

**ADDRESSING THE COST OF HEALTH CARE IN NEW YORK STATE:
IMPROVING EFFICIENCY IN THE SYSTEM****I. About the Foundation**

The New York State Health Foundation (NYSHealth) is a private foundation dedicated to improving the health of all New Yorkers. NYSHealth has a three-part mission:

- **Expanding health insurance coverage** to state residents who cannot afford to purchase their own coverage or whose coverage is inadequate.
- **Increasing access to high-quality health care services** for underserved people.
- **Improving public and community health** by educating New Yorkers about health issues and empowering communities to address them.

II. Background

The annual growth in health care spending in the United States has outpaced the rate of gross domestic product (GDP) growth for the past thirty years. New Yorkers' total personal health care expenditures per capita were the second highest in the nation in 2004. New York's Medicaid program is the largest program in the nation. In 2005, total spending on Medicaid in New York exceeded \$43 billion, with the state government's share at more than \$27 billion. Per enrollee spending in New York tops national averages with total spending at \$7,583 per enrollee compared with \$4,072 per enrollee nationally. While long term care factors into these high expenditure levels, medical costs alone in the New York State Medicaid program are still much higher relative to other states.

The problem with a high cost system is that it makes employer and state government sponsored insurance coverage very burdensome. Experts suggest that these high costs are one reason why so many New Yorkers (approximately 2.8 million) do not have insurance coverage. In addition, the high cost of insurance likely affects the competitiveness of New York businesses, in turn affecting employment levels and state incomes.

High costs are of particular concern given the evidence that high expenditures do not necessarily improve health outcomes. Even though health spending in New York is quite high compared to other states, many health outcomes are either close to the national average or more negative than in other states. For example, more children and adults are affected by asthma in New York State compared to the national average. The emerging research literature suggests that focused attention on how best to deliver specific types of services such as care for patients with chronic

DATES:**Intent to Apply**

April 11, 2007

Application Deadline

May 2, 2007

Outcome Notification

June 26, 2007

Finalists Full Proposal

August 8, 2007

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conditions often can achieve substantially lower cost levels without compromising quality of care. Efforts to address this issue, however, take collaboration of many participants in the health delivery equation including health plans, providers, patients and government regulators.

NYSHealth would like to advance efforts that improve efficiency and quality leading to wiser and more controlled spending in the New York health care system as experienced by public and private payers of services. Our interest in identifying approaches for reducing costs is directly related to our mission of expanding insurance coverage in the state. Affordability of coverage is a key step in expanding coverage levels.

This initiative is intended to identify and implement interventions that would decrease costs, improve health care quality and increase the affordability of care in New York State. As part of this intervention, we anticipate the grantee will incorporate an evaluation of the impact of the funded intervention and develop strategies for replicating and disseminating any successful ideas that emerge.

III. The Program

The Foundation will allocate up to \$2 million to support these projects. NYSHealth plans to fund grants that could range in scale from \$50,000 to \$500,000 over a two-year period to support implementation of interventions that exhibit reductions in health care costs within one or across multiple organizations. The cost savings potential of a proposed project should – after replication and diffusion – have a chance of affecting costs beyond the grantee’s system. NYSHealth is most interested in cost-saving strategies that could be replicated throughout New York State. The Foundation also encourages collaborative projects that involve multiple players from different areas of the health care system.

Because we seek strategies that can reduce costs within one to two years after implementation, we will not fund approaches whose success requires long-term philanthropic support.

V. Who May Apply

One objective of this Request for Proposals is to encourage a diverse range of applicants to apply their expertise to the persistent problem of health care spending and affordability. We encourage providers, health plans, government programs, government departments and agencies, employers and other purchasers, community coalitions, patient advocacy groups, and other organizations engaged in health care improvement to apply. Nonprofit (501[c](3)), for-profit and government entities are eligible to apply. We anticipate that applicants and interventions will be New York-based, although out-of-state applications will be considered if there is potential to design an intervention and test its impact in New York State.

VI. Type of Activities that May Be Funded

Grants funded under this solicitation are intended to support the implementation and evaluation of a project that attempts to control or reduce health care spending within one or across multiple entities. The Foundation is most interested in letters of intent that do more than demonstrate whether an idea works or does not work. The strongest ideas will describe how an intervention will be sustained and

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become part of every day practice, rather than an “add-on” practice that lasts only as long as the grant funding.

Also eligible, however, are planning projects that explore how to implement a concept. For example, the chronic care model is widely accepted as best practice, yet reimbursement mechanisms do not strongly support it. If health plans want to implement new reimbursement practices to encourage providers to use the chronic care model, they may need more guidance on exactly how to restructure reimbursement. The Foundation would welcome proposals of this nature.

Grant funding may be used to support the up-front costs of implementing the actual intervention. Additionally, grant funding may support staff and/or consulting time to conduct the following activities:

- Formation of partnerships to implement cost-saving ideas and cost-saving strategies.
- Analysis of the potential limitations and uncertainties associated with proposed cost saving implementation.
- Evaluation of the proposed implementation’s impact, both desired and unintended.

