

NYSAC Medicaid Update • March 10, 2020

New York State Medicaid Budget Proposals



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Medicaid State Budget Proposals

For the 2021 State Budget, Medicaid faces a multi-billion dollar spending and funding gap

- The Governor is counting on a new Medicaid Redesign Team (MRT) to find \$2.5 billion in recurring savings to balance the Medicaid program going forward
- The Governor's budget also counts on increasing contributions from counties and New York City by at least \$150 million per year to help fill part of the Medicaid gap
- Counties estimate an annual impact in the range of **\$150 million to \$1.7 billion** depending on how the state implements the multiple local Medicaid cap proposals

Medicaid State Budget Proposals

For the counties in our host Senator's district, the annual potential negative impact is between:

\$5,436,926 - \$45,107,003

Find the economic impact on counties in your district at:
nysac.org/KeeptheCapCalculator

Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

1. Redirecting Federal eFMAP Savings from Counties to the State

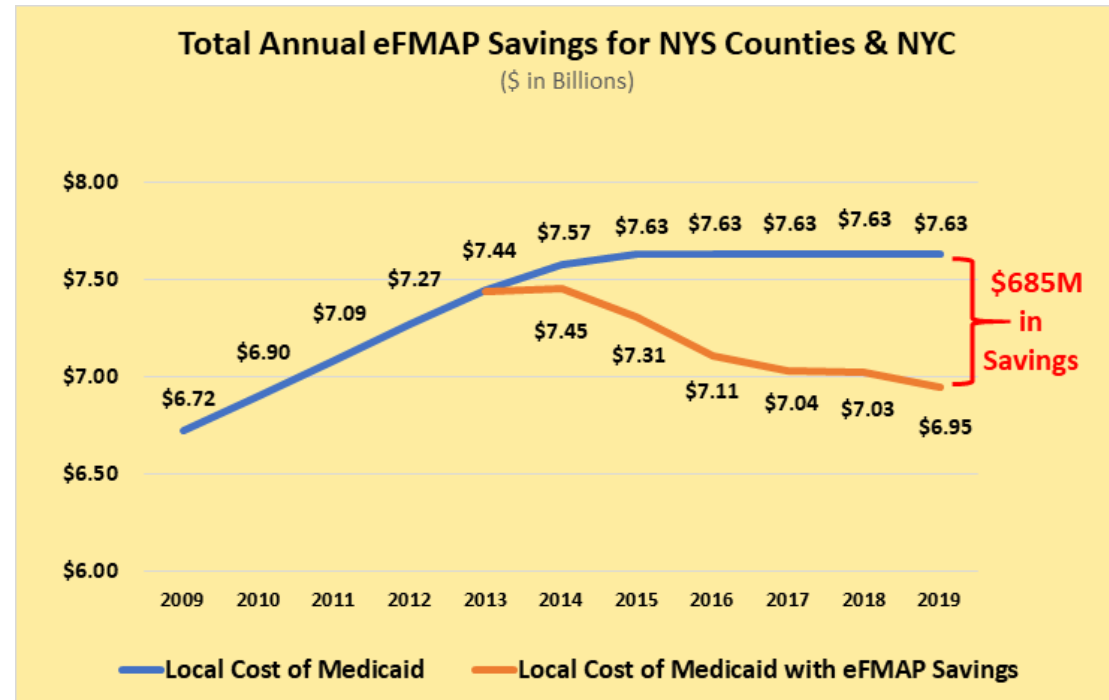
- The Affordable Care Act (ACA) provides an enhanced federal match of up to 90% for states that choose to expand Medicaid eligibility.
 - As provided under prior federal laws, the enhanced federal Medicaid matching funds have always been passed through directly to counties.
 - Since implementation of the Affordable Care Act began in New York, counties have benefitted from the enhanced FMAP, as intended by Congress.

Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

1. Redirecting Federal eFMAP Savings from Counties to the State, cont.

- The Budget language provides the state the authority to divert all of the annual savings counties currently receive from the federal eFMAP provisions. In addition, it authorizes the arrears owed to counties to be diverted as well. This proposed budget change is effective April 1, 2020.



Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

1. Redirecting Federal eFMAP Savings from Counties to the State, cont.

- Today, counties/NYC receive about \$550 million in annual federal savings. This represents about 80 percent of the full federal savings estimated for the most recent year. We estimate the full value of these annual eFMAP savings to counties is about \$700 million.
- The state is currently 3 years behind in reconciling these savings and could be holding in excess of \$300 million in federal savings due to counties. Given the budget language the liability for counties could eventually reach \$1.2 billion (up to \$700 million on a recurring annual basis).

Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

2. Require Counties and New York City to Adhere to the 2 Percent Property Tax Cap or Lose the Benefits of the State Funded Local Medicaid Growth Cap

- If a county fails to stay under the tax cap, or if New York City's property tax levy grows more than the county property tax cap allows, then the jurisdiction would lose the incremental value of the state funded Medicaid caps in the year the cap is breached.

Medicaid State Budget Proposals

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2. Require Counties and New York City to Adhere to the 2 Percent Property Tax Cap or Lose the Benefits of the State Funded Local Medicaid Growth Cap, cont.

- The penalty would permanently alter the amount a county would have to pay in support of the state Medicaid program costs.
- If the county stays under the cap in the following year, the cap benefits would be reinstated, but at a higher base cost. A county may seek a hardship waiver from the tax cap penalty. This provision is effective April 1, 2020.

Medicaid State Budget Proposals

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2. Require Counties and New York City to Adhere to the 2 Percent Property Tax Cap or Lose the Benefits of the State Funded Local Medicaid Growth Cap, cont.

- The Mayor has said that New York City would see a negative impact of over \$500 million if this Medicaid proposal was in place for 2019.

Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

3. Limit Local Medicaid Cost Increases to No More Than 3 Percent

- The state budget language would impose a fiscal penalty if a county's local Medicaid costs grow more than 3 percent in any given year. The county would have to reimburse the state for all local costs over the 3 percent threshold. This provision is effective for state fiscal year 2021-22 and beyond.

Medicaid State Budget Proposals

Medicaid - The Budget proposes three actions related to weakening the Local Medicaid Cost Caps

3. Limit Local Medicaid Cost Increases to No More Than 3 Percent

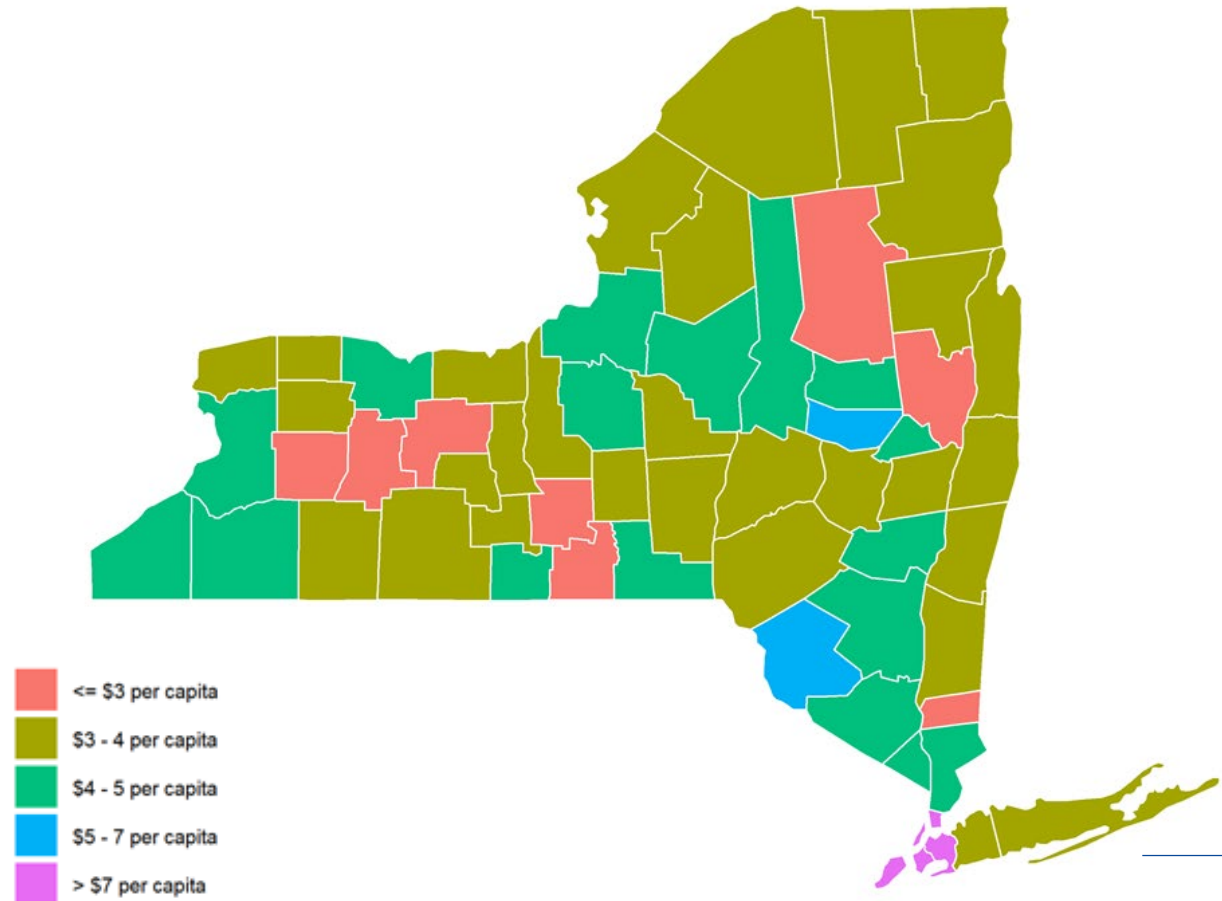
- Most counties will not be able to comply with this limit based on current trends. Over the last 5 fiscal years the average local Medicaid cost growth per county has been around 5 percent per year in New York.
 - Over this same time frame the state has indicated that spending under the Medicaid global cap has been satisfied, yet counties' average annual growth far exceeded the 3 percent growth cap in place
 - Counties estimate that each 1 percent above the threshold brings a fiscal penalty of about \$115 million for the counties and NYC in aggregate

