.1 percent, due primarily to increases in General Fund Aid to Localities support.

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

State Operations

The Executive recommends an All Funds State Operations appropriation of $77,734,000, a net decrease of $1,035,000, or 1.31 percent. The change occurs from an increase of $1,350,000 for personal service adjustments for contractual salary increases, promotions and longevity enhancements offset by decreases totaling $2,385,000, resulting from shifting three executive positions to federal support, replacing an outside contractor with agency staff and imposing stricter controls on personal service and nonpersonal service costs.

Aid To Localities

The Executive recommends an All Funds Aid to Localities appropriation of $408,151,000, a net increase of $10,200,000 or 2.56 percent. The change results from the following actions:

-- an increase of $10,200,000 related to expansion of the Managed Addiction Treatment Services demonstration project to additional counties, the opening of new community treatment beds and an increase in the debt service costs of voluntary operated programs;

-- an increase of $8,500,000 to provide enhanced payments to chemical dependence residential treatment programs in order to improve direct staff recruitment and rates of retention;

-- an increase of $1,000,000 for expansion of the Compulsive Gambling Treatment and Education Program;

-- a targeted decrease of $4,500,000 in funding for community-based provider agencies that are not meeting performance standards set by OASAS or that have not achieved efficiency targets set by the State agency;

-- a reduction of $3,100,000 in support for chemical dependence prevention programs in New York City schools; and

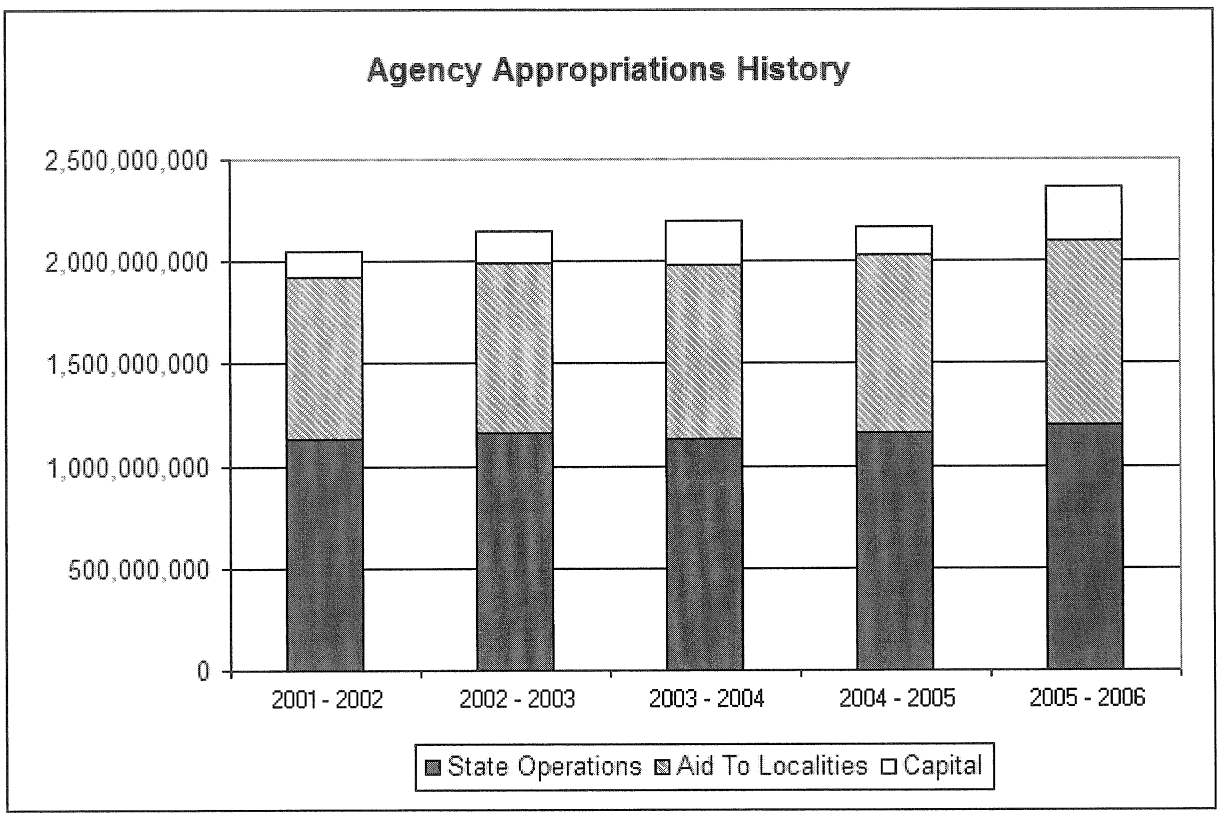
-- a decrease of $1,900,000 in federal Substance Abuse Prevention and Treatment funds.

