

MANAGING MEDICAID: Reducing the Burden on Erie County's Taxpayers



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I. Introduction.

Erie County is projected to spend more than \$200 million on Medicaid in 2011. To address the inordinate cost to taxpayers that Medicaid poses, Erie County Executive Chris Collins, earlier this year, proposed the passage of a new state law that would allow counties to “opt-out” of non-mandated services provided under New York’s Medicaid program. Collins specifically cited services such as eyeglasses, hearing aids, dentures and dental care. Collins based his proposal on the premise that Erie County could save millions of dollars in costs if it opted out of the provision of such services. In issuing his proposal, Collins stated, “There isn’t a single family that can’t provide eyeglasses.”¹

Having traveled every corner of Erie County, talking to residents and hearing their concerns over burdening taxes, Mark Poloncarz understands the necessity of Medicaid’s services, but knows we must reduce costs to save taxpayers money and to ensure the fiscal stability of Erie County’s future. Mark has talked with families who cannot afford eyeglasses for themselves or their children and these families live, not only in the inner-cities, but also in the suburbs and rural areas. Chris Collins’ short-sighted call to eliminate vital services, rather than embracing cost-saving measures that other counties across New York State have seen proven results from, shows that he does not understand why Medicaid is such an expensive program, nor does he understand the vast array of Erie County residents that actually receive Medicaid benefits.

Mark Poloncarz understands that Erie County’s residents, especially our seniors, need a social safety net to provide quality, affordable health care but that the costs of such a program must be reigned in to manageable levels. This paper addresses the serious financial burden – a burden being footed by Erie County residents—that Medicaid in its current form represents. The Poloncarz campaign has examined the intricacies of Medicaid, as implemented in Erie County and identified evidence-based and innovative strategies used by county executives and other officials across New York State and the country.

Chris Collins has failed to even put a dent in addressing rapidly increasing Medicaid costs. Instead, he has focused on proposals that will not produce taxpayer savings and represent a serious misunderstanding of the costs posed by the program. Even more, his proposal has little chance of becoming law. Instead of making political statements on the backs of our working-poor, children, disabled and elderly, Mark Poloncarz will start reducing the taxpayer burden presented by Medicaid on day one of his first term. As county executive, Mark Poloncarz will reduce the cost of Medicaid by implementing proven programs and initiatives being used elsewhere – programs which will save Erie County’s taxpayers millions of dollars annually.

¹ Spina, Matthew. *Collins calls for fewer Medicaid benefits.* The Buffalo News, January 12, 2011.

II. What is Medicaid?

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services, as well as long-term care to more than 68 million people. Medicaid is jointly funded by the federal government and the states. Participation in Medicaid is voluntary for states. Currently, all states, the District of Columbia and the territories participate in the program. Each state designs and administers its own program, while following broad federal rules, but state variability is more common than not.² The estimated cost of the program was roughly \$381 billion in the Federal Fiscal Year 2009. In comparison, Medicare delivered health benefits to fewer people, 47.2 million, in Federal Fiscal Year 2010, but cost \$504 billion in Fiscal Year 2009.³

Medicaid was enacted in 1965 under the leadership of President Lyndon B. Johnson, as part of the Great Society. Medicaid came from the same legislation that created Medicare, another popular U.S. program. Pursuant to Federal Government requirements, states enrolled in Medicaid must extend eligibility to certain mandatory groups. Currently, these groups include:

- Poor families that meet financial requirements (based on family size) of the AFDC cash assistance program;
- Families losing Medicaid eligibility due to increased earnings from work who receive up to twelve months of Medicaid coverage;
- Pregnant women and children through age 6 with family income below 133% of the federal poverty level (FPL);
- Children ages 6 through 18 with family income below 100% FPL, rising to 133% FPL beginning in 2012 (or sooner at state option);
- Poor individuals with disabilities or poor individuals over age 64 who qualify for cash assistance under the SSI program;
- Certain groups of legal permanent resident immigrants (e.g. refugees for the first seven years after entry into the U.S.; asylees for the first seven years after asylum is granted; lawful permanent aliens with 40 quarters of creditable coverage under Social Security; immigrants who are honorably discharged U.S. military veterans) who meet all other financial and categorical Medicaid eligibility requirements;
- Beginning in 2014, certain individuals who age out of foster care, up to age 26, and do not qualify under one of the other mandatory groups noted above; and

² Baumrucker, Evelyne P. and Mitchell, Allison. *Medicaid: The Federal Medical Assistance Percentage (FMAP)*. Congressional Research Service, May 2011.

