

IN THE SPOTLIGHT: Meet Erika Williams, the new financial services officer at Hudson River Community Credit Union. **13**



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Business wants 'aggressive pursuit' of Medicaid reform by redesign team

BY BARBARA PINCKNEY
THE BUSINESS REVIEW

The state budget Gov. Andrew Cuomo will release Feb. 1 is expected to include at least \$2 billion in Medicaid cuts.

But the process will be very different than in the past. Rather than slashing reimbursement, the governor has a Medicaid Redesign Team looking for ways to make the program—where expenses average \$1 billion a week—more efficient.

The group's initial report, with recommendations for fiscal 2011-12, is due March 1. In the meantime, it is holding public hearings and soliciting suggestions online.

Health care experts applauded the move as an opportunity to open the process and make some long-needed changes.

But they also questioned the team's ability to meet its goals given the time constraints and the battles that could erupt next week.

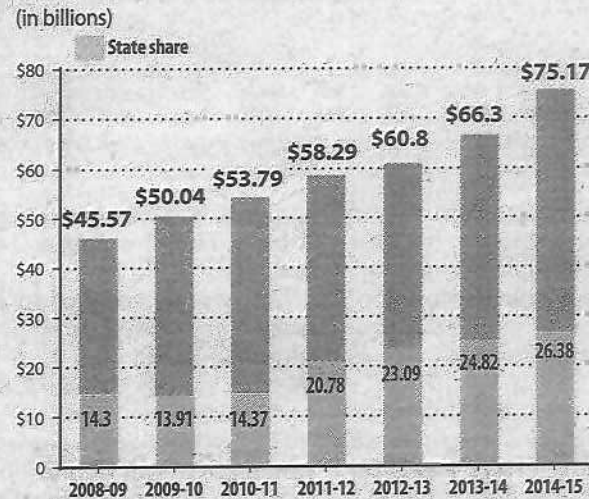
"I don't think people realize just how big the numbers will be," said Gary Fitzgerald, president of the **Iroquois Healthcare Alliance**, a Clifton Park-based group of 57 up-state hospitals. "When the budget comes out reality will set in. That is when the fun will start."

The fact is that just about everyone has a stake in the outcome of the team's work, whether as a patient, a provider, an insurer, an employer or a taxpayer.

"That is why the aggressive pursuit of these reforms is so important," said Ken Adams, CEO of the **Business Council of New York State**.

The trajectory

New York Medicaid spending



Source: New York State Department of Health. Figures for 2011-12 through 2014-15 are estimates based on current law.

LOW-HANGING FRUIT

Nearly 4.9 million New Yorkers are on Medicaid, an increase of 700,000 since the start of the recession. In fiscal 2011-12, expenditures totaled \$54 billion. The state's share was \$14.4 billion, county taxpayers contributed \$7.5 billion and the federal government paid the rest.

The New York program is one of the most expensive in the nation at \$2,200 per capita—twice the national average. In absolute spending, the state is No. 1 in five of seven categories, according to Department of Health figures.

The redesign team, 27 health care, government and union representatives, has been on the job for three weeks. It is starting with short-term cuts, with the budget in mind, and then will turn to longer-term savings. Its final report is due in November.

Health industry observers say the team seems to be on the right track in starting with pharmacy programs. "There is a lot of low-hanging fruit there," said David Olikier, CEO of **MVP Health Care**, a Schenectady insurer that has been offering Medicaid managed care plans for two decades.

Drugs were "carved out" of managed care several years ago, and it has been suggested that they be put back in.

"This would require the least lead time," Olikier said. "Each plan has a relationship with a pharmacy benefits manager; we have formularies that favor generics whenever possible. That is more efficient than just buying drugs."

LONG-TERM CARE

Observers see a number of areas as ripe for longer-term savings, including changes in reimbursement methods.

"If you are going to reform Medicaid, you have to look at how you are paying for care," said Courtney Burke,

SEE REFORM, 30

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TOUGH CROWD

Before heading for Europe on Saturday (he made a two-day stop in Amsterdam to discuss agreements with potential "partners"), Bayer admitted to being a bit intimidated by the conference's A-list attendees.

Microsoft's Gates and his wife Melinda Gates, President Clinton, billionaire Soros, CEO Jamie Dimon of JPMorgan Chase and Greece's Prime Minister George A. Papandreou are among the big names who regularly attend the event. Rensselaer president Shirley Ann Jackson will be there. Bono and other green-minded celebrities, including Hollywood actresses Angelina Jolie and Sharon Stone, have also made appearances there.