Capital Projects

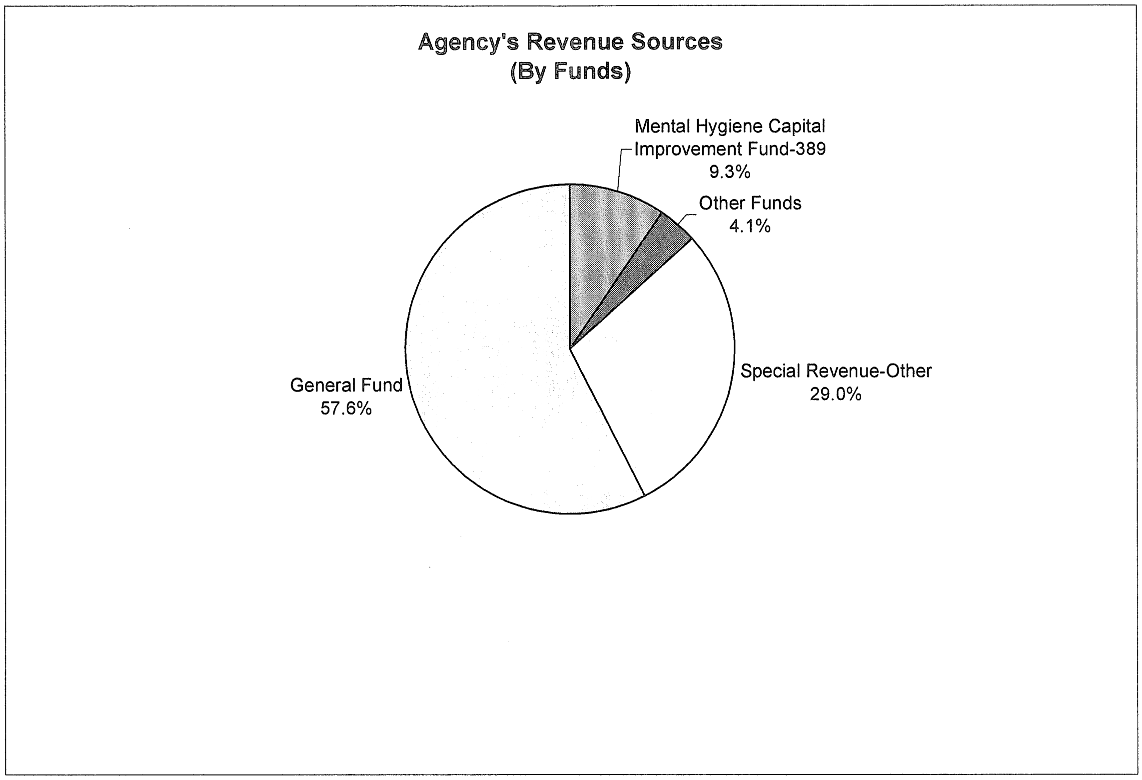
The Executive recommends an All Funds appropriation of $38,650,000, an increase of $1,720,000 or 4.66 percent. The entire increase is for maintenance of State-operated facilities; no increase is proposed for capital improvements at voluntary operated community-based chemical dependence agencies.