³ Herz, Elicia J. *Medicaid: A Primer*. Congressional Research Service, January 2011.

- Beginning in 2014, or sooner at state option, all non-elderly, non-pregnant adults with modified adjusted gross income (MAGI) below 133% FPL who do not qualify under one of the other mandatory groups noted above.⁴

The federal government pays a share of each state’s Medicaid costs, which is determined by the Federal Medical Assistance Program (FMAP) and varies by state and is determined by a formula set in statute by the Social Security Act. The FMAP formula compares each state’s per capita income relative to U.S. per capita income, and provides higher reimbursement to states with lower incomes. The statutory maximum is 83% and the statutory minimum is 50%. Table I below shows the Regular FMAP for New York State from Fiscal Year 2003 to Fiscal Year 2012.⁵

Table I: Regular FMAP for New York State from FY2003 to FY2012

FY03 (first 2 quarters)	FY03 (last 2 quarters)	FY04 (first 3 quarters)	FY04 (Last quarter)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
50.00	52.95	52.95	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00

New York’s Medicaid program represents the largest single component of the State’s budget. Since its inception, Medicaid expenditures have increased at a tremendous rate, putting a strain on state and local budgets. According to a report created by the New York State Senate Republican Task Force on Medicaid Fraud, from 2000 to 2008, the state saw Medicaid expenditures rise by 65%, while enrollment increased by more than 80%.

In some counties, Medicaid makes up more than half of the total county budget – in Chemung County, at the time of the Task Force’s report, Medicaid was 73% of the total county budget. With regard to overall spending for Medicaid, New York ranks number one nationally, with the next closest states, California, spending \$8.5 billion less and Texas spending \$29.5 billion less than New York.⁶

According to a report issued in February of this year, the U.S. Department of Health and Human Services says that in 2010, Medicaid “account[ed] for 17 percent of all hospital spending and is the single largest source of coverage for nursing home care, for childbirth and for people with HIV/AIDS.”⁷ Children comprise nearly half of all

⁴ Herz, Elicia J. *Medicaid: A Primer*. Congressional Research Service, January 2011.

⁵ Baumrucker, Evelyne P. and Mitchell, Allison. *Medicaid: The Federal Medical Assistance Percentage (FMAP)*. Congressional Research Service, May 2011.

⁶ *Combating Medicaid Fraud in New York State*. The Senate Republican Task Force on Medicaid Fraud, March 2010.
<http://www.nysenate.gov/files/pdfs/o317.Combating%20Medicaid%20Fraud%20in%20NYS.pdf>

⁷ Medicaid Cost-Savings Opportunities. U.S. Department of Health and Human Services. February 3, 2011. <http://www.hhs.gov/news/press/2011pres/02/20110203tech.html>.

Medicaid recipients, but only 20 percent of the costs are attributed to them. By contrast, people with disabilities and the elderly account for approximately 18 percent of the enrollees, but comprise almost 66 percent of the total cost. In fact, Health and Human Services Secretary Kathleen Sebelius recently noted, “Just one percent of all Medicaid beneficiaries account for 25 percent of all expenditures.”⁸ Additionally, the non-partisan Kaiser Commission on Medicaid and the Uninsured reported in January 2011 that 5 percent of all Medicaid recipients account for 54 percent of all Medicaid spending.⁹

Why do so few recipients account for more than half the cost? Medicaid is a program that provides medical and nursing care for those who cannot provide for it themselves. The vast majority of Medicaid expenses do not go toward paying for eyeglasses or dental care for families like Chris Collins believes, rather for long-term care for the elderly or individuals with disabilities.

For example, according to the Kaiser Commission’s report, 15 percent of Medicaid enrollees are also eligible for Medicare. However, because many of those enrollees rely on Medicaid to provide services and benefits that Medicare does not, including long-term care, they still account for 40 percent of Medicaid spending. In fact, while Medicaid spending per capita for families and children in 2009 averaged \$3,442, it was more than five times greater for the elderly and disabled at \$17,763.¹⁰

In Erie County, total annual federal, state and county expenses related to Medicaid is over \$1 Billion, with the County projected to pay approximately \$217 million in 2011. Similar to national trends, the majority of these expenses are related to providing medical services to the elderly and people with significant disabilities.

