

**Remarks by
Neal E. Lane, Acting Director**

**The New York State Office for the Aging
2004-2005 Budget**

**Joint Budget Hearing
Conducted By
Senate Finance Committee
Senate Health Committee
Assembly Health Committee
Assembly Ways & Means Committee**

**Hearing Room B
Legislative Office Building
Empire State Plaza
Albany, New York**

February 3, 2004

Good morning.

Chairmen Johnson, Farrell, Golden, Englebright, Hannon, and Gottfried; respected members of the Senate Finance Committee and the Assembly Ways and Means Committee.

My name is Neal Lane, Acting Director of the New York State Office for the Aging and it is a great honor to be here with you today.

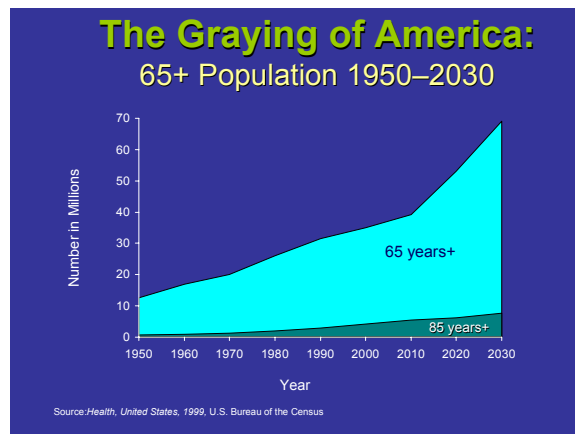
Thank you for your interest in aging programs and New York's elderly and thank you for inviting me to speak with you today on Governor Pataki's proposed budget for aging services.

It is the State Office for the Aging's mission, in partnership with the network of public and private organizations which serve our elderly, to assist older New Yorkers to be as independent as possible for as long as possible through delivery of cost-effective programs and services. Additionally, our advocacy efforts at the State and federal levels, as well as our policy and program development activities support and empower the elderly and their caregivers.

In order to understand the budget for the State Office for the Aging, it is important to consider it in the context of both the State's changing demographics and the need for fiscal constraint. I will first discuss our State's demographics and their impact on service demand.

Demographic Data

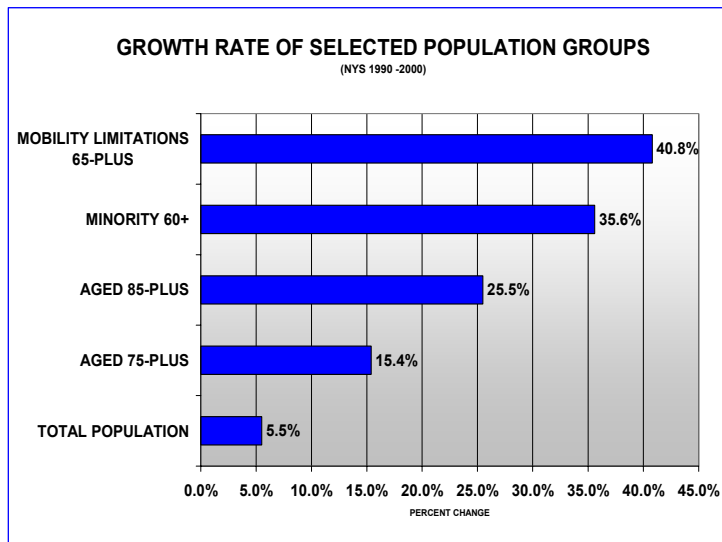
Project 2015 has brought into bold relief the demographically driven reality that is about to change our state forever. In fact, the leading edge of this demographic shift is already upon us. Never before has our mission been so critical to so many. The population of America and New York State is aging – and



aging at an increasing rate. The age 65+ population is expected to more than double between 2000 and 2030 to number almost 70 million nationally. Our cohort of elders has grown over the past decade (as of the 2000 Census) to be nearly 17 percent of the State's population or about 3.2 million people age 60 or older; over 1.1 million of which are age 75 or older.