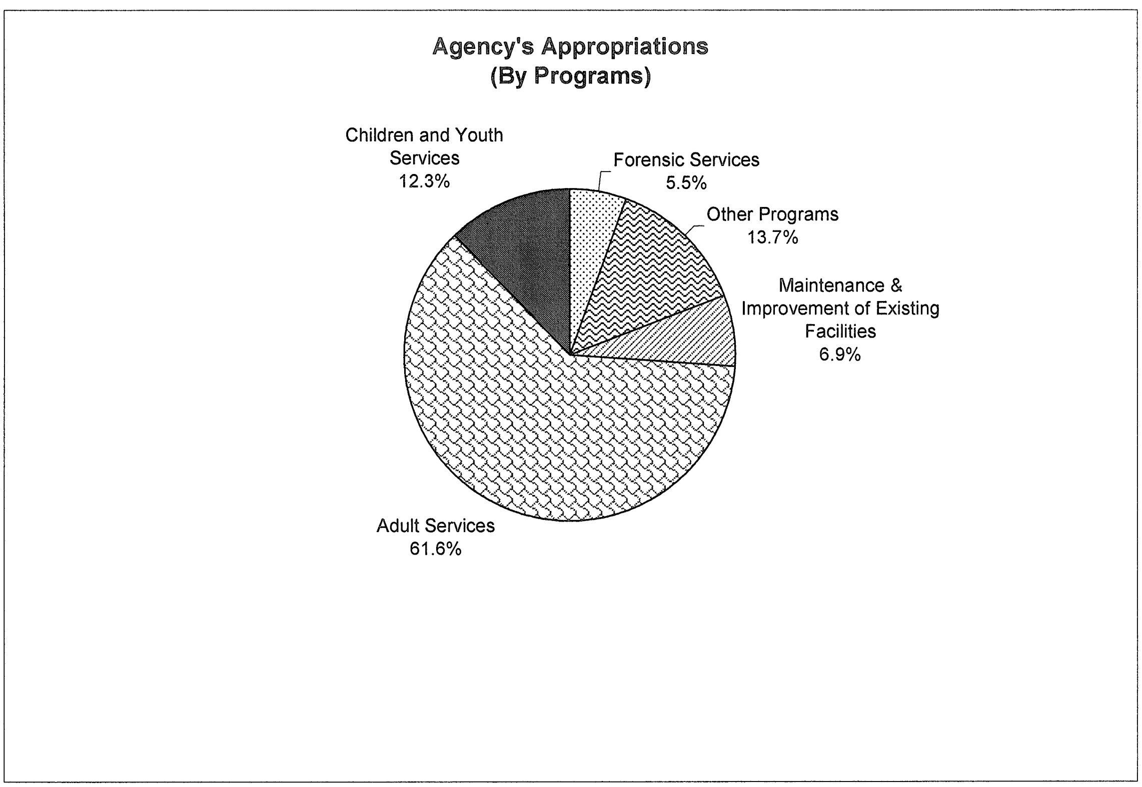
OFFICE OF MENTAL HEALTH

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	1,387,107,000	1,361,134,000	(25,973,000)	-1.9%
Special Revenue-Other	587,360,000	684,481,000	97,121,000	16.5%
Special Revenue-Federal	42,401,000	41,856,000	(545,000)	-1.3%
Capital Projects Fund	43,010,000	43,010,000	0	0.0%
Mental Hygiene Capital Improvement Fund-389	95,785,000	220,804,000	125,019,000	130.5%
Internal Service Fund	2,466,300	2,509,000	42,700	1.7%
Enterprise	8,367,000	8,349,000	(18,000)	-0.2%
Total for AGENCY SUMMARY:	**2,166,496,300**	**2,362,143,000**	**195,646,700**	**9.0%**



* 2001-02 through 2003-04 reflect enacted appropriations.
* 2004-05 reflects the Executive adjusted appropriations.
* 2005-06 reflects Executive recommended appropriations.


Agency's Revenue Sources
(By Funds)
Mental Hygiene Capital Improvement Fund-389
9.3%
Other Funds
4.1%
Special Revenue-Other
29.0%
General Fund
57.6%


Agency's Appropriations
(By Programs)
Children and Youth Services
12.3%
Forensic Services
5.5%
Other Programs
13.7%
Maintenance & Improvement of Existing Facilities
6.9%
Adult Services
61.6%

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	16,184	16,212	28
All Other Funds:	523	523	0
TOTAL:	**16,707**	**16,735**	**28**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 119 - 127)

The Office of Mental Health (OMH) administers an extensive, statewide mental health network of State-operated and community-based services. The agency provides direct care to patients in 27 of its 28 State operated facilities: seventeen serve adults, six serve children, three forensic facilities provide diagnostic and treatment services to persons involved with the criminal justice system, and one of OMH's two research facilities also provides inpatient treatment. This system provides inpatient services to approximately 7,600 persons each year and outpatient services to another 37,000 individuals. OMH provides other community-based services in addition to outpatient clinical treatment, including community residences, residential care centers for adults and children, case management and supportive employment. More than 2,500 not-for-profit, municipal and proprietary mental health service providers, in communities across the State, address the mental health needs of approximately 630,000 adults and children each year. All community-based providers – other than those licensed by another State agency, such as the Department of Health -- are licensed and monitored by the Office of Mental Health. The Executive projects a workforce of 16,735 Full-Time Equivalent (FTE) positions by the close of State Fiscal Year (SFY) 2005-06, a net increase of 28 positions from SFY 2004-05 levels.