Either in our own family or that of a friend, each of us knows a senior who cannot afford long-term care and needs Medicaid to help with bills. Mark Poloncarz experienced this when his family turned to 24-hour nursing care for his late grandmother. Mark’s family could no longer take care of her in the home she and his late grandfather owned for nearly 50 years. His family had no choice but to move her into an acute care facility, sell her home to pay for the costs of her stay and when the proceeds of her house sale were exhausted, seek Medicaid assistance to pay for future living expenses. The Poloncarz family, like many across Erie County, is truly grateful that Medicaid was available to pay for the costs of his grandmother’s stay during her final days. If not for Medicaid, the Poloncarz’s would have been at a loss for where to turn financially for health care.

⁸ Sebelius outlines state flexibility and federal support for Medicaid – Full Letter. U.S. Department of Health and Human Services. February 4, 2011. <http://www.hhs.gov/news/press/2011pres/01/20110203c.html>.

⁹ Key Questions about Medicaid and Its Role in State/Federal Budgets and Health Reform. Kaiser Commission on Medicaid and the Uninsured. January 2011. <http://www.kff.org>.

¹⁰ Id.

Mark's family story is like so many others – Medicaid provides the means for our elderly and disabled family members to live a quality life, even when the family cannot provide otherwise. Mark understands that we must examine all facets of Medicaid in an effort to rein in costs. His deep understanding of the issues affecting Medicaid is why he was invited to appear before Governor Andrew Cuomo's Medicaid Reform Task Force when it was in Buffalo earlier this year. Mark highlighted the progress the Comptroller's office, under his leadership, is achieving to prevent waste, fraud and abuse and promote efficiency in Medicaid.

Eliminating services for our working poor and others who cannot afford the same care and benefits that Chris Collins and his neighbors enjoy has become representative of Collins' first term in office. Eyeglasses, dentures, hearing aids and dental care may be an easy target politically for Collins, but it does not begin to scratch the surface of the soaring costs of Medicaid. If we are to seriously address the costs of Medicaid, considering the vast majority of Medicaid expenses are spent on the elderly and disabled for services we want our family members to have, we will only start to see significant reductions when we reduce the overall cost of providing long-term health care in our country. In the meantime, we can see significant reductions if we target the costs we can control or expose waste and fraud in the system, actions that are not being done in Erie County now.

III. The Wrong Way to Combat Medicaid Costs.

Like Chris Collins, Congressional Republicans have proposed misguided cuts and structural changes to Medicaid. Currently, in the face of these unpopular budget reduction and structural altering proposals, which are being led by Representative Paul Ryan from Ohio, Americans have raised their concerns over cuts to Medicaid, Medicare and Social Security. The Republican proposals are not popular among Americans.

In fact, a Kaiser Health Tracking Poll from May 2011 shows that only 13% of Americans said they would support major reductions in Medicaid spending, while just 3 in 10 Americans said they would support only minor reductions. More than half, 53%, say they want no reductions at all. Furthermore, a portion of the Republican proposal calls for turning Medicaid into a Block Grant Program. According to the Kaiser Health Tracking Poll, Americans prefer the current structure compared to a block grant system by a nearly two-to-one margin. 60% say they want to keep the Medicaid program the way it is.¹¹

Furthermore, 79% of Democrats and 60% of Independents feel that Medicaid should be kept the same, guaranteeing coverage and setting minimum standards for benefits and eligibility.¹²

The Kaiser Health Tracking Poll shows that the public's resistance to changing Medicaid has to do, in some part, to a personal connection to the program. Like Mark, many Americans realize the value of the program because one of their family members or friends has turned to Medicaid in a time of need.

The Kaiser Health Tracking poll also showed over 70% of Americans feel that Medicaid is important simply because it exists as a safety net to protect low-income people who cannot afford health care.¹³ This confirms that a vast majority of Americans reject the wholesale cutting of Medicaid.

Closing Public Health Clinics Reduces Access, Increases Costs to Taxpayers

At the same time that other New York State counties were opening public health clinics, like Chemung County which opened its Priority Community Healthcare Center saving its taxpayers over \$2 million in the first year alone, Chris Collins closed two (2) important health clinics in Buffalo: The Jesse Nash Health Center and the Dr. Matt Gajewski Human Services Center.

¹¹ Kaiser Health Tracking Poll. The Henry J. Kaiser Foundation. May 2011.
<http://www.kff.org/kaiserpolls/upload/8190-F.pdf>

¹² Id.

¹³ Id.