"It's way beyond an audience of your peers. It's certainly going to be my most challenging audience because of the caliber of folks there," Bayer said. The tall, brown-haired, hiking and bicycle enthusiast developed a deep connection with the environment while working on his

The award was a surprise to Bayer and McIntyre, as neither knew the company was nominated. As of Wednesday, they still didn't know who offered up their technology for consideration.

"Here it is such a rare opportunity, and we don't know who submitted the application," Bayer said.

The young entrepreneurs want their biodegradable invention to replace styrofoam and other petroleum-based products that take decades to decompose—if they do so at all.

It's one of the points Ecovative wanted to hammer home at the Davos forum.

THE FUTURE OF FUNGI

"This is a new material that hadn't existed before," said McIntyre, a lover of the outdoors who grew up in the small town of Yaphank, on eastern Long Island in Suffolk County. He describes himself as a "happy hybrid" of his mother, a health physicist, and his father, a

customers.

This spring, Ecovative will announce at least two contracts with companies in the electronics sector, one with a major company with operations in New York City, Bayer said.

In 2012, it plans to add a second manufacturing plant, probably in the Southwest.

One of its recent grants from the New York State Energy Research & Development Authority is earmarked for work with one of the "Big Three" automakers (Bayer can't say which one) to test Ecovative's product as a substitute for the foam fillers currently used in car doors, hoods and other automotive parts.

A plant in the Southwest would be closer to Steelcase and any of the U.S. automakers, all of which have major operations near Detroit.

Bayer said Ecovative plans to keep its operations base in Green Island "for the time being."

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Mycologist Sue VanHook, left, and research technician Dawn Harfmann in the lab at Ecovative Design in Green Island. The company supplies corner-packaging to Steelcase for its office products.

Mushrooming technology

Ecovative Design has received \$4.5 million in grants and prizes since two Rensselaer Polytechnic Institute graduates formed the company in 2007. They include:

- \$500,000 through the New York State Energy Research and Development Authority to develop alternative materials for auto manufacturing
- \$150,000 through the National Science Foundation to test the products in new markets
- \$200,000 through Empire State Development's Environmental Investment Program to expand research and add three new jobs

- \$684,000 through the National Science Foundation to reduce sterilization costs
- \$140,000 through NYSERDA to further develop Greensulate insulation, Ecovative's first product
- \$310,000 through the Environmental Protection Agency to develop and market its technology
- \$227,000 through NYSERDA, the EPA and National Collegiate Inventors and Innovators Alliance to make prototypes of its insulation
- \$750,000 from a Dutch nonprofit devoted to green technology

REFORM: Industry observers agree that pharmacy programs are a good place to start



Olikier

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director of the health policy research center at the Nelson A. Rockefeller Institute of Government in Albany.

She and others suggested incentives for improved efficiency and outcomes, with the goal of keeping people out of the hospital.

"New York ranks dead last in avoidable hospitalizations," Burke said. "That is not good."

Experts see the biggest need for change in the care of high-needs patients, those with multiple chronic illnesses and behavioral health issues.

Some of these patients are "dual

eligibles" who qualify for both Medicaid and Medicare.

"That is where the biggest savings can be achieved," Olikier said. "These people are disabled, they have comorbidities, they are very expensive to care for. We need targeted programs for them."

There is a model in place for one group of dual eligibles, the elderly poor. Senior Whole Health of Cambridge, Massachusetts, has been serving upstate New York for four years.

The insurer, which is paid set monthly amounts by Medicaid and Medicare, focuses on home care, overseen by nurse managers, to keep

people out of nursing homes when possible.

"I think this could absolutely be a model for New York," said John Baackes, CEO of Senior Whole Health.

Materials released by the redesign team indicate it is looking at "rebalancing" long-term care for all Medicaid recipients. That is expected to include a greater emphasis on home care.

Christine Johnston, CEO of the New York Association of Health Care Providers, said studies show that reducing nursing home admissions by 10 percent would save \$300 million a year.

The team is expected to receive

hundreds of suggestions from people with all sorts of agendas before March 1.

Observers say that even if the ideas take time to sort through, the changes time to implement and the savings time to materialize, the process is worth it.

"At least the conversation has started," Adams said. "I suspect it will be contentious, but it is an opportunity that reflects the unique moment of time we are in."

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Baackes