

# Cuomo aims to cut Medicaid growth; some see threat to local taxes

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ALBANY — Gov. Andrew M. Cuomo said his Medicaid-cutting proposal released last week in the face of a budget deficit would end a “blank-check syndrome” by free-spending local governments. Independent analysts, however, say the proposal would pass the buck onto local taxpayers and warn it could erode health care.

In his 2020-21 budget presentation on Tuesday, Cuomo proposed to make counties and cities which administer the state and federal health care program for the poor and disabled hold annual increases to 3 percent. If counties don't, they would shoulder all the added spending over 3% that is now paid by the state. Further, if a local government doesn't continue to hold property tax increases to 2% or less under a 2012 deal that set the cap, the municipality would be hit with the full increase in Medicaid.

“After we assumed the local cost increase ... the cost of Medicaid is rising much higher than anyone predicted,” Cuomo said. He blamed much the increased cost on local governments that administer the program, including signing up recipients and approving care for them.

“That's the blank-check syndrome,” Cuomo said. “In private transactions, they always want everyone to have ‘skin in the game.’ When you are administering a program where you have no financial accountability, you have no incentive

in efficiency or economy of scale, or to call up and say I think this is a problem or this is a problem, because someone else is paying the check.”

Not everyone agrees.

Local governments have “very minimal if any” ability to reduce Medicaid spending, said David Friedfel, director of state studies at the independent Citizens Budget Commission. “The state sets reimbursement rates (to hospitals, nursing homes and physicians) and sets eligibility standards, but a lot of people enroll with the state ... it’s very difficult for local governments to control total spending.”

“Medical inflation is much higher than 3 percent,” Friedfel said.

The latest rate increase approved in Albany was in 2018 to the hospital systems. In all, the state pays about \$25 billion for Medicaid in the current \$175 billion budget.

Friedfel notes that Medicaid costs are rising so fast that Cuomo’s budget proposal postpones \$1.7 billion of state payments into the next fiscal year in order to meet a cap on state spending as New York faces a \$6.1 billion budget shortfall.

“It amounts to a grab for cash,” said Bill Hammond, health care analyst for the fiscally conservative Empire Center think tank. “Most of the reason that costs are going up — probably 90 percent — is from decisions made in Albany ... they are implemented at the local level and there is some discretion, but they are acting within guidelines and rules set by the state.”

Hammond said most of the state’s budget deficit comes from recent measures pushed by progressives in Albany to expand Medicaid coverage, which is already ranked among the most generous and costly in the nation. They include a drive to provide more health insurance for New Yorkers to the point

that 6 million New Yorkers now receive Medicaid care. Albany also raised the minimum wage to \$15 an hour, which increased labor costs for hospitals.

“Clearly, there are opportunities for the state and local governments to work together to find savings without putting additional burdens on overtaxed New Yorkers,” said Michael Kracker of the Unshackle Upstate government watchdog. He noted that two weeks ago state Comptroller Thomas DiNapoli identified nearly \$800 million in waste and fraud in the state Medicaid system.

“Protecting the property tax cap is critical to controlling costs for families and businesses throughout New York,” Kracker said. “However, we recognize the challenges municipalities face when dealing with rising Medicaid costs that are largely out of their control.”

Much is at stake for taxpayers and Medicaid recipients.

State Division of Budget documents show the state anticipates getting \$150 million from counties to start, while, perhaps more importantly, unraveling the 2012 promise to shield counties and their taxpayers from further Medicaid increases.

“What it would do if allowed to run for a few years is the percentage paid by localities would actually begin to increase,” said Hammond. “Under this scenario, you could have the locality picking up the bulk of the cost increases, not some split of it.”

His analysis shows Long Islanders could be hit. The increase in Medicaid costs in Nassau and Suffolk counties from 2018-19 was a combined 4.5 percent, according to the Empire Center. The analysis also showed the increase for New York City was 7 percent — a figure confirmed by city officials. The analysis shows six of 10 regions in the state would have exceeded the proposed 3-percent cap.

The Cuomo administration said it doesn't have a list of Medicaid spending by county.

Nassau County officials say they can meet Cuomo's tax cap and proposed Medicaid cap, thanks in part to the state financial control board that has controlled county finances since 2011 following the county's fiscal crisis.

"We are historically under that 3 percent cap, so we're not experiencing any concern right now," said Christine Geed, communications director for Nassau County Executive Laura Curran.

Suffolk County met the annual tax cap, but is still trying to determine if it has met the proposed Medicaid cap, said Jason Elan, spokesman for County Executive Steve Bellone.

New York is the only state that requires local governments to pay any part of Medicaid. For example, Suffolk County pays up to \$256 million a year and Nassau spends up to \$241 million a year. Statewide, counties and New York City pay \$7.6 billion for Medicaid, with more than \$5 billion paid by New York City, according to the New York State Association of Counties. These payments are capped under the 2012 law in which the state took over increases in Medicaid as a way to hold down local property taxes to annual growth of about 2 percent a year.

"The hard cap has worked," said Mark LaVigne, deputy director of the New York State Association of Counties. "Counties have been able to stay within the state-imposed 2 percent property tax since the state took over the growth in local Medicaid shares."

For recipients, local government officials said, Cuomo's proposal could be a disincentive to signing up more families or providing more services. Counties could also require W-2 forms and other wage records to further verify income,

which can also turn away applicants, even if the attempt is to weed out waste and fraud.

“Whether it's moms turning to our public hospitals for lifesaving breast cancer screenings or first graders learning to read in our public schools, New Yorkers should not be held responsible for the state's Medicaid gap,” said Freddi Goldstein, spokesman for New York City Mayor Bill de Blasio.

Goldstein said the mayor’s office will fight the proposal with the State Legislature, where hospitals, health care unions and advocates of the poor have great influence. The budget is due to be adopted April 1.

“This policy, despite the governor’s assertions to the contrary, will likely result in local governments trying to reduce Medicaid enrollment through a variety of diversionary tactics that will attempt to discourage those in need from applying,” said Ron Deutsch, executive director of the labor-backed Fiscal Policy Institute. “We will all suffer if New York state tries balancing the budget on the backs of our most vulnerable community members — our parents and grandparents, children, and family members with disabilities.”