Collins chose to close these clinics even though they were well run, provided high quality healthcare to their clients, and most importantly, were cost effective. In his 2010 budget message, Collins stated: “Erie County currently provides non-mandated clinical services for primary care, dental, podiatry and women’s health. Providing these non-mandated clinical services is not the mission of our Health Department.”

It is interesting to note that shortly after Collins’ decision to cut funding for clinical services, community wellness and public health services, Erie County Department of Health Commissioner Anthony Billittier produced a report entitled “2010-2013, Community Health Assessment,” which in part discussed a need for more clinical programs and funding across the board to combat public health issues in economically depressed areas and to be used as a cost control mechanism.

Closing these clinics flies in the face of the Health Commissioner’s recommendations, lowering costs by providing primary and preventative care, and is particularly vexing since these clinics operate in the black and are not a financial burden to the County or local taxpayers.

The cost to operate the clinics were funded through payments from patients’ insurance or reimbursed to the county through state and federal grants. According to a memorandum provided to the Erie County Legislature from the Erie County Comptroller’s Office on January 27, 2010, the total cost of operating these clinics was approximately \$2.3 million, while they would generate more than \$3 million in revenue in 2010.¹⁴ In previous years, the clinics posted budget surpluses and were expected to even cover the clinic employees’ future legacy costs.

These clinics provided critically-needed primary care medical services, pediatrics, family planning, dental, obstetric, and podiatric care for over 10,000 county residents, particularly women, teens, and seniors, who otherwise would not have easy access to health care. According to the 2009 Adopted Budget, the last year performance indicators for ‘clinical services’ were provided, it was estimated that County clinics would see approximately 28,000 visits in 2009, including thousands of visits related to prenatal and pediatric care.¹⁵

Additionally, Collins’ decision to close these clinics has lead to clients to seek primary health care from private sector entities, including hospital emergency rooms, which in turn leads to dramatically higher costs to the taxpayers. According to the Medical Expenditure Panel Survey, the typical cost of an Emergency Room visit was \$569 nationally – while anecdotal evidence suggests a typical visit costs closer to \$500 in Erie

¹⁴ Memorandum Re: Health Clinic Funding, Office of the Erie County Comptroller, January 2010.

¹⁵ 2009 Erie County Adopted Budget, December 2008.

http://www.erie.gov/exec/public/pdf/budget09_bookA_adopted.pdf

County, NY – compared to an estimated \$84 per visit for the public health clinics closed by Chris Collins.¹⁶

Furthermore, many of the clinics patients were told to use the facilities at the former Sheehan Memorial Hospital for primary care, a facility which has a history of financial troubles and which recently could not meet its employees' payroll thereby putting at risk the facility's ability to service former county patients

Flawed Plan to “Opt-Out” of Non-Mandated Services

Contrary to what most Americans believe, earlier this year, Erie County Executive Chris Collins called on New York State to reform its Medicaid program by allowing counties to opt-out of non-mandated services. According to Collins, Erie County's 2010 local share of Medicaid was approximately \$201 million. Collins went on to say that by comparison, Erie County's property tax levy in 2010 was \$211 million.

Collins told reporters that nearly 96% of the County's entire property tax levy went to pay for Medicaid costs and Erie County's Medicaid tab will increase by \$6 million in 2011. Collins said that New York provides all but two of the federal Medicaid options. In total, Collins said these optional services cost Erie County taxpayers alone an additional \$250 million in state and local Medicaid share payments, though he never released the data proving such statement.¹⁷

Rather, than proposing real solutions that can start to lower costs for Erie County taxpayers immediately, Chris Collins chose to hold a press conference to introduce legislation that has little chance of becoming law, will in all likelihood not reduce expenses dramatically, but would reduce the services provided to our most needy citizens. In the end, instead of going after large scale provider fraud or reducing primary care costs, Collins proposed taking away eye glasses, dentures and hearing aids from needy seniors and children.¹⁸

Mark Poloncarz rejects the Collins and Washington Republican plans. Mark believes “opting-out” is short-sighted and highlights the confusion many have about who receives Medicaid and why it is so expensive. While children comprise nearly half of all Medicaid recipients, only 20 percent of the costs are attributed to them. By contrast, people with disabilities and the elderly account for about 18 percent of the enrollees but comprise almost 66 percent of the cost. Medicaid provides the means for our elderly

¹⁶ Average Cost for Hospital ER Visit. Medical Expenditure Panel Survey. 2008.
http://www.consumerhealthratings.com/index.php?action=showSubCats&cat_id=274

¹⁷ State legislators join Collins in push for “opt-out” Medicaid legislation. January 2011.
<http://www.erie.gov/exec/?news/state-legislators-join-collins-in-push-for-opt-out-medicaid-legislation.html>

¹⁸ Id.

and disabled family members to live a quality life even when the family could not provide otherwise.