Although the Governor does not propose any bed closures during SFY 2005-06, he does propose closing the Middletown Psychiatric Center (PC) on April 1, 2006. Fixed cost savings associated with the closure would be used to fund new State-operated community-based services in the Middletown PC catchment area. Patients would be transferred to the Rockland PC, located about 45 miles away. Of the 356 current FTE positions, 59 would continue providing outpatient services at the Middletown location, 119 would staff new State-operated community expansion and 178 would transfer to Rockland PC.

During SFY 2004-05, OMH began limited implementation of a new Personalized Recovery Oriented Services (PROS) program that extends Medicaid coverage to non-clinical, rehabilitation services as authorized by the federal Center for Medicare and Medicaid Services. Although OMH expects eventually to extend the PROS program statewide, the first phase will be in the form of a "pilot" operating in seven counties and including 24 mental health service providers.

The Governor is proposing a new $5,250,000 appropriation, funded from the Health Care Reform Act (HCRA), to support 3,500 new case management slots for Adult Home residents with mental illness. In a related action, the Executive proposes a $4,750,000 million appropriation in the Department of Health (DOH) for additional Adult Home initiatives for a total of $10,000,000. Other actions proposed in the Department of Health (DOH) and the Office of Children and Family Services (OCFS) would affect the provision of mental health services. OCFS funding in the amount of $2,340,000 would cover the 65 percent State share cost for 245 Home and Community Based Services mental health waiver slots for children at risk of foster care placement. Medicaid savings of $3,900,000 would be realized in the DOH budget through the elimination of Article 28 hospital mental health outpatient clinic specialty rates and the imposition of a Medicaid Utilization Threshold (MUTS) review process that would limit Continuing Day Treatment Program visits to 156 per year.

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

State Operations

The Executive recommends All Funds State Operations appropriations of $1,203,536,000, a net increase of $38,959,700 or 3.35 percent. The proposed State Operations General Fund appropriation of $587,210,000 reflects a net decrease of $52,936,000 or 8.27 percent. This net decrease is the result of two actions: an increase of $90,871,000 in the Patient Income Account Revenue offset that is reduced by an increase of $37,935,000 to meet funding requirements of State-operated programs. The Executive proposes the following changes in State Operations General Fund appropriations:

-- an increase of $28,885,000 resulting from personal service adjustments for contractual salary increases, structural adjustments from promotions and longevity enhancements, and overtime;

-- an increase of $11,500,000 for inflationary growth in the cost of pharmaceuticals and energy, extended warranties for equipment, and rent;

-- an increase of $2,000,000 for a new fingerprinting unit to support 18 FTE positions needed to process criminal background checks on new employees of community-based mental health agencies as required by recently enacted statute;

-- an addition of $1,850,000 for 22 new children's inpatient beds – 14 located at the Greater Binghamton Health Center and eight added on a temporary basis to the children's unit at the Richard H. Hutchings Psychiatric Center in Syracuse in response to the loss of community-based beds at the Four Winds Hospital;

-- a decrease of $4,800,000 reflecting the annualization of savings related to the closure of 100 adult, non-geriatric beds and 21 children's beds in SFY 2004-05;

-- savings of $800,000 realized by shifting nonpersonal service costs associated with the Research in Mental Illness program from the State budget to grants managed by the Research Foundation for Mental Illness, Inc.; and

-- a decrease of $700,000 through elimination of 10 funded vacancies in the Administration and Finance Program.

