



This Week in New York

Covering New York State and City Government

A Publication of Pitta Bishop Del Giorno & Giblin LLC
October 7, 2011 Edition



In the News – New York State

Redesigning
THE MEDICAID PROGRAM



The MRT at Work

Medicaid Spending Below Target for Current Year

Medicaid spending is below target in the current fiscal year and initiatives adopted already have saved the state nearly \$600 million, according to information released this week by the New York State Medicaid Redesign Team (MRT). The MRT was created in January by Governor Andrew M. Cuomo to conduct a comprehensive examination of New York's Medicaid program.

Seventy-three recommendations of the MRT were enacted in the State budget in April. These initiatives will cap Medicaid spending growth in state law, begin a three-year phase-in to managed care for all Medicaid recipients, and reduce Medicaid spending by \$2.2 billion in the current fiscal year.

The MRT is currently in Phase II of its charge to revamp the system. The next set of recommendations to the Governor is due December 31st. These recommendations will be considered for inclusion in the 2012-2013 budget. In Phase II, the MRT has divided into ten (10) workgroups:

- Affordable Housing Work Group
- Basic Benefit Review Work Group
- Behavioral Health Reform Work Group
- Health Disparities Work Group
- Health Systems Redesign: Brooklyn Work Group
- Managed Long Term Care Implementation and Waiver Redesign Work Group
- Payment Reform and Quality Measurement Work Group
- Program Streamlining and State/Local Responsibilities Work Group
- Workforce Flexibility and Change of Scope of Practice Work Group
- Medical Malpractice

The workgroups are in various stages of operation. For example, the Behavioral Health Reform work group has conducted numerous meetings and is readying to present its final report to the entire MRT, while Medical Malpractice has not been formed.

At the MRT status meeting held this week in Albany, Stephen Berger, chair of the Medicaid Redesign Team's Brooklyn task force, said that the group will not have time to make specific recommendations on how facilities must reconfigure by its November deadline. His report was brief but ominous, noting that the balance sheets of most Brooklyn hospitals are not sustainable.

In other Medicaid-related news, Governor Cuomo discounted a push by counties and some lawmakers to transfer the local share of Medicaid to the State. Last week, a bipartisan group of lawmakers introduced legislation calling for a State takeover of Medicaid costs over eight years, with approximately \$180 million picked up by the State next year.

"Do we have money to subsidize them? No," Governor Cuomo said, according to published reports.



The Dawn of a New State Agency

The Launch of the Department of Financial Services

Benjamin M. Lawsky, Superintendent of Financial Services, this week set the mission and announced the structure for the new New York Department of Financial Services, which merges the State Banking and Insurance Departments.

"The Department of Financial Services has three main goals: keeping New York on the cutting edge as the financial capital of the world, protecting consumers better than ever before, and serving as a model of efficient government," Superintendent Lawsky said.

The Department will have five main divisions:

- The *Insurance Division* will carry on the core functions of regulating all insurance activities in New York, including life, property and health insurance.
- The *Banking Division* will continue regulating state chartered banks, along with other financial services providers such as mortgage servicers and originators, check cashers, money transmitters and budget planners.
- The *Financial Frauds and Consumer Protection Division* will protect and educate consumers of financial products and services and fight financial fraud. The Division will pursue civil and criminal investigations and bring enforcement proceedings as appropriate.
- The *Real Estate Finance Division* will focus on all aspects of the mortgage industry to ensure that the lessons from the recent financial crisis are learned and new reforms are instituted.

- The *Capital Markets Division* will actively monitor the latest developments and products and help the Department better police systemic risk.

The Financial Frauds and Consumer Protection Division brings together the fraud and consumer units of Banking and Insurance, but also adds new powers. It can conduct investigations, research, studies and analyses of issues affecting consumers of most financial products and services. In addition, the Department will be creating a new executive level position, a Director of Enforcement, who will oversee all criminal investigations.

In addition to the Department launch, the Superintendent announced a Jobs Initiative to partner with the financial services industry and find the best ways to attract more jobs to New York State. This effort will be led by Deputy Superintendent for Financial Services James J. Wrynn.

“We will work with businesses to bring jobs and capital to New York, both upstate and downstate,” Superintendent Lawsky said. “When businesses are looking to consolidate their operations or start a new operation, they should be doing it in New York.”

In the News – New York City

Council Votes to Reign In City Outsourcing

Outsourcing Accountability Act Passes Unanimously

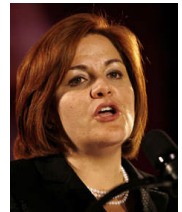
The City Council this week unanimously approved legislation aimed at bringing the City’s use of outside contractors under stricter scrutiny. The Outsourcing Accountability Act replaces existing law which councilmembers assert fell very short of its intended goals.