IV. Proven Practices to Reduce the Cost of Medicaid.

In the face of deep budget cut proposals to programs like Medicaid, Medicare and Social Security, Americans are speaking out against what they believe to be unfair reductions to programs that provide health and well-being to themselves and their families and friends. The Kaiser Health Tracking Poll referenced above concludes that, like Medicare, Americans show personal connections to Medicaid and have a strong sense of the program's importance.

Talking with residents all over the county, Mark Poloncarz has heard similar sentiments concerning Medicaid. He knows that people are not upset over the services provided by the program; rather people want costs controlled by implementing efficiency and rooting out waste, fraud and abuse. Mark understands the importance of lowering costs and knows what facets need to be addressed in order to reduce the burden.

Chris Collins continues to focus on meager aspects of Medicaid that will produce little cost savings, but Mark Poloncarz has been studying this issue for years and recommending proven programs that are ensured to lower costs – Chris Collins has ignored these recommendations, while County Executives across the state have been working to create more efficiency and reducing waste, fraud and abuse.

Since 2005, New York State and county governments have increased their attention and efforts on reducing Medicaid fraud and abuse through a range of initiatives and approaches. In 2005, concurrent to the development and implementation of the State Medicaid Cap to help limit the annual growth in the county share of Medicaid expenses, the New York Association of Counties (“NYSAC”) announced a partnership with IBM to help member counties identify and limit Medicaid waste, fraud and abuse. The initiative developed, called VERIFY-NY, was a data-mining solution that identifies irregular billing by Medicaid providers. Similarly, Salient Management developed a software product named Muni-Minder Medicaid Module (Muni-Minder) which tracks Medicaid expenses and provider billing in an effort to determine possible waste, abuse or overbilling.

Additionally in 2005, as part of New York State's 2005-2006 Budget, the Legislature and Governor signed the Medicaid Reform Act into law. This legislation included provisions allowing the State and county governments, as administrators and funders of Medicaid, new mechanisms to help prevent waste, fraud and abuse. Among the reforms, the State allowed counties to apply to the New York State Department of Health (“NYSDOH”) to participate in ‘Demonstration Projects.’ Under the projects, counties would use VERIFY-NY or Muni-Minder-generated data to investigate anomalies for potential provider fraud or overbilling.

Twelve (12) counties including Albany, Broome, Chautauqua, Dutchess, Erie, Monroe, Nassau, Orange, Rensselaer, Rockland, Suffolk and Westchester and New York City have requested and were granted permission by NYSDOH to become demonstration projects. Several other counties (Chemung, Onondaga and Ulster) have used Muni-

Minder to mine data without participating in the State demonstration project. While Erie County is part of the demonstration project, as will be described herein, the County has received no benefit as the Collins Administration refuses to work with our partners in state government to identify Medicaid fraud, waste or abuse.

Creation of New York State Office of Medicaid Inspector General

In June 2006, the Governor signed into law legislation amending the public health law and social services law which established the Office of the Medicaid Inspector General (“OMIG”). Among the provisions of this legislation (S.8450) was language allowing county departments of social services the ability to participate in a Medicaid anti-fraud investigation and to receive/collect damages when referring the alleged criminal or civil violation to the Medicaid Inspector General and ultimately the Attorney General’s Medicaid Fraud Control Unit for possible prosecution. This gave counties in New York State two options for working with the State on Medicaid anti-fraud initiatives: through the Demonstration Project process or by working directly with OMIG.

Erie County Comptroller’s Review of Medicaid Anti-Fraud Processes

In June 2009, the Erie County Comptroller’s Office, led by Mark Poloncarz, conducted a review of Erie County’s Medicaid anti-fraud processes due to the fact that little progress appeared to be made towards addressing the Medicaid fraud by the County. The review noted that since late 2005, Erie County administrations have been pointing to the potential to recover millions of dollars from Medicaid anti-fraud revenue recovery measures with little to no progress to show for the efforts.

Although the Office of the Medicaid Inspector General announced that the State had recouped \$551 million in improperly paid Medicaid funds in the past year, Erie County has seemingly not realized any savings or expense reductions.