2000 Census & Population Growth

In comparison to the State's total population increase of 5.5 percent between 1990 and 2000, the number of those age 85 and older increased by 25.5 percent (311,488) and minority elderly increased by 36.6 percent to number

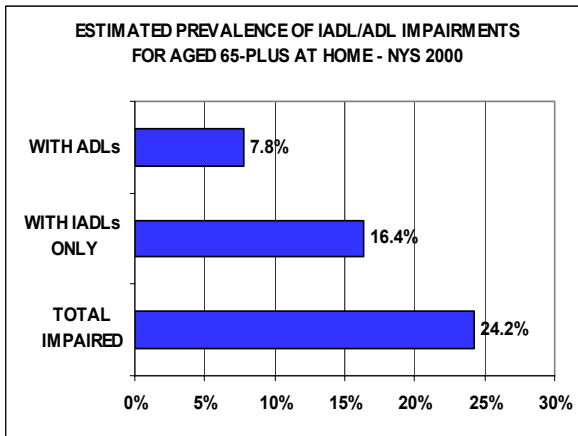


over 756,000. Population projections indicate accelerating growth in these vulnerable population cohorts.

To further illustrate the impact the growth of the elder population will have on New York's communities, consider that by 2015, 55 of New York's Counties will have more than 20 percent of

their population made up of persons over the age of 60, 18 will have more than 25 percent over 60 and in two counties, 30 percent of the population will be 60 plus! These demographic shifts have far-reaching consequences for New York's long term care system and for our communities, in general.

Target Service Population & Prevalence of Frailty



As of 2000, only 136,000 older New Yorkers age 65 and over lived in nursing homes or in adult care facilities. Meanwhile, 2.3 million elderly people age 65 and over reside in their communities. Of those living at home, in excess of 24 percent had serious physical impairments, and/or had mobility limitations (difficulty navigating outside the home alone) or over

600,000 individuals. Among those 75 and older living at home, prevalence rates for self-care and mobility limitations escalate to nearly 45 percent. For those New Yorkers over the age of 85, and this is our fastest growing population cohort, approximately half require the assistance of another person to meet their daily living needs.

Economic Backdrop

New York State's economy has made great strides toward recovery, but New York continues to face difficult fiscal challenges in the year ahead. While there is growing reason for optimism, as we plan for the coming fiscal year, this optimism must be tempered by New York's fiscal realities - a projected budget deficit in excess of \$5 billion.

Governor Pataki's Commitment to Seniors

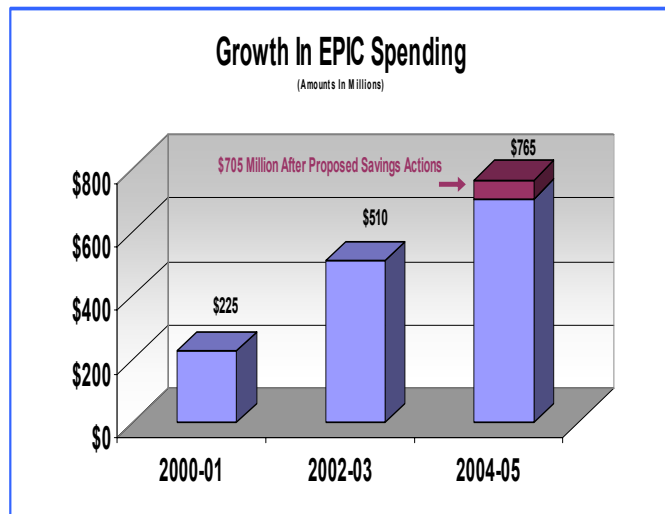
As we work to more efficiently serve New York's elderly, I am very grateful for Governor Pataki's deep commitment to older New Yorkers. The Governor demonstrates his commitment in a number of ways: Through expansion of the EPIC program, which provides needy seniors with essential prescription drug coverage and creation of the STAR program which reduces property taxes for seniors. He has further evidenced his commitment by his strong support of the Aging Network, programs administered through NYSOFA and his Project 2015 Initiative. But, perhaps most important of all, he has committed New York State to reform its fragmented long term care non-system.

