The County Perspective

Medicaid Program Efficacy and Sustainability

Testimony submitted by the

New York State Association of Counties

to the

Assembly Standing Committee on Health

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250 Broadway
New York, New York

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The New York State Association of Counties (NYSAC) commends the Committee’s commitment to the Medicaid program’s effectiveness, efficiency and sustainability. Regular hearings are critically important to ensure recipients, healthcare providers, insurers, stakeholders, administrators and payers all have the opportunity to provide input to state lawmakers on the efficacy of the program.

This testimony will primarily focus on the Medicaid cap and the overall financing of the program. The Medicaid global cap concept was presented by former Governor Andrew Cuomo to control the overall state costs of the program at a time when they were growing at an unsustainable rate and when state and local revenues were declining rapidly during and after the Great Recession. The Governor proposed a partnership with health care providers, recipients, insurers, counties and New York City, advocates, payers and a wide variety of other stakeholders to build a more sustainable program. All of these interests, including NYSAC representing our member counties, had a seat at the table as members of the Medicaid Redesign Team.

How We Pay for the Medicaid Program Impacts Sustainability
A key concern for counties and New York City has always been the deep reliance the state places on using locally generated revenues to support the state’s Medicaid program. The $7.6 billion that counties and New York City are required to pay for the Medicaid program is more than all other counties in the nation combined. For State Financial Plan purposes, the state does not even recognize this massive local contribution as an expenditure on the state’s books. It is also important to note that county revenue authority is limited by the state and leaves only the most regressive tax sources, property and sales tax (which is also highly volatile). This stands in sharp contrast to the state’s revenue capacity and flexibility that allows it to pursue a much broader and more progressive tax base such as income, corporate and targeted high value property and luxury-based taxes.

No state in the country funds their Medicaid program like New York and we believe it is a key reason why New York’s program is larger than any other state and under constant fiscal pressure. In other states, most local funding is voluntary and provided through intergovernmental transfers to support publicly owned hospitals and nursing homes through federal disproportionate share matching programs and through certified public expenditures matches (which localities in New York also do voluntarily).

The State’s SFY 2023 Financial Plan assumes All Funds spending of about $81 billion for Medicaid (not including the local contribution of $8.2 billion), this equals about 40 percent of total expenditures in the state budget. For the average state, based on the most recent data from the National Association of State Budget Officers (NASBO), Medicaid expenditures are just under 29 percent of total state spending. For the 10 largest states Medicaid equals about 31 percent of all state spending. New York’s total dollar and share of total spending for Medicaid remains an outlier compared to the rest of the nation.

The current Medicaid Global Cap complicates fiscal problems for the program because in some years the growth rate is insufficient to maintain access, reimbursements and services at levels desired by many stakeholders within the Medicaid program. Revisiting these cap limits may be unavoidable under certain rare circumstances, but counties believe they should be followed to
ensure the program remains fiscally sustainable over the long run.

At the height of the pandemic the SFY 2021 adopted budget called for $2.2 billion in Medicaid cost reductions to align spending growth with what was allowed under the global cap. According to the mid-year state financial plan update for SFY 2022 about two-thirds of those cost reductions have been implemented. These cuts included multiple across the board reductions in reimbursements to health facilities and providers, elimination of Enhanced Safety Net Funding Pools, elimination of equity funding pools to facilities, reduced funding for indigent care pools, among others.

Part of these funding reductions were offset by the state increasing the local contribution to the Medicaid program by $250 million annually through the diversion of local sales tax to state coffers to create a fiscally distressed health facilities pool. The program was designed to be a temporary two-year program in response to the pandemic, but the recent update to the financial plan shows the program continuing through all years of the financial plan. In effect, the state financial plan update is proposing to permanently shift what has been a state and federal funding responsibility for decades, (i.e., helping fiscally distressed health facilities and providers), to the narrower and more regressive local tax base.

These types of actions undermine the fiscal sustainability of the Medicaid program because it undermines the stability of local governments, especially the 57 counties that have a very narrow tax base and only regressive taxation options at their disposal.

Fortunately, the federal government did not recoil from its historic role of providing fiscal stability to health care facilities and providers during a national public health emergency. The federal government authorized $185 billion in funding for health providers to replace lost revenues and help them through the worst days of the pandemic. About $140 billion of this funding has been released with $11.4 billion provided to New York health facilities and providers so far, and according to our New York U.S. senators these funds replaced 87 percent of revenue losses for these facilities during the worst days of the pandemic. Another $26 billion has recently been made available to health providers nationwide to fill in remaining fiscal gaps with more federal funds still in reserve.

In light of the federal support and the long-term fiscal implications to local governments we recommend the Committee and the entire Legislature end the practice of asking counties to finance a larger share of the Medicaid program through a diversion of local sales tax. Instead, the state needs to restore prior cuts and maintain its own fiscal responsibilities to the program. The sales tax diversion of $250 million to backfill state funding cuts should sunset as originally intended.

The State Takeover of Local Administration Should be Completed

Over a decade ago the state authorized a state takeover of local Medicaid administrative functions to ensure more consistency in the implementation of the highly complex system of regulations and to garner fiscal savings through efficiencies of scale and leverage the state could bring to the program. Counties support efforts to streamline operations especially when they improve efficiency and access for recipients. Good progress was made in the early years of the
takeover, but these activities were largely suspended by the prior administration as the state’s fiscal condition deteriorated in the years leading up to the pandemic.

While a 100 percent takeover may not be possible, we still believe there are ways to effectively complete this process even if it requires contracting back certain service delivery functions to counties that the state determines cannot be effectively managed from a central location. Counties support restarting the state administrative takeover process.

We want to thank you for this opportunity and to continue to work with the Committee and the entire Legislature to ensure the Medicaid program is accessible and sustainable for all stakeholders over the long term.