Medicaid State Budget Proposals

3. Limit Local Medicaid Cost Increases to No More Than 3 Percent, cont.

- The federal government is projecting that nationwide, state Medicaid growth is expected to increase on average by 6.2 percent per year over the next decade

Penalty, dollars per capita, per 1% that spending exceeds global cap



Source: Analysis of data from DOB

Medicaid State Budget Proposals

Counties Have Limited Ability to Contain Costs

We remain concerned that even with additional tools in place, counties will still not be able to keep the growth in their local costs under 3 percent (or the new target).

Counties just do not have enough control over the cost of inputs in Medicaid to keep growth below the proposed 3 percent (or new target).

Medicaid State Budget Proposals

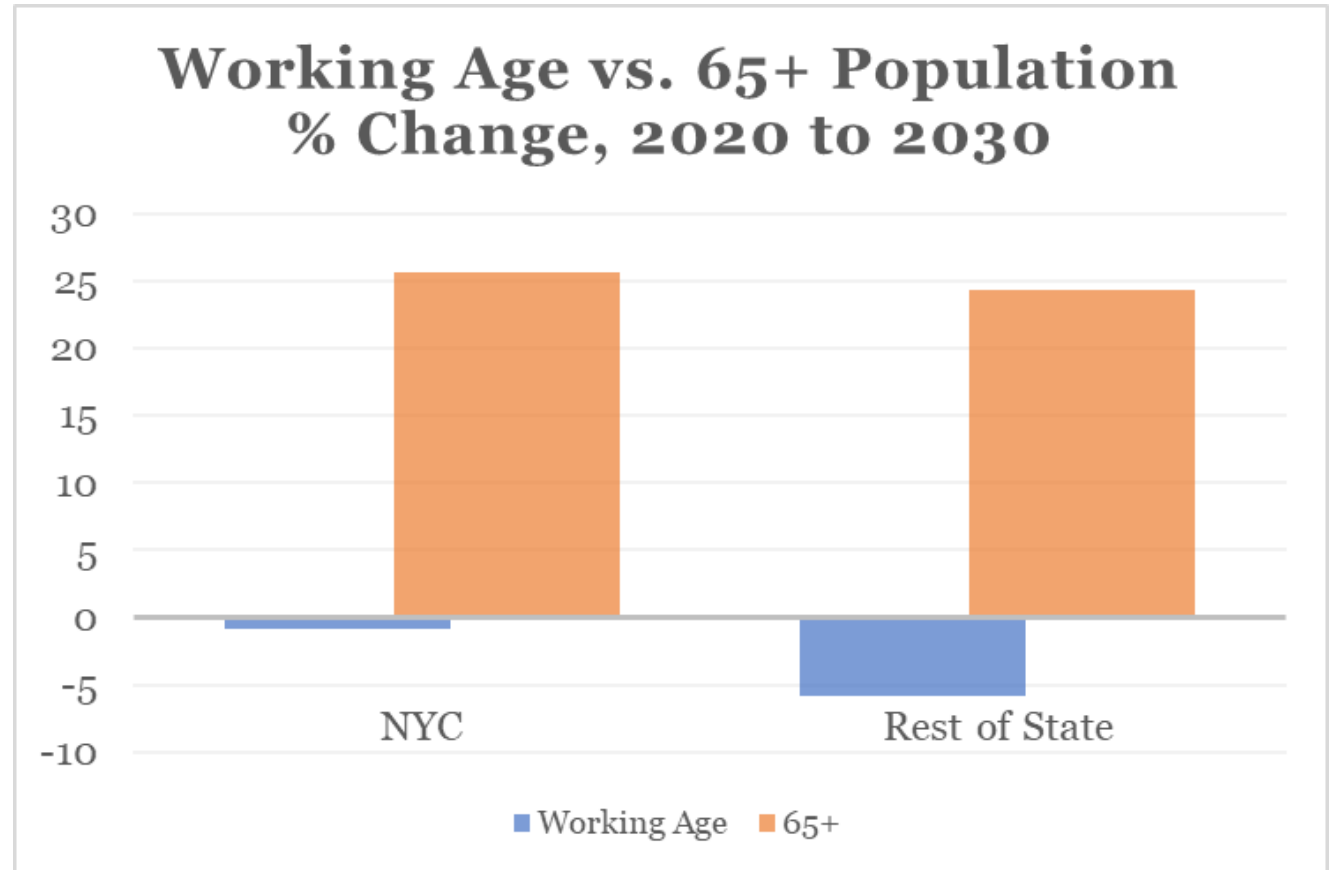
Counties Have Limited Ability to Contain Costs, cont.