Aid To Localities

The Executive recommends an All Funds Aid to Localities appropriation of $894,793,000, a net increase of $31,668,000 or 3.67 percent, resulting from the following actions:

-- a net increase of $8,641,000 resulting primarily from increases for the upward adjustment of property "pass-through" costs for community residential placements, a trended increase to the rates of children's residential treatment facilities (RTF), and State share increases for community-based programs; this is offset by decreases from the transfer of funding for the compulsive gambling program to the Office of Alcoholism and Substance Abuse Services (OASAS) and the elimination of funding provided in SFY 2004-05 intended to lessen the impact on certain Article 28 hospitals from a Medicaid rate rebasing;

-- an increase of $8,022,000 to support new community bed development as approximately 600 scattered site supported apartments are opened;

-- an increase of $6,500,000 to raise the stipends for Supported Housing beds;

-- an increase of $6,000,000 to support targeted increases in payments to free-standing Article 31 outpatient clinics for adults and children to improve workforce recruitment and retention;

-- an increase of $5,250,000 in funding from the Health Care Reform Act (HCRA) in the Enhanced Community Services Program to support 3,500 case management slots for mentally ill residents of adult homes;

-- an increase of $4,800,000 related to the annualization of funds added in SFY 2004-05 for Community Mental Health Support and Workforce Reinvestment funds resulting from the closure of 100 adult, non-geriatric beds at State psychiatric centers and 21 beds at children's psychiatric centers;

-- a decrease of $4,000,000 as programs and services that were fully State funded are converted to Medicaid, thereby generating federal revenue;

-- targeted savings of $3,000,000 (annualized to $3,900,000 in SFY 2006-07) from reductions related to inefficient programs; and

-- a decrease of $545,000 resulting from technical changes to federal grant funds.

Capital Projects

The Executive recommends All Funds Capital appropriations of $263,814,000, a net increase of $125,019,000, or 90.07 percent. Included in this increase is an appropriation of $75,000,000, for the construction of beds for homeless mentally ill persons, including those in adult homes. Up to 80 percent of the funds require a dollar for dollar match by municipalities and/or not-for-profit agencies. Also included is an appropriation of $162,710,000 for various projects at State operated facilities. The remaining appropriations are for various administrative purposes including Executive Direction and Design and Construction Supervision.

Article VII

The Executive proposes Article VII legislation that would authorize the closure of the Middletown Psychiatric Center on April 1, 2006.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	884,172,000	916,910,000	32,738,000	3.7%
Special Revenue-Other	1,964,549,000	2,059,344,000	94,795,000	4.8%
Special Revenue-Federal	230,000	230,000	0	0.0%
Capital Projects Fund	49,864,000	56,257,000	6,393,000	12.8%
Mental Hygiene Capital Improvement Fund-389	39,272,000	80,023,000	40,751,000	103.8%
Internal Service Fund	150,000	150,000	0	0.0%
Enterprise	2,361,700	2,374,000	12,300	0.5%
Total for AGENCY SUMMARY:	**2,940,598,700**	**3,115,288,000**	**174,689,300**	**5.9%**

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	22,780	22,841	61
TOTAL:	**22,780**	**22,841**	**61**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 129 - 136)

The Office of Mental Retardation and Developmental Disabilities (OMRDD) administers a statewide system of care serving more than 125,000 persons with developmental disabilities, such as mental retardation, cerebral palsy, neurological impairment and autism, as well as their families. Services, provided directly by the OMRDD or by voluntary not-for-profit agencies, are coordinated regionally through 13 Developmental Disabilities Services Offices (DDSO) across the State. This system of care provides 36,000 persons with certified residential services and 65,000 persons with community day services.

In addition, 73,000 persons are provided with the assistance they need to continue living in their own homes. OMRDD expects to employ a workforce of 22,841, an increase of 61 full-time equivalent staff (FTEs) positions over State Fiscal Year (SFY) 2004-05 levels, some of whom will provide direct care in State operated institutional settings and community-based residential and day programs, while others license and regulate the network of more than 600 not-for-profit agencies that provide residential and day services.

The Institute for Basic Research in Developmental Disabilities was created by Chapter 912 of the Laws of 1958 to conduct studies into the causes, nature and treatment of mental retardation. In SFY 2003-04, the Governor proposed cutting virtually all funding for the facility. The Legislature restored the Institute's funding and passed legislation – subsequently vetoed by the Governor -- requiring a study focused on charting a future course for the Institute.

Instead the Governor issued Executive Order 129, establishing the Task Force on the Institute for Basic Research to make recommendations concerning the future of the Institute based on the future need for the State to operate such a facility. In its recently issued report, the Task Force recommends that the Institute remain open and continue to operate within the OMRDD network. The Executive proposes to continue full operation of the research facility in SFY 2005-06.