Aging Funding

Despite a projected SFY 2004-05 multi-billion dollar budget short-fall, Governor Pataki supports the continuation of base funding for core aging programs (CSE, EISEP, and SNAP) in recognition of the critical nature of program services. The reduction to CSE and EISEP largely reflects the completion of the three-year-phase-in of funding formula changes that occurred as a result of population shifts within our State reflected in the 2000 census. In addition, the Governor's Executive Budget Proposal includes funding for the Foster Grandparents Program, NORCs (Naturally Occurring Retirement Communities), CSI (Congregate Services Initiative), RSVP (Retired Senior Volunteer Program), Social Adult Day Services, LTCOP (Long Term Care Ombudsmen Program) and Caregiver Resource Centers. The Governor's proposal testifies to his steadfast support for the Aging Network and his concern for older New Yorkers. It will allow us to keep whole the network of 59 Area Agencies on Aging and their local service partners who are critical to the independence of our elders.

EPIC

One of the things that I am most proud of, as a resident of New York, is the Elderly Pharmaceutical Insurance Coverage (EPIC) program. I am proud to be a Co-Chair of the EPIC panel with my esteemed colleague, Dr. Novello. EPIC is one of the largest State sponsored prescription drug programs in the nation. It now helps more than 325,000 of New York's elderly buy needed medicines and, on average, saves seniors more than \$2,000 annually on their prescription drug costs.



The Governor's Executive Budget for 2004-05 reflects projected expenditures of \$705 million, an increase of \$480 million from the \$225

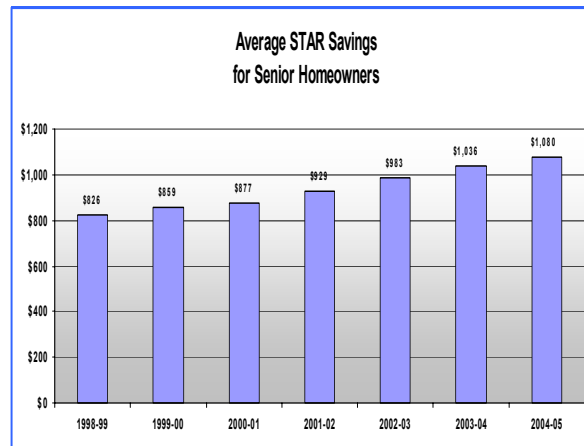
million expended in the SFY 2000-01. The Governor's Budget proposes to waive the annual EPIC fee for those seniors who are eligible (under 135 percent of federal poverty level) and choose to benefit from the \$600 federal subsidy component of the Medicare Discount Drug Program. Seniors who meet the income eligibility criteria for the federal Medicare Discount Card remain eligible for EPIC.

STAR (School Tax Relief Program)

With school taxes rising at twice the rate of inflation through the 1980's and early 1990's, many senior residents were being taxed out of their homes. In 1997 Governor Pataki proposed and secured the largest and most sweeping property tax reduction in State history: the School Tax Relief (STAR) Program.

The Governor's STAR program has saved New York State taxpayers more than \$11.6 billion since its inception. In 2004-05 STAR will continue to save taxpayers \$3 billion. New York City residents receive in excess of \$560 million annually in City Personal Income Tax relief through the STAR program, in addition to school property tax relief.

In 2004-05, STAR will provide more than 620,000 seniors an average property tax savings of \$1,080. Since its inception, STAR has provided seniors with a cumulative average property tax savings of \$4,500.



