

The Sun

Immense Potential

BY RANDY DANIELS December 6, 2005

Just as good things often come in small packages, good ideas sometimes come from surprising places. This is the case with a new approach to Medicaid cost containment that Chemung County, in the heart of New York's Southern Tier, recently implemented in order to gain control over a system that was crowding out other government services and had already forced county leaders to impose highly unpopular tax increases.

A simple idea whose time has clearly come, this new approach offers New York a real opportunity to introduce major across-the-board tax cuts, provided that we who support less costly government quickly gain the rhetorical high ground and declaim our views forcefully, before competing interests rush in and seize the savings for themselves.

What is this new approach to cost containment? Very simply, it's a software package dubbed Muni-Minder that applies the basic rules of cost accounting to allow county administrators working in concert with medical providers to uncover patterns of wasteful or fraudulent spending. Already, Onondaga County, which encompasses the city of Syracuse, has announced that it will purchase the new software, and in all likelihood, additional counties will soon follow suit or seek out similar solutions from other vendors in the marketplace.

The potential for savings is immense. According to Thomas Santulli, the innovative Chemung County executive who commissioned the software after a chance meeting with executives at a local trade show, the savings are likely to amount to 20% to 30% a year. On a statewide level, this would translate into a savings of approximately \$10 billion, half of which could then be returned to state and local taxpayers.

The reasons that a relatively inexpensive software program appears able to generate such significant savings are not

hard to understand. First is the simple fact that New York spends so much more than every other state in the country, nearly as much as California and Florida combined, even though those states have a population almost three times larger than we do. Obviously, not all our money is being spent wisely.

More pointedly, it has long been the case that every transaction, including something as simple as a basic prescription, that is paid for by Medicaid in New York is recorded in a comprehensive database that subsequently can be tracked and analyzed. The problem until now has been getting that information into the hands of people who could make effective use of it.

The new software, by mining this database, does just that, allowing investigators to ask, for example, why hospital A in one neighborhood is spending so much more than hospital B in a similar neighborhood, or why Dr. X is billing so much more than Dr. Y, even though each has a similar practice. Cost disparities are not proof that something is wrong, but they are an excellent place to start asking questions.

Interestingly, cost disparities do not afflict just hospitals and doctors. Some of the biggest disparities are between counties. The leading student of these disparities is health-care analyst John Rodat, who has long produced reports that show that some counties in New

York are able to provide Medicaid services at nationally competitive rates, while others spend two or three times as much, with no apparent evidence of superior care.

Thus, a study that Mr. Rodat completed in 2003, based on the data available at the time, found that Putnam County in the Hudson Valley was spending \$17,709 per capita on Medicaid, while Allegany County in the western part of the state was spending only \$5,079, a difference of more than three-to-one. Intriguingly, the five counties of New York City, although they have large caseloads, are not particularly spendthrift per patient, spending approximately \$100 less per patient than the average for the other 57 counties.

As the information technology revolution begins to take root in how New York manages Medicaid, and waste and fraud become easier to identify, the scramble over what to do with the available savings is sure to become intense. By recognizing the opportunity sooner, those of us who support tax cuts will be better positioned to make our case. Not only are additional tax cuts more necessary than ever, they are also likely to become increasingly affordable. It's an opportunity not to be squandered.

Mr. Daniels stepped down as New York State secretary of state in September. He currently resides in the Bronx.