The NYS-CARES II program was introduced in SFY 2003-04 with the goal of adding new out-of-home residential placements, new day service opportunities, and new in-home support opportunities over three years. SFY 2005-06 is the program's third and last year and OMRDD plans the addition of 350 community residential placements, 70 day service opportunities, and 660 in-home family support opportunities. OMRDD began implementation of its new Options for People Through Services (OPTS) program in SFY 2004-05, approving more than 100 proposals to provide a broad range of services to more than 2,500 consumers and their families.

It is expected that OPTS will continue to grow in SFY 2005-06. The program was developed by OMRDD as an organized health care delivery system with OMRDD serving as the provider of record for purposes of billing Medicaid. The Medicaid reimbursement rate for State-provided services is higher than that for services provided by not-for-profit agencies. The resulting increase in federal reimbursement frees State aid to be used in funding services not eligible for Medicaid reimbursement. OMRDD is thereby able to make a broader array of community services available to its consumers, providing them with greater flexibility of choice.

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

<u>State Operations</u>

The Executive recommends an All Funds State Operations appropriation of $1,356,624,000, an increase of $52,002,300 or 3.99 percent. The change results from the following actions:

- an increase of $28,430,000 resulting from personal service adjustments for contractual salary increases, structural adjustments from promotions and longevity enhancements, and a 3.1 percent increase for nonpersonal service inflation;

- an increase of $10,880,000 in the provider of services assessment that generates Medicaid revenue;

- a $6,900,000 increase related to growth in the cost of utilities, pharmaceuticals and fuel;

- an increase of $3,770,000 associated with the opening of 30 Community Intensive Needs Home beds; and

- an increase of $2,010,000 for 61 FTE staff to enhance staffing at Intensive Treatment Units; and $12,300 to increase stipends for sheltered workshop employees.

Aid To Localities

The Executive recommends an All Funds Aid to Localities appropriation of $1,622,384,000, a net increase of $75,543,000 or 4.88 percent. The change results from the following actions:

- an increase of $11, 234,000 related to growth in the NYS-CARES program;

- an increase of $91,568,000 for voluntary operated intermediate care facilities (VOICF), Medicaid service coordination, home and community based services (HCBS) waiver programs, and transportation services, resulting from growth in enrollment and the effect of trended Medicaid increases, including the annualized cost of the SFY 2004-05 3.3 percent trend factor. The proposed SFY 2005-06 trend is comprised of two segments: all Medicaid providers would receive a 1.1 percent increase to their Medicaid rates while certain targeted providers would receive an additional 2.9 percent increase to help cover employee health care costs for a total trend factor of 4 percent;

- an increase of $1,350,000 to support a pilot program to serve children in kinship foster care and foster boarding homes in New York City, as well as an increase in funding for family care and community services;

- savings of $15,048,000 through maximizing Medicaid revenue for services that had been 100 percent State aid funded, recouping overpayments to New York City in the form of funding advances for family support and sheltered workshop programs, and more stringent screening for service eligibility; and

- further savings of $13,561,000, resulting from the conversion of three categories of services to Medicaid eligible models: voluntary operated community residences (VOCR) to the newer individual residential alternative (IRA) model, day treatment services to day habilitation, and respite services to waiver respite.

Capital Projects

The Executive recommends an All Funds Capital Projects appropriation of $136,280,000, a net increase of $47,144,000 or 52.89 percent. Appropriations for capital projects at voluntary operated community facilities increase by $5,867,000 while appropriations for maintenance of State-operated institutions increase by $38,812,000. The Executive proposes no major capital initiatives in SFY 2005-06 for OMRDD.

COMMISSION ON QUALITY OF CARE AND ADVOCACY FOR PERSONS WITH DISABILITIES

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	3,921,000	4,305,000	384,000	9.8%
Special Revenue-Other	3,901,000	4,269,000	368,000	9.4%
Special Revenue-Federal	11,400,000	7,249,000	(4,151,000)	-36.4%
Enterprise	45,000	45,000	0	0.0%
Total for AGENCY SUMMARY:	**19,267,000**	**15,868,000**	**(3,399,000)**	**-17.6%**

ALL FUNDS PERSONNEL
BUDGETED FILL LEVELS

Fund	Current 2004-05	Requested 2005-06	Change
General Fund:	34	46	12
All Other Funds:	56	59	3
TOTAL:	**90**	**105**	**15**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 137 - 142)

