

The Governor and the \$6 Billion Budget Gap

Gov. Andrew Cuomo pushed to raise the minimum wage, which helped low-income workers, but it has also increased New York's Medicaid costs.



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ALBANY, N.Y. — In the curious case of New York State's \$6 billion budget gap, Gov. Andrew M. Cuomo has a list of leading suspects: local officials and county staffers, whom he blames for negligently allowing Medicaid costs to skyrocket.

But Mr. Cuomo, a Democrat, may have left out the biggest perpetrator.

The governor and state budget officials have said that a statewide minimum-wage increase, along with a push to increase enrollment in Medicaid, a state and federal program that provides health care to low-income residents, are among the biggest reasons the budget deficit is so large.

Both were policy decisions supported by the governor.

Medicaid costs also rose to a small degree because the Cuomo administration in 2018 decided to increase reimbursement rates to health care providers, which benefited deep-pocketed political supporters of the governor, including labor unions and hospital companies.

The minimum wage and other policy choices to increase Medicaid coverage have been lauded by many, including fellow Democrats. But the blaming of local officials has certainly not, as they insist they simply are following state guidance.

"The reasons the cost went up is because of decisions made right here in Albany," Mayor Bill de Blasio, a Democrat, said at a budget hearing in the capital last month.

"I don't understand," he continued, "why there's not an honest acknowledgment of what's going on here."

Mr. de Blasio, like many local leaders around the state, has accused the Cuomo administration of renegeing on a 2012 agreement for the state to absorb rising Medicaid costs so that counties could afford to adhere to a 2 percent property tax cap.

Now the state wants to pass some of those increased Medicaid expenses back to the counties.

"The irony is that he imposed the property tax cap, and we supported it because we knew we needed to rein in the growth," said Marc Molinaro, the Dutchess County executive and a former Republican candidate for governor. "And now, because they didn't take the steps necessary to control Medicaid spending, they're trying to go back and undo what they did."

If the \$6 billion deficit has an origin story, it would begin in 2011, when Mr. Cuomo, then in his first year in office, was seeking ways to control the state's Medicaid costs.

He formed a Medicaid Redesign Team, which made scores of recommendations, many of which were adopted. One encouraged Medicaid recipients to use so-called consumer-directed long-term care, which provides in-home services for "chronically ill or physically disabled individuals," including managing medicines, maintaining personal hygiene and other errands.

Those programs are considered more humane and more affordable, keeping older residents in their homes and out of expensive nursing homes. The program also encouraged family members or friends to be designated and paid as caregivers in the home.

The program's popularity — as well as the participants' longer life spans — began to drive costs higher.

The Medicaid team's suggestion was then passed into law, and the number of home health aides in New York has swollen to some 200,000, part of a national trend. But with the state's minimum wage rising to \$15, the state has paid out far more than the Medicaid team had anticipated.

Mr. Cuomo and other administration officials say that the state deserves credit for controlling Medicaid spending over the last decade, beating national averages and reining in a program that has long been one of the nation's most expensive.

They acknowledge that much of the current problem is tied to spending on long-term care, particularly programs which provide a range of services in people's homes. But they say those programs are overprescribed because some counties and, principally, New York City are at fault for approving such treatment for people who may not qualify.

"We want to make sure the right people have access to these programs," said Robert Mujica, the state budget director. "But we also want to make sure that people aren't abusing or taking advantage of the program."

Specifically, Mr. Mujica and Mr. Cuomo have said that the city and other counties don't have "skin in the game," because they are approving treatments, and thus increasing costs, that they don't have to completely pay for.

Mr. Mujica said that the state has paid more than \$20 billion to help counties and local governments hold the line on Medicaid costs since 2015, with much of that going to New York City. But now, with the state facing a yawning budget gap, Mr. Cuomo and his surrogates say that the state's promise to cover costs for the counties — which the governor called "a very bold and generous initiative" in January — is no longer working out.

Under Mr. Cuomo's plan announced in January, the state would continue to cover costs for counties that keep the growth of Medicaid spending at 3 percent or less, while also maintaining a 2 percent cap on property taxes. Counties that fail to stay under the 2 percent cap would be required to pay the entirety of Medicaid's annual growth in their jurisdiction.

"There's no way county governments can stay under the property tax cap if this proposal were to advance as is," said Stephen J. Acquario, the executive director of the New York State Association of Counties.

Mr. de Blasio said that New York City would be unable to stay under that cap, putting it on the hook for some \$1.1 billion, which would result in a raft of cuts to other programs. That assertion led to strong pushback from Cuomo administration officials, who accused the city of wildly inflating the potential financial impact from the governor's plan, arguing it would cost only about a fifth of what the city suggested.

"The mayor used his time on the soapbox to misinform the public about our Medicaid reforms," Mr. Mujica said.

For his part, Mr. de Blasio is hoping that the State Legislature protects the city, and there are already signs that it intends to do so.

"I think Mayor de Blasio should be comforted that 62 members of the Assembly hail from the City of New York," Carl E. Heastie, the Assembly speaker, said recently. "And I don't think those members are going to be OK with a serious budget hit to the city."

State Senator Gustavo Rivera, a Bronx Democrat who serves as chairman of the Senate health committee, said Mr. Cuomo was being disingenuous about the root cause of the problems.

"When it was politically advantageous to him to say, 'Hey, counties, I'll pick up this cost,' then he said that," Mr. Rivera said. "And now it's politically advantageous to say, 'We're in a crisis, so we're all going to have to put more skin in the game.'"

Still, he said he and his fellow lawmakers were willing to "try to solve it together, but only if they level with us."

"We're talking about a program that is essential to the health of millions of New Yorkers," Mr. Rivera said. "Be honest with us, include us in the process. We're getting none of that right now."