In 2005, then-County Executive Joel Giambra announced that the County would be participating in the VERIFY-NY program and also signed a memorandum of understanding with NYSDOH to participate in the State’s Demonstration Project. However, approximately a year later the Giambra Administration determined that the county should pursue anti-fraud initiatives and recovery by dealing directly with OMIG rather than through the demonstration project process.

In June 2009, after the Erie County Comptroller’s office inquired about the apparent lack of Medicaid anti-fraud activities, it was revealed that the County’s efforts in coordination with OMIG were at a standstill and the County’s three chosen vendors had withdrawn from the initiative. In fact, the Collins Administration neither worked with OMIG nor re-entered the demonstration project with NYSDOH. In fact, the Collins Administration has done little in the past four years to attack the problem of waste, fraud or abuse of Erie County’s Medicaid program, while continually citing increased costs associated with administering the program as the root cause of the County’s economic troubles.

Currently, the Poloncarz Campaign is unaware of any further progress made by Erie County in pursuing Medicaid anti-fraud activities.

Other Counties Successes

Other counties that are still participating in the Medicaid Fraud Waste and Abuse Demonstration Project that Erie County joined and subsequently quit have had substantially different results. In November 2010, both Monroe County and New York County, in conjunction with OMIG, announced substantial refund checks as a reward for their fight against Medicaid fraud and abuse.

To date, Monroe County has identified nearly \$12 million in Medicaid claim overpayments made to local providers, with OMIG taking action to successfully recover more than \$4 million. Monroe County's local share of these collections amounted to \$515,745. New York City was presented with \$278,642, which represents their local share of more than \$10 million in Medicaid funds recovered over the past three years.

In Chemung County, New York, Medicaid costs were reportedly 73% of the total county budget. Republican County Executive Thomas Santulli proposed opening a Medicaid Health Center designed to control costs and to serve as a primary care office for Medicaid recipients. Santulli opened the Priority Community Healthcare Center in March 2010 and the center has provided intensive case management in an effort to reduce costs and increase services. Medicaid is a program that is often riddled with fraud and abuse, and Chemung County officials believed that by managing Medicaid use and serving as a point of entry for Medicaid patients, there would be a reduction in misuse, fraud and overuse, and an increase in quality of care.

Like many places across the country, including right here in Erie County, Chemung County taxpayers were footing the bill for Medicaid patients to use the emergency room for primary care. It was predicted by Chemung County that twenty-five percent of the 4,000 Medicaid patients who would use the Medicaid Center, visited the emergency room more than 12 times in 2009.¹⁹

The reason this center was created was because Chemung County needed a solution to their high Medicaid costs, but officials understood that they must not only control spending, but health outcomes had to be improved as well. Chemung County officials developed a plan to create a Patient Centered Medical Home Model devoted to serving only the Medicaid population. They also entered into a contract with Salient Management Company to develop software solutions that support the creation of non-traditional intervention strategies and develop metrics necessary to evaluate the impact of the model on Medicaid costs and health outcomes.²⁰

¹⁹ Zick, John. Medicaid center opens in Elmira. *The Leader.com*, March 2010.

²⁰ Salient Management Company. Chemung County Medical Home Strategy & Development. February 2011.

Over a year after the Medicaid clinic opened in Chemung County, officials could point to real results and savings for taxpayers. The clinic produced approximately \$2 million in savings as a primary-care base for 3,000 Medicaid recipients. The savings came from fewer hospital and emergency room visits by Medicaid patients, as well as an increase in disease management. Chemung County, during their one-year review, identified a twenty-seven percent decrease in hospital spending and a thirty-five percent savings in emergency room spending.²¹

Chemung County Executive Santulli believes that the Medicaid Clinic will produce \$2 million in annual savings and said that he believes the county could realize in excess of \$4 million if New York State allows them to fully implement their overall plan titled, “Chemung County Accountable Care Plan,” which was presented to Governor Cuomo’s Medicaid Redesign Team.²²

More Problems, Further Innovation

A problem running rampant within Medicaid is provider or vendor fraud. The New York State Senate Republican Task Force on Medicaid Fraud defined fraud as a moving target and discussed prevention as the most efficient way to combat fraud. Some common forms of fraud could be false claim schemes and excessive or inappropriate testing. In one case, a New York City-based operation between home health agencies, home health aides and a home health training school collaborated in producing bogus certificates for health aides who lacked the proper training mandated by law. This resulted in millions of dollars in illegal Medicaid billing.²³

In January 2011, New York State Attorney General Eric Schneiderman settled with a downstate organization, The Young Adult Institute, who was paying exorbitant salaries to its executives. Scheiderman’s office explained that each year, the Young Adult Institute submitted requests to the New York State Office for People with Developmental Disabilities, seeking funding for losses incurred to operate its programs. The amount of such rate appeals, or whether The Young Adult Institute was eligible to receive any adjustment at all, is based on an annually submitted Consolidated Fiscal Report. Over the past 10 years, The Young Adult Institute received more than \$8 million in additional funding from Medicaid.