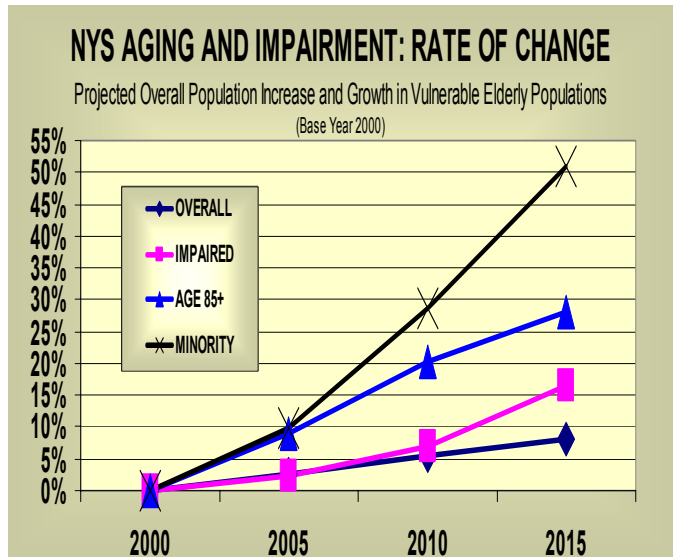
The Governor's cost of living adjustment (COLA) on the income eligibility limit for the enhanced STAR exemption (enacted in 2002) will continue to protect seniors and their savings.

For 2004-05, the income limit for enhanced STAR recipients will increase from \$62,100 to \$63,750. This adjustment will ensure that modest increases in retirement benefits do not disqualify seniors from STAR savings.

STAR has provided seniors across the State with substantial and much-needed tax relief. As a result, many seniors have been able to remain in their homes, improve their quality of life and make their retirement years more comfortable and affordable.

Elder Boom

A few minutes ago, I spoke about the demographic changes that occurred in the prior decade. As I mentioned, we are beginning to feel the initial tremors of the seismic shift of the Elder Boom. Dynamic changes in the State's elderly population will continue to develop as the Baby Boom generation reaches age 60 and matures into an Elder Boom of unprecedented proportion.



New York's most vulnerable elderly populations (the frail, older and minority elderly) - those most affected by long term care needs and compounding health, social and economic problems - will continue to grow at a rate much faster than that of the general population. Between 2000 and 2015, the number of impaired elderly, seniors age 85 and older, and minority elderly will increase respectively by 16.6 percent, 28.2 percent and 50.8 percent, while the State's overall population is expected to increase by just 8.25 percent. At the same time these increases are occurring, the number of informal caregivers, health care workers and the working population will decline as a percentage of the general population. While this shifting demographic population raises many issues we must address and has broad implications for our resources, it also creates new opportunities.

Project 2015

The aging of the population is capturing attention across the country. In New York, we are all becoming aware of how our State's population is changing, which presents both crucial challenges and major opportunities. In recognition of the emerging demographic changes, Governor Pataki

directed 36 State agencies to work collaboratively in an initiative known as Project 2015, to analyze the implications of our State's increasingly aging and diverse population.

Project 2015 is about good government. It is about understanding the challenges and the opportunities in our unfolding future. It is about acting responsibly to meet the challenges and seize the opportunities.

The 36 cabinet agencies convened by the Governor, have worked, and are working, both individually and collaboratively, to prepare our state infrastructure for the changing face of New York. This work has provided our State with a blueprint for preparing New York for its future. This blueprint sets the stage for ongoing activities in our State to meet the challenges inherent in our dramatically shifting population profile.

For example, issues in agriculture, land use, transportation and motor vehicle use, consumer protection, emergency management, roles for state police, and issues in energy use, education, health, long term care, housing, technology and workforce as well as an array of other areas affected by the aging of our population were identified by agencies.

The agency policy briefs can be considered both individually and collectively as a compendium of issues important to New York. This work provides a substantial, practical guide for assuring that the goods and services provided by government will meet the needs of New York's aging and increasingly diverse population into the future.

A list of the participating agencies in the state agency workgroup and all Project 2015 materials may be viewed on the New York State Office for the Aging's Web site: <http://www.aging.state.ny.us>

At the State level, many State agencies are engaging in collaborative efforts that will continue this coming year. Project 2015 has heightened awareness of the unprecedented demographic shifts. This new awareness has been a significant contributor in guiding the thinking on long term care reform.

At the National Level, The National Governors' Association, as well as individual states, has expressed great interest in this Governor's initiative to prepare the state for our elder boom. The Administration on Aging believes that Project 2015 is a model for other states to follow. Josefina Carbonell,

DHHS Assistant Secretary for Aging, has asked us to highlight this work at the largest national conference of aging professionals this April.

