

The Medicaid muddle: Cuomo's budget proposal creates worry and confusion

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ALBANY – When it comes to devising a plan to fix the state’s massive Medicaid deficit, the Cuomo administration has been, by many accounts, kicking the can down the road.

And after Gov. Andrew M. Cuomo last week presented his 2020 spending plan, including ideas to solve the Medicaid financial crisis, critics say that tumbling can has shown no sign of slowing down.

Counties, hospitals, nursing homes, insurance plans, home health agencies and others that are major players in the state’s Medicaid healthcare delivery system were all set to hear the details of how the governor would close the Medicaid deficit, which itself makes up two-thirds of the state’s overall projected deficit for the coming fiscal year.

Instead, Cuomo gave them an introductory bit of bad news followed by the real kicker: The most potentially painful solutions – resulting in \$2.5 billion in Medicaid savings or new revenues – were not in his new budget plan.

The ideas certainly won’t be ready Jan. 29, when anyone with a major role in the Medicaid program will be testifying before a joint Senate/Assembly budget hearing considering Cuomo’s health plans.

Instead, it appears, according to the administration, the Medicaid ideas won’t be ready until March – two months after Cuomo presented his budget and too late for some stakeholders to effectuate changes.

That means stakeholders have nothing to lobby for or against because, intentional or not, there is nothing specific in the \$2.5 billion plan to talk about.

“We are largely shut out of the process in developing the proposal. The big difficulty is the public and Legislature have much less time to see what’s in the package and respond effectively,” said Assemblyman Richard Gottfried, the influential chairman of the Assembly health committee.

“It’s tough to determine what the impact is going to be if we don’t know the direction they’re going,” said Erie County Executive Mark Poloncarz.

How big is big?

In a budget that will top \$175 billion, the state’s general fund – the account paid for by personal income and sales taxes and other revenues – will be about \$80 billion.

For some context, consider that \$2.5 billion is what Cuomo’s new budget plans to spend on state operating fund cash disbursements on all these key agencies combined: agriculture, arts, homeland security, environmental conservation, the tax department, drug, alcohol and gambling addiction services, motor vehicles, parks, State Police and the agency that regulates banks and insurers. The Medicaid deficit is 10% of the \$25.3 billion the state will spend on Medicaid in 2020.

With that, there are two major paths related to Medicaid that Cuomo wants:

- A Medicaid Redesign Team, or MRT, an outside panel that will come up with what the administration calls are non-binding ideas to save Medicaid \$2.5 billion in this year’s budget scheduled for adoption by late March.
- County cap. That’s an idea Cuomo proposed last week that is worrying some county leaders. Counties about six years ago had their annual Medicaid costs frozen. It came a year after the state’s property tax cap program for localities. The state picked up those additional Medicaid costs – worth nearly \$5 billion in the coming year.

Now, Cuomo wants counties to either help Albany to control Medicaid costs or pay a price. His plan: a county that exceeds the annual property tax cap growth rate will be hit with higher Medicaid expenses. Also, counties will pay the state any time local Medicaid costs exceed 3% in a year.

Nuzzled away 98 pages into the budget's "Financial Plan" is a line item: \$150 million. That's the amount Cuomo is already banking on getting from counties each year over the year four years by the cap plan.

Skin in the game

Cuomo, who credited himself when the state helped counties by taking over their Medicaid cost increases, now believes localities got complacent about rising costs.

"We're not saying they're the source of rising Medicaid costs. But they also do not have skin in the game to partner with us to control the costs because they don't have to pay (cost increases) anymore," said Robert Mujica, the governor's budget director, in an interview last week.

Before the state-funded cap on increases, Mujica said counties would regularly work with the state to monitor and report anomalies or spending spikes. At the time, counties were paying 25% of Medicaid. Today, it's closer to 10%.

Counties offer a simple retort: Medicaid and its eligibility and benefit rules for New Yorkers are federal and state edicts. Counties don't set the terms, though they do physically sign up many recipients through local social services. That's mainly in the area of long-term care where a county worker, acting on the state's behalf, needs to physically determine if some people are eligible, for instance, to go to a nursing home that Medicaid will fund.

Mujica acknowledged the state has no evidence to suggest that counties have put people into Medicaid who are not eligible. There could be an incentive, though, for some counties to shift people from county programs onto Medicaid, but Mujica did not have specific data on that.

“I’m not saying they’re being irresponsible,” he said, but counties “are at the front door. They are the gatekeepers” for many entering Medicaid, and so there needs to be a new incentive for them to keep an eye on costs, Mujica added.

