



# Budget Priority

## STATE TAKEOVER OF LOCAL MEDICAID COSTS

### PROBLEM

New York's counties and New York City spend more than \$7 billion each year to pay for the state and federally-controlled Medicaid program. This is more than the Medicaid spending of *all other local governments in the nation combined*. These state-mandated expenditures in New York are the primary reason property taxes are higher in New York State compared to the rest of the nation.

### 2018-19 EXECUTIVE BUDGET PROPOSAL

The Governor's budget does not address this critical property tax burden issue.

### COUNTY RECOMMENDATION

The State has imposed two separate growth caps on local Medicaid costs. The first cap, effective in 2006, limited local Medicaid cost growth to no more than three percent annually. The second, implemented in 2015, capped local Medicaid growth at zero percent. These two caps have allowed counties to keep their property tax growth to less than the rate of inflation since 2006.

Counties are encouraged that Senate and Assembly Republican leaders have expressed a desire to take over local Medicaid costs. As a first step in this longer-term plan for a full state takeover, counties would like to take out a county property taxpayer insurance policy to ensure possible federal changes do not force an increase in property taxes.

Currently, under the Affordable Care Act (ACA) counties and the state benefit from higher federal matching rates for certain Medicaid populations – with the federal match reaching 93 percent in 2019 and leveling off at 90 percent in 2020 and beyond.

Most counties budget these federal ACA savings in full, meaning they assume the full savings will be realized and they keep their property tax levy lower as a result. Today, a typical county's Medicaid expense is about 6.6 percent below the actual state Medicaid cap because of the ACA. This equals about \$550 million in savings for local taxpayers (\$150 million ROS, \$400 million NYC).

Counties believe the Legislature and Governor should ensure that these ACA savings for local taxpayers are locked in by reducing the current county-by-county statutory Medicaid caps to the lower of what they will pay in 2019 (net of ACA savings) or what the ACA calculation provides. The ACA is under heavy assault in Washington today and there could be problems down the road due to potential federal actions. It is prudent for the state to take out this insurance policy now to protect county property taxpayers in case federal actions continue to undermine the fiscal benefits of the law. As with most insurance policies, we hope we never have to use it, but if needed it will pay huge dividends for local taxpayers.