- The state directly enrolls 2 out of 3 Medicaid recipients outside of New York City
- Under Managed Long Term Care, services are determined by the state through a private contractor
- The State sets reimbursement rates for health care providers
- Prescription drug & durable medical equipment costs are controlled by the marketplace or the state
- Counties cannot control for demographics – disability, aging and longevity
- Rates of illness (incidence, prevalence and morbidity)
- Minimum wage increases
- The timing of payments and billings as they are submitted by health care providers; and
- Benefit design and eligibility thresholds (income, assets, etc.)

Medicaid State Budget Proposals

Counties Are Facing Dramatic Demographic Shifts Over the Next Decade

Population projections from Cornell indicate that New York's counties can expect to see their elderly population grow by 25 percent over the next decade, while the growth in the working age population is expected to decline by 3.6 percent.



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Facing Dramatic Demographic Shifts Over the Next Decade, cont.

- Costs shifts proposed in this budget would generally eliminate the existing local Medicaid caps and the fiscal benefits that accrue to local taxpayers
- The local Medicaid caps have allowed counties to stay under the property tax cap, or lower levies in some cases, while maintaining and even enhancing local services
- Eliminating the local Medicaid caps will force the narrower and more regressive local tax base to absorb these state cost shifts at a time when local capacity to generate revenues, as well as meet the growing needs of an aging population in our communities, will be under increasing pressure

Medicaid State Budget Proposals

Local Medicaid Caps Have Worked Well Since They Began in 2005

According to statements from the Executive at the time, the 2005 local Medicaid caps were enacted to:

- *Help control property tax increases due to state Medicaid expansions (this has been enormously successful with average annual county property tax increases dropping from nearly 7 percent in the years leading up to the 2005 cap, to less than the rate of inflation from 2006 through 2020)*
- *Make the State fully responsible for new Medicaid costs and vest responsibility for the program squarely in the entity in control of the program*
- *The State tax base is much larger and more progressive than local taxes, and better suited to handling the financial burdens of Medicaid*

Medicaid State Budget Proposals

Local Medicaid Caps Have Worked Well Since They Began in 2005

- The enactment of the first local Medicaid cap has also resulted in a drop in the State's annual cost increases.

1997 to 2005	
Spending BEFORE Counties Had Local Medicaid Caps	
Total Medicaid Spending	State Share Medicaid Spending
1997-2005 Ave. Annual \$ Increase	1997-2005 Ave. Annual \$ Increase
7.2%	7.1%
2006 to 2019	
Spending AFTER Counties Had Local Medicaid Caps	
Total Medicaid Spending	State Share Medicaid Spending
2006-2019 Ave. Annual \$ Increase	2006-2019 Ave. Annual \$ Increase
3.8%	3.6%

Medicaid State Budget Proposals

Local Medicaid Caps Have Worked Well Since They Began in 2005, cont.

- The annual rate of growth in State share Medicaid costs has declined from 7.1 percent in the years prior to the first cap (1997 to 2005) to 3.6 percent per year from 2006 to 2019, according to federal CMS Medicaid data
- The current local Medicaid caps are working as intended – they are keeping local taxpayers costs lower and requiring the state to take on more program responsibility for controlling the costs of the program they design and for which they write the rules and regulations