But if Cuomo believes they lack a commitment to saving costs, why doesn’t the state take over all remaining Medicaid administrative functions? Such a path supposedly began in 2015, but it’s stalled; Mujica said there have been a number of technological challenges, but the state is eventually moving to that approach.

“This is not a punitive thing. This is not trying to shift costs,” he said of Cuomo’s plan.

Part 1 is to keep counties within the property tax cap level. “It wasn’t a gift” to counties, he said of the state pickup several years back of the rising local Medicaid costs after the state imposed a property tax cap on counties. Part 2 is the skin in the game argument. “Let’s re-establish the relationship where there’s a partnership in controlling the costs,” Mujica said.

Counties say: Why us?

Medicaid costs are growing for many reasons. Under the Affordable Care Act, there has been a sharp increase in enrollees. Nearly a third of New Yorkers, or 6 million people, are now on Medicaid.

Another reason: Cuomo got big minimum wage hikes in recent years. Medicaid providers, though, get the salaries of workers providing Medicaid services reimbursed by the state. As a result, \$1.8 billion is projected for Medicaid to cover the minimum wage hike in the coming year.

Poloncarz estimated that Erie County taxpayers would have been on the hook for about \$8 million in each of 2017 and 2018, had Cuomo’s 3% Medicaid growth cap plan been in effect. The number of Medicaid recipients in Erie has climbed by 55,000 from the 231,000 on the plan before the ACA.

The costs are disproportionately going to seniors on Medicaid, given the more expensive services, like nursing home, they receive. Poloncarz said the average annual costs last

year in the county for a child on Medicaid: \$3,572. An adult: \$9,876. A senior citizen: \$18,583.

That makes a solution complex when the state does not want to reduce eligibility or benefits for New Yorkers. The long-term care trends are worrisome in an aging state like New York; the state's over-65 population soared 24% the past decade, Cuomo's budget plan reports.

"This comes down to a systemic issue," Poloncarz said.

Enter MRT

Cuomo said the MRT panel should hold counties "harmless" in its plan and that Medicaid recipients should not see benefits affected. What's that leave? Real cuts to providers? Tax hikes on private insurance plans? New ways to reduce waste or fraud?

"I'm incredibly concerned that the governor's office has yet to release the necessary details we need to assess the potential impact on our localities' Medicaid share," said Sen. Gustavo Rivera, a Bronx Democrat who heads the Senate health committee. He said Cuomo's fiscal overview suggests New York City – and "particularly residents of my district" – will feel end up seeing actual Medicaid cuts.

Rivera criticized Cuomo for leaving so many things vague about the MRT process – a similar route Cuomo took in 2011, also on a short timeline – such as how the panel will operate, the role for lawmakers and why delay recommendations until March when budget talks are already in full swing.

Gottfried, the Manhattan lawmaker, is even more pointed. "It's hard to believe that it isn't a sham," he said of the MRT route. He thinks it's quite possible Cuomo's budget team already has specific plans that will be rubber stamped by the MRT. Gottfried served on the 2011 MRT, and he eventually praised the end product.

He's not praising today. Gottfried believes special interest groups represented on the MRT in 2011 got "a little something in the package to cement their vote for the package." He said groups not on the MRT, like home care, got "clobbered" in 2011.

Moreover, he said public input was sought that year. But he said letters written by staffers from the governor's health and budget agencies "were almost entirely the ideas that showed up in the (final) package."

Gottfried said counties should be worried. In the name of Medicaid efficiencies, he said, counties "are going to be punished for things that are not their fault and that they do not control."

"When somebody says, 'I'm going to take good care of you. Don't worry, because I'm just going to make you more efficient,' that's when you know you're in trouble," Gottfried said.

The MRT panel is composed so far of just two co-chairs: a hospital executive who used to work for Gov. Mario Cuomo, the current governor's father, and a health union leader with long ties to Albany's political elite. Both are from downstate.

"I don't believe either chair is going to have the counties' best interests at heart because they're coming at it from a different health care perspective," Poloncarz said.

Mujica, the Cuomo adviser, said the panel will be composed of experts who know Medicaid. "They're critical to balancing the budget," he said.

The budget director pushed back any notion that the state hasn't acted swiftly enough. He said administration actions by Cuomo – worth \$900 million in 2020 – were made to Medicaid.

"It's the same process as last time," Mujica said of the new MRT effort. "The last time (in 2011) was successful. It's inarguable that last time it worked. ... We don't want this to be a political process."

He added: "You can stand on the outside and say, 'We don't want to cut this or that.' We say the program needs to be sustainable."

Medicaid spending by the state will still grow 3 percent in the fiscal year beginning April 1. Its total price tag, paid for by Washington, Albany and counties: \$73.4 billion.