“I voted to safeguard billions of taxpayer dollars that are spent annually in the procurement of City services,” Council Speaker Christine Quinn explained. “The common sense legislation will amend an existing law to enhance competition, increase transparency and maximize cost efficiencies when entering into contracts that could displace City workers. The existing law, Local Law 35 of 1994, was intended to meet these goals. However, in the 17 years since it was enacted, the City has rarely reached the cost-benefit stage of the process—much less provided any discernable analysis as to why not.”



Mayor Bloomberg

Passage of the legislation puts the Council Speaker Christine Quinn squarely at odds with Mayor Michael Bloomberg. Even before the Council’s vote, the Mayor pledged to veto the legislation as an impediment to the City’s cost-cutting initiatives. Proponents of the legislation view the vote (46-0) as a harbinger of an override.



Speaker Quinn

In the last fiscal year, the City spent more than \$10 billion working with private contractors. According to Speaker Quinn, while some of this outsourcing was necessary and cost-efficient, more than \$3 billion of this money was spent contracting out standardized and professional services jobs, such as general maintenance, cleaning, data entry and computer programming.

Councilmembers pointed to a recent study shows that privatization and outsourcing can be on average, almost twice as expensive for taxpayers.

“Governments often claim that such services can be provided more cheaply if outsourced, yet recent studies show the privatization and outsourcing of these very types of services has often been more costly to taxpayers,” Speaker Quinn explained.

Specifics of the Outsourcing Accountability Act include:

- Require the City to provide public notice of the intent of agencies, both mayoral and non-mayoral, to issue requests for proposals, invitations for bids, or other solicitations, or renew or extend existing service contracts through annual contracting plans.
- Clearly define the types of contracts covered under the law to include all new, renewed, and extended successor contracts for standard and professional services.
- Require agencies to conduct a retrospective review of their employment actions over a three-year period prior to the proposed contract to identify key indicators such as attrition, layoffs, and announcements of anticipated employment actions related to employees who perform the services sought in the proposed contract. If the agency identifies any such factor, there is a presumption of displacement and the agency must conduct a cost-benefit analysis, weighing the efficiencies of outsourcing the service versus performing the work in-house.
- Require agencies to provide details underlying their (non-)displacement analyses, including information concerning the capacity within the agency to perform the services sought in the proposed contract, and to certify that none of the indicators of displacement occurred in the three-year period preceding the proposed contract.

Under current law, city agencies are required to determine whether a proposed service contract would displace City employees and if so, to conduct a cost-benefit analysis to determine if outsourcing makes the most sense for the City. The Council asserts that agencies have interpreted the law to apply only to a “very narrow universe of contracts” and over the past 10 years, have never made a determination of displacement or conducted any cost-benefit analyses.

Under the Outsourcing Accountability Act, current law will be clarified to ensure that it applies to a “broader universe” of contracts, require City agencies to explain in detail their non-displacement determinations and in certain circumstances, presume displacement so that the agency would be required to conduct the cost benefit analyses envisioned under the original law.

In addition, under the Act, agencies will be required to publish a services contracting plan at the beginning of each fiscal year, mapping out each agency's planned service contracts. According to the Council, this blueprint will give City employees as well as private vendors the ability to see what services agencies need so they can prepare accordingly to fill those needs.

In response to the Mayor's opposition, the Council contends that with this legislation, the benefits of potential cost savings to the City far outweigh any burdens of implementing the law. The Council is also confident that the requirements of this law can be achieved simultaneously with other procedural safeguards already performed for every City contract, including drafting the contract solicitation, publication process, bidding period, bid evaluation, Vendex and responsibility determinations and contract negotiations. Therefore, this legislation will not add significant time to the contracting process.

'Tis the Season: NYC Budget Director Releases Budget Cutting Letter

For the 11th time since 2007, New York City has announced the need for another round of budget gap-closing measures. NYC Budget Director Mark Page this week sent a letter to all agency heads calling for a 2 % cut in agency budgets. The cuts will amount to \$2 billion in savings for the City.

"In June we adopted a budget which is balanced for the current fiscal year, FY2012, but which forecast a gap of \$4.6 billion for FY2013 and similar annual gaps in FY2014 and FY2015," Mr. Page explained. "Since that time, the outlook for the economy--as evidenced by the chaotic stock market and other indicators--has become increasingly uncertain, and the prospects for State and Federal aid have worsened. Obviously, we will once again need to curtail planned spending, and do so in a way that prioritizes and preserves necessary City services and quality of life. Because the law requires that the financial plan be modified each November, now is the time to devise a realistic list of priorities and reductions.

Mr. Page directed the agency heads to come up with \$500,000 worth of cuts for the current fiscal year and another \$1.5 billion for 2013. They have until October 18th to submit their proposals.

