

**Reforming
the way we
finance Medicaid
will lead to
taxpayer
accountability**



New York State Association
of Counties

January 2012



Mary Pat Hancock

President

Stephen J. Acquario

Executive Director



REFORMING THE WAY WE FINANCE MEDICAID WILL LEAD TO TAXPAYER ACCOUNTABILITY

For decades, a series of Governors, in collaboration with the State Legislature, have created a complicated system of “off-budget” financing to pay for Medicaid. The largest source of this off-budget financing is derived from local property taxes in most counties (New York City uses a different combination of local taxes to support State mandated Medicaid costs). Because the State Legislature and successive Governors have used county property taxes to pay the state’s Medicaid bills, the State has a massive Medicaid program, spending over \$1 billion per week covering nearly 5 million New Yorkers.

The cost to county taxpayers and New York City residents and businesses to subsidize the State’s Medicaid program has risen to \$7.3 billion. In conjunction with several other major State mandated programs and services counties finance and provide on behalf of the State, the total local county and New York City contribution to support spending in the State budget will exceed \$11 billion in 2012. This represents nearly 16 percent of total State general fund spending coming from local taxes. It has become unaffordable and unsustainable for local taxpayers to subsidize State spending decisions, especially the State’s Medicaid program.

FIRST PRIORITY IS TO ALIGN PROGRAM CONTROL WITH FISCAL ACCOUNTABILITY

In December 2011, the Governor’s Medicaid Redesign Team issued a final report to the Governor. One of the recommendations states: “The State should develop and implement a plan for more sustainable Medicaid financing that phases out reliance on local taxes.”

In addition, bi-partisan legislation introduced in the State Legislature, S.5889-B/A.8644 can help lower New York’s highest in the nation property taxes. The bill’s passage would ensure New York’s Medicaid program becomes fiscally sustainable over the long run and would hold State lawmakers accountable for their program decisions to expand the size and scope of Medicaid. The State takeover of county Medicaid costs will lead to lower property taxes. This will directly enhance New York’s economic competitiveness and improve economic opportunities for all New Yorkers.

FINANCING THE STATE TAKEOVER OF COUNTY MEDICAID COSTS

Modernizing Medicaid finance will increase accountability to property taxpayers. Last year, state leaders enacted proposals to close a \$10 billion State budget gap. Taxpayers are now requesting the Legislature and Governor build on this success and ensure these reforms, which also included a property tax cap, can be successfully implemented by giving counties the necessary tools to manage the property tax cap, and continue local service delivery. Removing counties from the financing of Medicaid is the single most important mandate relief that can be achieved in 2012.

Apply MRT reform savings to mandate relief. Continuing to build upon Governor Cuomo’s Medicaid Redesign Team (MRT) efforts will generate tens of billions of dollars in general fund savings over the next decade compared to the historic growth in Medicaid. A significant portion of these savings can be directed to eliminating the local taxes financing the State’s Medicaid program.

Pursue a federal Medicaid waiver to leverage savings that can be applied to property tax relief.

The MRT reforms will also generate similar savings for the federal government. The State should pursue a broad-based federal 1115 Medicaid waiver to leverage these federal savings and thereby reduce state spending for public health insurance programs. Some of these savings can also be used to support the State takeover of county Medicaid costs.

Allow federal health care reforms to cover New Yorkers. The Affordable Care Act (ACA) offers a once in a generation opportunity for New York. State leaders should implement a multi-year phase in of the full State assumption of county Medicaid costs in conjunction with the Medicaid Redesign Team reforms and bolster the assumption of local costs with savings opportunities that can be provided by the rollout of federal health care reform and the recovery of state revenues in the future. Any savings should be used to eliminate the current property tax subsidy local taxpayers provide to the State general fund to support New York's largest in the nation Medicaid program. For example, the Federal health reform law provides 90 percent federal financing for Medicaid populations the State currently pays for (childless adults) and this change will save New York up to \$1.5 billion annually. We need to act now to set a course in motion that takes advantage of this window of opportunity.

Additionally, the Federal Law significantly reduces New York's required match for the federal child health insurance program (saving close to \$100 million annually), as well as the required match for operating Medicaid information systems. These changes can save New York hundreds of millions of dollars annually in the future.

Upon full implementation, the State will also have the option to modify its current Medicaid eligibility for populations above 138 percent of the federal poverty level as those individuals will be eligible for new federally subsidized health care through statewide health insurance exchanges. Moving current recipients from the State Medicaid Program to health insurance exchanges, which will provide 95 percent federal subsidies for low income folks just above the new federal threshold, can provide annual savings of \$400 million or more.

Finally, with the availability of federally subsidized health insurance for all with incomes under 400 percent of the federal poverty level, the State should do a top to bottom review of all health care-related programs they currently fund to see if the State would be better served by eliminating or scaling back programs that reach this federally targeted group. This review should also include all tax, and other, subsidies the State provides to encourage small businesses and individuals to buy health insurance coverage; and subsidies designed to expand the adoption of certain public health goals like healthier living, health quality and promotion—these are all things the federal government is now saying they will fund with their resources under the new model.

These federal reforms and subsidies provide just a few examples of how New York could lower its current Medicaid expenditures and provide resources to lower local property taxes, without dramatically impacting health care. This review should be undertaken even in the absence of federal health reform. New York's Medicaid Program and all public health spending must be reevaluated with a focus on a modern, patient-driven system that ensures public integrity, improves patient outcomes, and places it on a fiscally sustainable path.



The New York State Association of Counties is a bipartisan municipal association serving the counties of New York State including the City of New York. Organized in 1925, NYSAC mission is to represent, educate and advocate for member counties and the thousands of elected and appointed county officials who serve the public.

November 2011

© 2011 New York State Association of Counties