At the Local Level, the State Office for the Aging has launched another part of Project 2015. Area agencies on aging are the lead agents in each county to determine the strategies and approaches to implementing Project 2015 in their county. Many counties already are moving forward with significant activities in this arena. The intent is to engage as many as possible in conversations about the impact of our changing demographics, and in taking action to prepare for these changes.

While we are helping to prepare the State for the changes in our demographics, through Project 2015, we must be cognizant that these demographic changes have a profound impact on how we provide long term care and our options for allowing our seniors to remain in their own homes and communities.

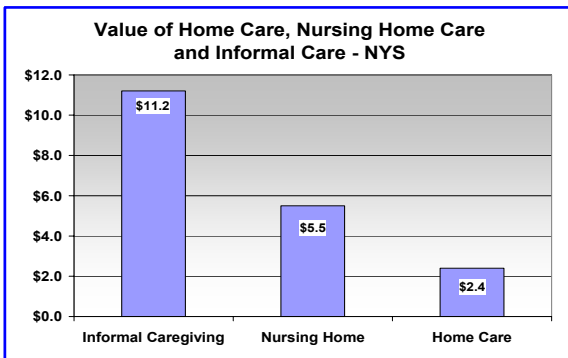
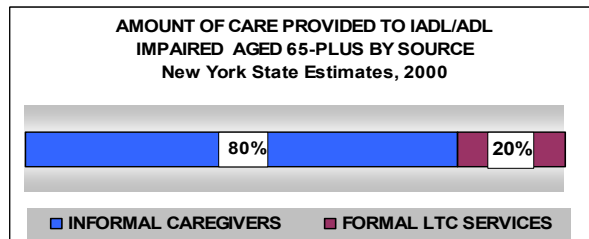
Long Term Care Approach

Today, 80 percent of the State's Aging Network resources are committed toward maintaining the independence of the impaired elderly who are the most immediate at-risk of Medicaid dependency. Through assisting families and neighbors to sustain their efforts in providing the majority of care to the impaired elders, the Aging Network succeeds in maintaining the independence of elders in their communities at a fraction of the cost of medically focused long term care services and systems. Sustaining the elder's family and friends, who are supporting the elder, is a wise investment.

Here is what we know:

Approximately 30 percent, or nearly 730,000 of those ages 65 and older in New York State, are functionally impaired by chronic health conditions. Of those impaired elderly, approximately 593,000 are living at home in their communities. The number of those age 65 and older suffering from chronic health conditions is expected to grow by over 17 percent to number in excess of 850,000 by 2015, with almost 700,000 impaired elderly living at home in their community.

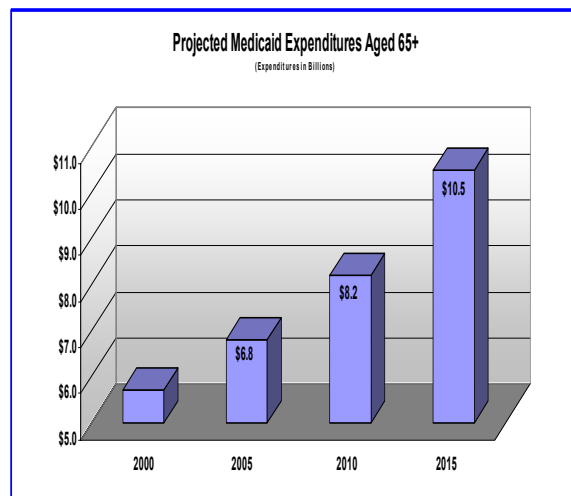
Central to the Aging Network’s approach in providing services is to support and maximize family and other informal caregivers. New York’s families provide 80 percent of the care received by our elders.



Caregiver arrangements exist in approximately 734,000 NYS households, or one-in-ten of all NYS households. These informal caregivers for the elderly save the New York State health system an estimated \$11.18 billion annually.