IV. Illustrative Cost-Saving Opportunities

The topic areas and examples provided below are not intended to be exhaustive or prescriptive, but rather to illustrate the types of projects that are frequently mentioned as possible candidates for focused attention.

1. Improving Management of High Need Patients

For many payers, 3% of patients account for 30% of expenditures. This 3% of patients includes many people with chronic diseases; better management of these diseases could result in both reduced health care expenditures and improved outcomes. Many disease management approaches that improve efficiency and outcomes have already been identified. New York still needs strategies that can lead to diffusion of these improved management practices across the state. These strategies could include reimbursement changes to encourage more disease management or methods for reorganizing medical practices.

2. Addressing Overuse of Health Care Services

Health care spending and practices vary widely across communities, and these variations do not predict differences in health outcomes. One approach to expenditure reduction is to develop mechanisms that encourage providers and consumers in high cost communities to rethink practice patterns and to learn from communities with more efficient practice approaches. What opportunities exist to calibrate health care spending and practice patterns across providers and communities so that such variations do not continue to persist?

3. Improving Efficiency and Quality of Care through Health Information Technology

Health care plans and providers across the country are working to implement various health information technologies such as computerized physician order entry, electronic health registries

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and electronic health records. Though these systems are believed to improve the efficiency and quality of the health care system, their potential power remains largely untapped. What opportunities exist to expand quality and efficiency through health information technologies that have already been implemented (i.e., this program will not support actual technology purchases such as hardware)?

4. Improving Price & Quality Transparency

Consumers and often payers do not have good information about how costs and outcomes vary across providers or across communities. In most other areas of the economy, such information consistently leads to lower costs and improved quality. How can transparency principles be implemented throughout New York State?

5. Creating Incentives for Consumers to Choose Efficient Providers

Consumer directed health plans and other approaches to creating financial incentives for consumers to consider when selecting providers of care may lead to lower expenditures system-wide. These plans are most often available through an employer. Are there opportunities to test these models for efficacy in other insurance markets? For example, could health plan beneficiaries receive incentives to make behavioral choices that both improve health status and save money?

VII. Application Timeline and Process

The Foundation is inviting letters of intent at this time. Guidelines for submission are below. Finalists will be asked to submit full proposals later in this process.

Timeline

1. To help us assess the volume of potential submissions, we ask that you email us your intent to apply to this RFP by **April 11, 2007** to CostRFP@NYSHHealth.org. Please include your name, organization and website.
2. Letters of intent must be received no later than **5:00 PM on May 2, 2007**.
3. All applicants will be notified on **June 26, 2007** about the outcome of their letter of intent. Finalists will be furnished with application guidelines for full proposals at this time.
4. Finalists' full proposals will be due **August 8, 2007**.

Selection Criteria

Letters of intent will be assessed using the following criteria:

- **Feasibility** of the project and timeline;
- **Potential for success and the scale** of cost savings: can an idea be implemented broadly and if so how large might the state-wide savings be?
- **Experience and qualifications** of the applicant;

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- **Clarity** in articulating the types of costs that will be controlled and how the developed intervention is linked to those costs; and
- **Collaboration:** working with a number of actors in the system is not required but is considered a positive attribute of a proposed project.

In addition, grantees must agree to participate in any Foundation assessment or evaluation of this overall initiative.

Foundation staff will collaborate with a group of external reviewers to evaluate all letters of intent and full proposals. The NYSHHealth Board of Directors will make final award decisions based on the recommendations of the review team.

Letter of Intent Guidelines and Submission Process

Letters of intent are to be submitted using NYSHHealth's online application system located on our Web site (www.NYSHHealth.org), on the Call for Proposals page, which will request that applicants supply the following information:

1. **Organizational information** including a description of the organization's purpose and activities. If the applicant is working in a unit or department of a much larger organization, please describe your unit or department only (including information about the larger organization only if it is relevant to the project).
2. **Letter of Intent** which allows the applicant to describe the types of activities the project will undertake, the key people and institutions whose involvement would be required, and the setting(s) in which projects will be conducted. Applicants should also include a brief description of what can be accomplished by the project (expected outcomes in terms of how costs can decrease and efficiency can improve). (750 word maximum)
3. **Summary Budget Information:** All proposals must include a budget summary, which can be uploaded through the Foundation's online application system. Applicants may use their own style for developing this attachment but the file format should be Microsoft Word or Excel.

Inquiries

Inquiries about this Request for Proposals can be addressed to CostRFP@NYSHHealth.org.

Project Management

Kelly Hunt, senior program director, provides oversight, direction and assistance for this project. Jamalia Brashears, program associate, Mark Barreiro, grants and operations manager and George Suttles, National Urban Fellow, also contribute to the direction of this project.