²¹ Zick, John. Chemung Medicaid clinic produces savings. *The Leader.com*, April 2011.

²² “Medicaid Medical Home Realizing Positive Results in First Year.” www.chemungcounty.com. April 2011.

²³ *Combating Medicaid Fraud in New York State*. The Senate Republican Task Force on Medicaid Fraud, March 2010.
<http://www.nysenate.gov/files/pdfs/0317.Combating%20Medicaid%20Fraud%20in%20NYS.pdf>

Starting in at least 1999, The Young Adult Institute artificially inflated the expenses on its annual Consolidated Fiscal Reports to the state. This allowed them to receive additional funding that they were not entitled to receive. Specifically, they allocated the expenses related to certain employees to programs and sites at which those employees never worked. Schneiderman's office said the company listed high level administrative staff as clinic social workers, and improperly categorized fundraising expenses. This was all done in an attempt to inflate expenses and extract more money from the Medicaid program.

Schneiderman's office began their investigation after a whistleblower filed a complaint alleging that The Young Adult Institute had improperly inflated its expense reports. The allegations turned out to be true and in a settlement reached The Young Adult Institute agreed to pay \$18 million in damages. \$10.8 million will be returned to the New York State Medicaid program.²⁴

Mark's Record on Combating Medicaid fraud

As County Comptroller, Mark Poloncarz's routine reviews of invoices revealed vendor fraud and overpayments that Erie County taxpayers were financing. During a routine review of vendor payment requests from the Department of Social Services ("Social Services"), the Comptroller's Office observed a number of Traumatic Brain Injury ("TBI") vendor invoices for four (4) patients with repeated, routine travel to and from two Indian reservations for the purpose of purchasing tax-free cigarettes. The Comptroller's Office provided to Social Services Commissioner Carol Dankert copies of the invoices which showed that one patient visited a reservation twenty-five (25) times in a six (6) month period. Another patient visited a reservation fifteen (15) times in a three (3) month period to purchase cigarettes. All of these payment requests were originally authorized for payment by Collins' Social Services Department.

The Comptroller's Office also identified another payment request for a TBI client for a trip to and from Rochester to eat at the Dinosaur BBQ restaurant – a payment request which Collins' Social Services Department had previously authorized paying.

In March 2010, the Comptroller's Office repeatedly attempted to obtain details about the TBI program and mileage reimbursement from Social Services. However, after weeks of not responding to the Comptroller's Office, the Social Services Commissioner finally asserted that she was not in charge of the program, did not know specific details about the program and limits on travel, and could not comment. She referred the Comptroller's Office to a private vendor which manages the TBI program. However that vendor, Headway, declined to speak with the Comptroller's Office and referred them to the NYSDOH.

²⁴ Karlin, Rick. Schneiderman settles Medicaid case with provider. Capitol Confidential. January 2011. <http://blog.timesunion.com/capitol/archives/53882/schneiderman-settles-medicaid-case-with-provider/>

Under Mark's leadership, the Comptroller's Office refused to pay the claims until Social Services confirmed that the claims were valid under New York State law. He took issue with the fact that Social Services authorized the vendor payments for such questionable travel to the reservations for purchases of cigarettes or to Rochester to a restaurant. It is almost certain that this sort of situation had been occurring for quite some time. Eventually, NYSDOH provided the Comptroller's Office with a memo proving that the County should have been rejecting payment requests for any transportation services related to "vice" actions: purchase of cigarettes, going to casinos, race tracks or exotic dance establishments, and out-of-area travel for items that could be procured locally.

It was Mark Poloncarz's Comptroller's office that identified the questionable claims the Collins Administration failed to act upon until after the fact. Mark understands that given the fiscal climate in this state and community, Erie County taxpayers cannot afford to pay for such questionable costs and subsidize unhealthy behavior by Medicaid clients.²⁵ As County Executive Erie County residents can expect much stronger leadership and proficiency from Mark and his commissioners, including enforcing the current rules and not paying for services that are not reimbursable under Medicaid.