The Executive proposes consolidating the three-member Commission on Quality of Care for the Mentally Disabled (CQC) with the Office of Advocate for Persons with Disabilities (OADP) to form a new agency: the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD). The Governor proposes Article VII legislation to accomplish this merger as of April 1, 2005, believing that the functions and responsibilities of the two agencies complement and support each other. It appears, however, that the basic function, role and orientation of the new agency would be shifted away from a specific, though not exclusive, focus on protecting the rights of vulnerable mentally disabled persons to a more broadly defined role of providing information, referral and advocacy services to a broad range of persons with disabilities. CQC's role has been one of providing independent oversight of the three other 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). The Commission had described its primary mission as "... [monitoring] conditions of care in State institutions for the mentally ill and mentally retarded, licensed residential facilities and outpatient programs; [reporting] to the Governor and Legislature on how the laws and policies established to protect the rights of mentally disabled persons are being implemented; and [making] recommendations to ensure consistently high quality of care."

In State Fiscal Year (SFY) 2005-06, the CQCAPD would employ a staff of 105 to carry out the new agency's combined responsibilities. Those responsibilities range from operating information and referral services for persons with disabilities and overseeing training programs for persons who work with community members who are responsible for compliance with the Americans with Disabilities Act to investigating complaints of abuse and reports of injuries and deaths of persons served within the mental hygiene system.

The Commission is responsible for administering federally funded programs that protect and advocate for the rights of persons who fall into eight statutorily defined classes. The federal funds support agency staff as well as contracts with not-for-profit agencies to implement the following protection and advocacy programs: Protection and Advocacy for the Developmentally Disabled (PADD), Client Assistance (CAP), Protection and Advocacy for Individuals with Mental Illness (PAIMI), Protection and Advocacy of Individual Rights (PAIR), Protection and Advocacy for Assistive Technology (PAAT), Protection and Advocacy for Beneficiaries of Social Security (PABSS), Protection and Advocacy Help America Vote Act (PAHAVA) and Protection and Advocacy for Persons with Traumatic Brain Injury (PAPTBI). In addition to the foregoing monitoring and oversight activities, the Commission also monitors care provided to the approximately 11,200 seriously mentally ill persons residing in adult homes in New York State who represent nearly 40 percent of the 28,600 persons residing in adult homes. In addition, the Commission funds two contracts with not-for-profit agencies in New York City and on Long Island that provide legal and non-legal advocacy services to residents of adult homes. The Commission also 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.

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

State Operations

The Executive recommends All Funds State Operations appropriations of $15,157,000, a net decrease of $3,522,000 or 18.86 percent. The net change results from the following actions:

- increases totaling $797,000 associated with personal service adjustments for contractual salary increases, a one-time increase in nonpersonal service costs related to the consolidation of CQC and OAPD, increases in federal salary sharing revenues associated with the consolidation, increases in two federally funded programs: the Help America Vote Act program and the Traumatic Brain Injury program, and minor contractual adjustments; and

- decreases totaling $4,319,000, resulting from a technical adjustment to federal funding cycles that shifted appropriations from one fiscal year to another and the reclassification of the SFY 2004-05 Telework Grant as a re-appropriation.

Aid To Localities

The Executive recommends All Funds Aid to Localities appropriations of $711,000, an increase of $123,000 or 20.92 percent. The proposed increase reflects projected growth in the caseload of the Surrogate Decision-Making Committee Program.

Article VII

The Executive proposes Article VII legislation that would eliminate the Office of Advocate for Persons with Disabilities as a separate statutorily mandated entity and consolidate its functions with those of the Commission on Quality of Care for the Mentally Disabled to create a new Commission on Quality of Care and Advocacy for Persons with Disabilities.

MISCELLANEOUS: HEALTH & MENTAL HYGIENE

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
AGENCY SUMMARY				
General Fund	65,000,000	0	(65,000,000)	-100.0%
Total for AGENCY SUMMARY:	**65,000,000**	**0**	**(65,000,000)**	**-100.0%**

BUDGET HIGHLIGHTS

(Executive Budget: pp. 395-421)

State Operations

Miscellaneous Guarantee Appropriations

The Executive recommends no appropriation for the Medical Malpractice Insurance Association (MMIA), a decrease of $65,000,000 from State Fiscal Year 2004-05. Although the dissolution of assets for MMIA was finalized in 1999, appropriations were preserved until State Fiscal Year (SFY) 2004-05 until final federal approvals were attained and the State was free of liability.