

## Request for Proposals

# Strategies to Contain Health Care Costs in New York State

### KEY DATES:

**INITIAL INQUIRY:**

February 27, 2009 at 4 p.m.

**APPLICATION DEADLINE:**

March 26, 2009 at 4 p.m.

**OUTCOME NOTIFICATION:**

June 25, 2009

### I. Background/Scope of the Problem

Rising health care costs are a major concern for New York State's government, residents, employers, insurers, and providers. High costs make health insurance and health care unaffordable and restrict access for those with fewer resources. The facts are sobering. Total health care spending in New York State exceeds \$125 billion. Medicaid, at approximately \$45 billion, is the single largest spending area in the State's budget. New York State's per capita Medicaid spending is also the highest in the nation at \$2,283—more than twice the national average of \$1,026. This per capita spending exceeds the national average across every health care sector except for spending on physicians.

Health care costs in New York State are so high, in part, due to the high volume and intensity of care that are provided. According to the Dartmouth Atlas for Health Care, New York outranks every state except New Jersey in the length of hospital stays and in the amount of physician services provided during hospital stays. Resource utilization differs widely across geographic regions of the State. Manhattan and East Long Island lead the State in such resource use, while other cities such as Binghamton and Rochester show much lower utilization rates.

Resource use also varies across populations, particularly at the end of life and among those with chronic illnesses. The growing prevalence of chronic diseases, many of which could be better prevented or managed, accounts for as much as 75% of national health care spending and accounts for about two-thirds of the increase in health care spending over time. Spending is particularly concentrated in the last two years of life, often to no avail. The Dartmouth Atlas for Health Care finds that New York spends 20% more than the national average for Medicare beneficiaries with severe chronic illness at the end of life. Much of these costs are paid by New York State through the Medicaid program.

Higher spending does not necessarily result in more effective care or better health outcomes. A scorecard of health system performance ranked New York 30th on providing quality care, 39th on avoidable hospital use and costs, and 22nd on overall health system performance.

High health care costs result in expensive health insurance premiums. New Yorkers, on average, pay more than \$12,000 each year for family coverage, placing New York among the 10 costliest states for health insurance premiums. Health insurance coverage is growing increasingly unaffordable. Annual premium increases are outpacing wage growth, and New Yorkers have experienced double digit growth in premiums throughout much of this decade.

Despite its vast spending on health care, New York does not rank among the states with the lowest number of uninsured. Approximately 2.5 million New Yorkers are without coverage.

The current economic recession is likely to exacerbate the number of New Yorkers struggling to pay for health insurance, increase the number who are uninsured, and place more pressure on public coverage programs.

## II. NYSHealth Perspective

NYSHealth considers containment of health system costs to be integrally linked to efforts to expand coverage. Substantial efficiencies in the delivery of health care must be realized to free up dollars that could be used for coverage expansions. The necessity of doing so is even more pronounced in an environment where State budget deficits loom large and the number of unemployed and uninsured is growing rapidly. Maintaining coverage among those who have it also requires addressing the issue of affordability.

Previous efforts to slow the growth of health care costs have often been unsuccessful. Many attempts simply shifted costs from one part of the health care system to another without realizing an overall reduction in cost. Other attempts had limited success, but were simply too marginal in nature to make a significant difference. Some factors that influence spending, such as medical technology advances and patient preferences, have proven resistant to cost containment efforts.

With this request for proposals (RFP), NYSHealth seeks to identify and support projects and analyses that hold promise for substantially containing health care spending in New York State. We do not seek unrealistic “magic bullets,” nor do we seek modest initiatives that would only have a small impact on health spending. This RFP is an opportunity to develop, test, and measure the impact of cost containment strategies in New York State and advance policymaking in order to move New York State closer to universal coverage.

Successful applications will:

- make a substantial—not marginal—impact on health care costs;
- demonstrate a high probability of replication across New York State;
- identify the amount of money that could be saved by the project, and project the amount of potential savings if the project idea is diffused and replicated;
- identify the number of people affected by the project and the number of people who could be affected if taken to larger scale; and
- create new, groundbreaking information to advance health care cost containment efforts in the State.

## III. Projects and Analyses Eligible for Funding

- A. NYSHealth is interested in projects that have strong likelihood of containing public and/or private health care costs. Projects are targeted interventions occurring over a specified period of time to achieve measurable containment or reduction in health care costs while maintaining

or enhancing access, quality, and efficiency. NYSHealth places emphasis on projects that fall within the below categories:

- developing incentive systems that result in lower resource use while maintaining quality, including the use of benchmarks achieved by high-performing providers;
  - reducing costs in communities that exhibit higher than average health expenditure patterns;
  - reducing avoidable and unnecessary hospitalizations, emergency visits, and duplicative and unnecessary services, such as imaging;
  - promoting cost-effective delivery models such as retail health clinics or physician extenders, especially in underserved areas; and
  - easing medical malpractice insurance cost pressures and their consequences, such as through demonstrating administrative compensation systems or health courts.
- B. NYSHealth is also interested in analyses that would address key knowledge gaps and contribute significantly to advancing cost containment efforts. Examples of interest include:
- developing a cost-containment roadmap for New York State that outlines options and quantifies savings associated with each option;
  - identifying creative ways to save State dollars by leveraging available Federal resources;
  - analyzing physician practice variations across New York State to illuminate cost-efficient practices and generate recommendations for physicians statewide; and
  - developing actionable recommendations to address medical malpractice premiums and physician supply issues in New York State.

## V. Review Criteria

Applications will be assessed by a panel of reviewers from across the State that possesses a diverse set of expertise. NYSHealth's review panel will consider the following factors for projects and analyses:

1. The proposal must clearly demonstrate a rationale linking the proposed strategy to cost reduction so that the project activities are likely to achieve their goals. The goal of a project should not be to develop new evidence, but to apply a strategy that has been shown to work. For analyses, the proposal must explain the existing knowledge gap that the analysis will address.
2. Likelihood that the project would have a measurable and sizable impact on containing health care costs without compromising quality. The proposal should clearly explain how the project or analysis would address an area of well documented high costs, not a marginal one.
3. Reasonable estimates of the number of individuals who will be affected by the project and the amount of money expected to be saved by the project. The proposal should also include projected savings if the project were brought to scale within the pilot institution, within a larger health care system, and statewide. For analyses, the proposal should describe potential recommendations that the analysis will generate and how it would affect health care cost containment efforts in New York State. It

should also articulate specific actions and/or program changes that could result from this work.

4. A robust evaluation plan that will measure the actual short-term impact of the project on health care costs, and estimate the potential long-term and statewide impact if the project were sustained and/or replicated more broadly.
5. Plan for sustaining the project once grant funding ends.
6. The experience, potential, and readiness of the applicant organization to complete the project or analysis successfully.
7. Collaboration with multiple actors/payers from different areas of the health care system
8. Degree of creativity or innovation exhibited by the project or analysis.

## VI. Budget

Funding requests up to \$500,000 will be considered. Projects will be assessed for the appropriateness of budget to the proposed scope of work and timeline. Funds requested must be commensurate to the work proposed.

## VII. Application Process

**Applicants are required to submit initial inquiries** to NYSHealth to determine whether their project or analysis fits the funding criteria. Inquiries should not exceed three pages in length and must use the outline available on our Web site at [www.NYSHealth.org](http://www.NYSHealth.org). Please e-mail inquiries to [cost@nyshealth.org](mailto:cost@nyshealth.org) by 4 p.m. on Friday, February 27, 2009. The NYSHealth staff will review all inquiries and respond to applicants by Friday, March 6, 2009.