²⁵ Poloncarz comments on Medicaid Traumatic Brain Injury Vendor Payments. Office of the Erie County Comptroller. April 2010. <http://www2.erie.gov/comptroller/index.php?q=4510-poloncarz-comments-medicaid-traumatic-brain-injury-vendor-payments>.

V. The Poloncarz Plan.

Mark Poloncarz understands that to combat the high cost of Medicaid you have to address the root problems of the program: reducing the costs associated with delivery of Medicaid services and going after the fraud that inevitably exists in the system. While places like Chemung County were creating innovative ways to keep track of Medicaid spending and reduce costs for taxpayers, Chris Collins was eliminating county health clinics in the neighborhoods where a large portion of Erie County's Medicaid patients live. While Monroe County was working with OMIG and NYSDOH to recover millions of dollars from fraudulent Medicaid providers, Erie County did nothing.

There are real solutions to solving Erie County's Medicaid cost problems and lowering the burden on county taxpayers. As evident from his exposure of the wasteful spending in the Medicaid TBI program, Mark Poloncarz is determined to reduce the cost of Medicaid for Erie County's taxpayers. Mark has served as the county's independent taxpayer watchdog since 2006 and proposed common sense solutions that have saved taxpayers millions of dollars, cut out fraud, waste and abuse and provided recommendations for doing the same across various social service programs.

As such, as County Executive Mark Poloncarz will implement a two-part plan to reduce the cost of Medicaid: (1) expose provider fraud contained in the system by using current County Social Service resources to create a new Erie County Medicaid Inspector General division to work with our partners in government and the private sector to identify the fraud and recover said fraudulent payments; and (2) reduce the cost of providing basic health care services to Medicaid recipients, especially women and children, through the creation of the Erie Community Healthcare Office.

1. Creation of Erie County Medicaid Inspector General Unit.

In Erie County, over \$1.4 Billion is spent annually on Medicaid. While the current County Executive complains about the soaring costs and the effect they are having on the County, his only answers are to cut services to needy families and blame New York State. While Medicaid is a valuable health care tool for many in our community, the program certainly contains waste and is often riddled with fraud.

Given new state mechanisms allowing counties to conduct systematic and large-scale anti-fraud investigations of Medicaid providers, Mark Poloncarz strongly believes Erie County should be aggressively moving forward on such initiatives. Mark has a proven track record as Comptroller of exposing the waste, fraud and abuse of Erie County's taxpayers hard earned tax money and he believes Erie County should be taking the lead in these investigations. Instead, under the current County Executive, it appears we have barely left the starting line.

As County Comptroller, Mark turned his Office's Audit Division into an inspector general-like department in his efforts to root out, waste, fraud and abuse of county tax-dollars. As County Executive, Mark will re-engineer the Department of Social Services'

Special Investigation Division and other County divisions to be like a County Office of Medicaid Inspector General. That division will be tasked with working with our partners at OMIG, NYSDOH and the private sector to identify provider fraud and then assist OMIG and the New York State Attorney General's Office in the recovery of improper payments.

Erie County should be a leader in the prevention of Medicaid fraud; unfortunately it is now doing virtually nothing to stop Medicaid fraud. Poloncarz will employ the same investigative techniques he uses as the taxpayers' watchdog to the office of county executive. As executive, Poloncarz will work tirelessly to ensure taxpayers are protected through the vigilant review of all recipient and provider claims and partner with others, using methods proven to be successful elsewhere, to recover improper payments.

2. Creation of The Erie Community Healthcare Office (ECHO).

In his first term, Mark will work toward the creation of the Erie Community Healthcare Office, which will serve as a point of entry for Medicaid patients. Such a clinic could be placed in the former premises of one of the previously closed health clinics, thereby saving taxpayers money by using currently owned County facilities. Instead of Medicaid recipients going to a hospital emergency room for basic health care services, recipients will go to the clinic. Instead of Medicaid patients ignoring basic checkups and preventative care, the County will monitor recipients' health care for better disease management, thereby leading to decreased costs. In the end, such a center would reduce program misuse, fraud and overuse while providing quality care, and, as was the case with the clinics which were previously closed, make money for the people of Erie County. Moreover, as it has in Chemung County, it will save millions of dollars per year by controlling costs presently beyond the control of county government.