

# County leaders baffled and worried over Cuomo's Medicaid comments

*By Tom Precious*

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ALBANY – For most of Gov. Andrew M. Cuomo’s State of the State address, the county officials from across the state who assembled in a state convention hall here could politely clap as they listened to the governor and soaked in the political trappings of the annual event.

Until the 45th minute.

On a dime, Cuomo pivoted to talk of the state’s “significant” deficit. The chief culprit, as everyone in the room already knew: rising costs in the Medicaid health insurance program. The higher costs are driven by a number of factors, including the state’s higher minimum wage that health providers must pay workers but which can be reimbursed through Medicaid.

But Cuomo added another source of blame for the Medicaid red ink: Albany has been so generous under a program he proposed in 2012 – in which the state picks up annual Medicaid increases that the counties once had to fund – that the state’s finances are seriously hurting.

The state, Cuomo said in the speech, is spending \$177 million for Medicaid this year “on behalf of Erie County.”

The state is spending big “to cover” the local costs of 62 counties in New York, he said. The 2012 plan is now costing the state about \$5 billion annually, according to his administration.

Counties are driving up Medicaid costs, the governor said, with no incentives to control costs and the state is there to “cover” those rising county costs.

“It’s too easy to write a check when you don’t sign it ... The situation is unsustainable,” he said.

In the audience, county officials, Democrat and Republican, collectively gasped to themselves.

Were they hearing Cuomo right? Wasn’t this the same governor who in 2012 got much fanfare for his plan to largely freeze the Medicaid costs for counties? Didn’t he promote that idea as a plan to reduce the burden on counties?

And, they fumed, it has been Albany – not counties – that has increasingly been running the administrative side of Medicaid. Moreover, the Cuomo administration has taken step after step to enroll so many people on Medicaid that nearly one-third of New Yorkers are now on the public health insurance system. In all, some 6 million New Yorkers – the poor, elderly and disabled – are covered.

“I was very surprised,” said Erie County Executive Mark Poloncarz, who, like Cuomo, is a Democrat.

Just two hours before Cuomo’s speech, Poloncarz met at the Capitol with the governor’s senior advisers who said the Medicaid deficit was not going to be addressed in the speech. That Erie County got a special mention in the speech, Poloncarz said, was perhaps a shout out to him for being among those pushing an effort behind the scenes to keep counties harmless from looming state budget actions regarding Medicaid.

“Maybe that was their way of saying, ‘Hey, Mark, here’s what you get for leading the effort,” Poloncarz said.

Poloncarz said any retreat from the 2012 Medicaid cost cap for counties will result in double-digit property tax hikes and big spending cuts to programs that provide direct local services.

“That would basically destroy our economy,” Poloncarz said.

### **'Out-of-control spending'**

Many governors over the years have turned to localities – sometimes creatively, sometimes just with added mandates or state cuts – to balance the state's books.

What Cuomo plans with Medicaid and the counties won't be fully known until he presents his budget plan for 2020, which he has to do, constitutionally, by Jan. 21.

For years, county leaders complained that Albany routinely added new costs to Medicaid because state officials knew counties would help pay the tab. Traditionally, the federal government paid about half the costs, with the state and counties sharing the other half.

But then-Gov. George Pataki in 2005 took the first major step to slowing county Medicaid costs. In 2011, Cuomo enacted a cap on how much localities – including counties – could raise property taxes each year. A year later, with counties worrying about how to abide by the tax cap with mandated Medicaid costs, Cuomo approved a plan to cap county Medicaid costs. Going forward, the state would cover the Medicaid increases the counties otherwise would face.

For counties, it stabilized costs. Erie County has been paying about \$200 million in direct Medicaid expenses for several years, even though the number of county residents on Medicaid has soared with the implementation of the Affordable Care Act and long-term care costs continue to rise. For the state, it meant as Medicaid

costs rose, the state's share grew even higher. The share of county funding of Medicaid is today less than half of what it would have been without the cap.

William Hammond of the Empire Center for Public Policy, a conservative fiscal watchdog, said Cuomo has made the fiscal problem worse by not sooner revealing the extent of Medicaid's runaway spending and deficit, and by temporarily solving part of the problem through fiscal gimmicks, such as pushing off provider payments from one fiscal year into the next.

"If he were to un-freeze the cap, it would directly affect county property taxpayers," said Hammond, one of the leading outside experts on the fiscal problems facing New York's Medicaid program.

Hammond believes Cuomo's true Medicaid target is New York City, which has been especially aggressive in growing Medicaid rolls. Hammond said Cuomo will not want to risk the political fallout to his property tax cap reputation by forcing counties outside New York City – which is not subject to the property tax cap – to pay more for Medicaid.

"This is a state program. The state should pay for it. The problem is not lack of money. It's out-of-control spending," Hammond said.

George Borello, a Southern Tier Republican, took his state Senate seat for the first time last week when the 2020 session began. Last fall, after winning a special election, he resigned as the Chautauqua County executive to become senator. He knows how Medicaid works and its impact on county finances.

Minutes after Cuomo's speech last Wednesday, Borrello began talking with Democratic and Republican county executives about the governor's Medicaid comments.

"It's not a county problem. It's a problem created exclusively by the state," Borrello said of the Medicaid deficit that accounts for more than half of the state's \$6.2 billion operating deficit, which is the highest since the Great Recession.

## **What'd he say?**

Cuomo doesn't generally make such a strident point in a closely watched speech unless he's going somewhere with it. Under the Medicaid cap program, he stressed that not only has the state been there to "cover their local costs," but that counties "still administer the program."

"I was a little baffled, to put it mildly," Poloncarz said of Cuomo's statement about who administers Medicaid.

The 2012 Medicaid cap deal included a provision that would see the state increasingly take over all the administration of Medicaid. County officials say it is the state – not counties – that determines eligibility for most of the people who receive Medicaid. They note, further, that full-takeover of Medicaid administration by the state at the local level has not been fully realized, and that there can be variations from one county to the other in some program aspects. Still, it is Albany, and the federal government, that ultimately controls the program.

The Erie County Democrat said counties are cautiously awaiting Cuomo's budget plan, as well as the timing for any action on Medicaid. Counties operate on a calendar fiscal year; the state's new fiscal year starts April 1.

"Our budgets are done," Poloncarz said. "We're locked in." If county Medicaid cuts happen in 2020, it will mean big mid-year spending cuts for counties. If cuts are made for 2021, Poloncarz said it would create scenarios of big tax hikes or spending cuts that he can't envision proposing or ever getting approved by county lawmakers.

One person from the administration has discussed the issue after Cuomo's speech, and it was on a Manhattan cable TV news channel. Melissa DeRosa, Cuomo's top staffer, told NY1 that the state has seen a "loss of control" in how Medicaid money is being spent at the local level. She said that has contributed to "structural issues" that have to be addressed.

DeRosa said various stakeholders will be convening to address the Medicaid costs issues while seeking to ensure that health care is not affected for New Yorkers on the program.

On Wednesday, the New York State Association of Counties, which represents county leaders statewide, put out an unusually tepid statement in response to Cuomo's targeting counties about Medicaid in his speech

"We understand and appreciate the state's fiscal situation with Medicaid," said Stephen Acquario, the association's executive director. "Forty percent of the state budget, with the federal match, is in Medicaid."

But counties can't afford to see the Medicaid cap on county costs fail or be chipped away at. So, county officials want to make it clear they want in on coming talks to find Medicaid spending solutions.

"The size of this program needs an all-hands-on-deck effort," Acquario said.

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