The city also ordered hiring freezes across all departments, except for health and safety.

The new round of cuts come as the City's schools are reeling from the layoff of almost 650 school support personnel scheduled to go into effect today. Barring a last-minute deal, almost 650 New York City school aides, parent coordinators, and other support staff are being laid off as part of the City's efforts to save \$35 million this year.

In Brief

Governor Issues Design/Build Executive Order

Governor Andrew Cuomo has issued an Executive Order suspending regulations that mandate the hiring of separate design and construction firms for road and bridge projects. The Governor issued Executive Order No. 19: Temporary Suspension of Provisions Relating to Transportation Infrastructure Recovery for the State Disaster Emergency. In relation to transportation infrastructure projects related to the State Disaster Emergency, the Executive Order allows the state Department of Transportation to the Commissioner

- to authorize the award of emergency contracts and/or to combine design and construction services in contracts and to use such services when needed.
- to add additional work, sites and time to State contracts or award emergency contracts.
- to combine design and construction services in one contract and/or to obtain design and construction inspection services.
- to purchase necessary commodities and materials without following the standard procurement process.

State to Provide Language Services

Twenty-seven state agencies will have to begin providing official forms and translation services in six languages beyond English under an Executive Order signed this week by Gov. Andrew M. Cuomo. The Executive Order directs that executive branch agencies provide all key forms and instructions to be offered also in Spanish, Italian, Russian, French, French Creole and Mandarin Chinese. The program will be phased in at the agencies over the next year. It does not apply to non-executive branch agencies, including the Legislature and Judiciary

The Governor indicated that the program would be funded primarily with federal money and will cost about \$1.5 million annually.

Fracking in Albany

Environmental Conservation Commissioner Joseph Martens was grilled by lawmakers for more than two hours at hearing this week in Albany on the proposed state rules to allow natural gas drilling through hydraulic fracturing. More than 70 individuals were scheduled to testify before the Assembly Environmental Conservation Committee. The majority of the several hundred people attending the hearing appeared to be hydrofracking opponents. Committee Chair Robert Sweeney indicated that with the exception of the New York State Petroleum Council, the drilling industry chose not to send representatives.

"We do have a natural resource that can be exploited safely. Our plan is to prevent health risks from happening," Commissioner Martens testified, according to published reports. "We believe that our approach minimizes the risk."

Regional Funding Applications Due October 31st

Notice of Availability of State and Federal Funds & Credits New York State Consolidated Funding Application

Through the New York State Consolidated Funding Application (CFA), a single application for multiple sources of state funding, New York State is soliciting grant applications for funding to advance the priorities of the Regional Economic Development Councils (REDC). Funding will be available for the following projects:

- Affordable Housing
- Community and Waterfront Revitalization
- Direct Assistance to Businesses
- Energy and Environmental Improvements
- Low-Cost Financing
- Municipal/Public Infrastructure
- Parks, Historic Preservation and Heritage Areas
- Sustainability Planning Assistance
- Transportation Infrastructure
- Workforce Development

Application materials are available online at <http://nyworks.ny.gov>.

The funding applications will be accepted through the CFA until 4:00 pm on Monday, October 31, 2011.

Comptroller Liu: City Schools Fail PE

City Comptroller John C. Liu announced this week that an audit of the Department of Education (DOE) found that many elementary schools do not meet state guidelines for physical education (PE) and, that despite documenting high rates of obese and overweight students, the DOE has not filed a PE plan with the State since 1982.

According to the Comptroller, not one of the elementary schools auditors visited met State Physical Education Regulations for all grades. Only 6% of the audited schools came anywhere near offering the required amount of PE to their students:

- Kindergarten through Grade 3 students must participate in daily PE for a total of at least two hours each week.
- Grades 4 through 6 students must receive PE at least three times each week for a minimum of two hours per week.

- Grades 7 and 8 students must receive PE at least twice a week for a minimum of one and a half hours per week.

Some schools either had no space designated for PE instruction or no PE teacher.

Coming Up

New York State

Friday, October 14th

Examine Mechanisms for Better Notification Procedures in Instances Where Sewage and Other Pollutants Have Been Released into our Water

Senate Standing Committee on Environmental Conservation

Senate Hearing Room, 250 Broadway, 19th Floor, New York, 10 a.m. to 2 p.m.

New York City

Tuesday, October 11th

Committee on Veterans Jointly with the Committee on Mental Health, Mental Retardation, Alcoholism, Drug Abuse and Disability Services, 250 Broadway - Committee Rm, 14th Fl., 10 a.m.
Oversight – The Increased Rate of Suicides Among Veterans.

Committee on Education Jointly with the Committee on Finance, Emigrant Savings Bank - 49-51 Chambers Street, 10 a.m.

Oversight – Examining the impact of staff layoffs in schools.

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