Medicaid Costs

As one would anticipate from the demographic data, the prevalence of need for long term care and other services is growing and is expected to accelerate dramatically in concert with the unparalleled growth in the older-old, impaired, and minority elderly populations. These elderly populations are the most likely to lack the personal resources necessary to pay for their formal care and, devoid of other care choices, are likely to overwhelm Medicaid’s formal care system. Absent vast and immediate changes in New York’s long term care system, Medicaid costs for long term care for seniors will skyrocket to unaffordable levels. Driven by increasing medical care costs and the growing number of frail and low-income elderly, Medicaid costs for the age 65 and older are expected to



nearly double between 2000 and 2015 - to total in excess of \$10.5 billion annually by 2015.

Long Term Care Reform - Governor's Health Care Reform Working Group Proposal

Clearly, to avoid overwhelming State and county governments with Medicaid costs – the existing long term care system must be reformed. The current system is expensive, heavily reliant on Medicaid (which supports 74 percent of home care and nursing home care with an emphasis on medical based model services). It is also difficult and frustrating for consumers to access and to navigate. While many require these formal types of services, there are also many who receive these services that could remain in their homes and communities with non-medical supportive services that are very cost-effective.

Governor Pataki's Executive Budget recommends a number of actions to achieve much needed long term care reform. His proposal restructures the long term care system so that it is more efficient and affordable, and better able to meet the needs of the elderly and disabled. It begins to shift the focus of long term care service delivery towards community-based services that are effective and efficient in supporting the elderly and their caregivers. Such proposals are both necessary and desirable.

Among the elements of this reform proposal, the Governor seeks to:

- expand and improve long term care insurance options by providing for more flexible benefit packages;
- develop a reinsurance mechanism to make products more affordable;
- update the labor component of the nursing home rate to improve recruitment and retention of needed workers; and
- shift the entire share of the Medicaid costs now borne at the local level for long-term care to the state over the next ten years – saving local governments \$1.8 billion annually when fully implemented.

I welcome and applaud the Governor's Health Care Reform Working Group's bold reform proposal as I do the Senate Medicaid Reform Task Force's Report. The overall goal of the Governor's comprehensive restructuring plan is to promote access to appropriate and cost-effective services that meet the needs of consumers. I wholeheartedly agree with that

goal. It is imperative that the State move swiftly to implement these proposals as we strive to meet the needs of our growing elderly population.

Foundations Initiative

While government occupies a commanding role in assisting our needy elderly, government is only part of the equation in efforts to provide older New Yorkers with the highest quality of life possible. Other significant entities include the many philanthropic organizations that recognize the challenge confronting us and wish to contribute in meeting this challenge. While NYSOFA has often partnered successfully with philanthropic organizations on specific projects in the past, we are cognizant that now more than ever we must work collaboratively to strategically plan our efforts and maximize the effectiveness of our resources.

This initiative's goal is to enlist, combine and focus the strengths and resources of a number of entities into mutual action to prepare New York's communities to meet the challenges and avail themselves of the opportunities as our state ages. This initiative combines the strengths of government and philanthropies to better serve our elderly through development of shared ideas and the beneficial outcomes that occur as a result of joint planning and collaborating strategically. Through discovering and focusing on mutual strategic goals, we are in a far better position to strengthen our communities' capacity to meet the challenges, and seize the opportunities, of the dramatic population shift.

In Closing

Certainly there are many obstacles that lay ahead as we seek to be more responsive in meeting the needs of our elderly now and in the coming year, but I also see clearly that there are many exciting opportunities for us to succeed in making a difference for New York's elderly. We have worked hard and will continue to work hard – we can and we will do better. Together we can and we will prepare our State, our communities, our neighborhoods and our residents to foster a brighter future for our elders and their families.

The last lesson from Project 2015 that I will mention in my formal remarks is this: The outcomes realized in preparing New York's communities for the elder boom, will also create communities that are better for all New Yorkers.

I look forward to working with you to make this vision a reality in every part of the State for every resident.

I would be pleased to entertain any questions you may have regarding NYSOFA's budget for the coming year – and thank you again for your interest in aging issues and your concern for older New Yorkers.