



Healthcare Association
of New York State

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NEW REPORT SHEDS LIGHT ON MEDICAID MYTHS

***Patients, Providers, and Policy Choices* Outlines NY's Medicaid System Report Identifies Strengths, Weaknesses, Recommends Improvements Government Policy—Not Cost of Care—Drives Medicaid Spending Increases**

ALBANY, N.Y. — The Healthcare Association of New York State (HANYS) today issued a detailed report on the state's Medicaid program, outlining strengths and weaknesses, and offering recommendations on how New York's Medicaid system can be improved. The report, *A Closer Look at New York State's Medicaid Program: Patients, Providers, and Policy Choices*, also refutes several misconceptions about Medicaid, and offers a comparison between New York's program and other states. The report is available on www.hanys.org.

“The details of New York's Medicaid system seem complex, but its purpose is very simple: it is the most important and effective avenue for millions of New Yorkers to receive the health care services they need,” HANYS' President Daniel Sisto said. “For years, policymakers have worked hard to expand Medicaid coverage and provide critically needed services to more of New York's children, families, elderly, disabled, and chronically ill. But, unfortunately, discussions pertaining to proposed health care budget cuts and reform proposals often mischaracterize the intent, diminish the value, and ignore the original policy goals of the Medicaid program.”

Medicaid and the associated Child Health Plus and Family Health Plus programs provided health care coverage to more than four million New Yorkers in 2008. The national consumer advocacy organization, Public Citizen, ranked the New York Medicaid program number one in the nation for the scope of services it provides.

The Medicaid program will be even more vital as the economic downturn continues to impact more New Yorkers. As a growing number of individuals lose their employer-sponsored health coverage—through layoffs or benefit cuts—many are unable to secure new coverage due to high costs or pre-existing health conditions.

At the same time, Governor Paterson's 2009-2010 budget proposal seeks to take away \$1.3 billion in funding from hospitals, nursing homes, and home health providers. HANYS' report debunks a common misconception, showing that government policy, far more than provider costs, drives Medicaid spending increases. In fact, just 2.1% of a projected Medicaid spending

increase of 21% stems from provider cost increases. The bulk of the cost increase can be attributed to:

- 2.7% is due to the state takeover of county Medicaid expenditures;
- 4.6% is due to Medicaid enrollment increases, driven in large part by the state's laudably aggressive Medicaid enrollment activities;
- 7.4% is due to a simple timing issue created by a calendar fluke and does not represent an actual increase in spending—Medicaid pays providers on the same day each week and that day occurs 53 times instead of 52 times in 2009; and
- 4.1% is attributed to utilization—the increase in the amount of health services the average individual Medicaid recipient is expected to receive (utilization actually decreased each of the last four years, so this Division of Budget projection may be inflated).

“What we continue to see is misleading rhetoric that identifies medical service delivery cost increases as the primary driver of Medicaid spending growth. That is simply not the case,” Mr. Sisto said. “It is time to end the myth that spiraling Medicaid spending is the fault of health care providers, when, in fact, the primary driver of Medicaid spending increases is government itself.”

Other highlights and themes contained in *A Closer Look at New York State's Medicaid Program: Patients, Providers, and Policy Choices* include:

- New York has maintained a consistently lower rate of uninsured compared to the rest of the nation.
- New York enrolls roughly 20% of the state population, compared to the national average of 13%. Per capita spending in New York is naturally greater because we cover more people.
- Although New York's Medicaid program is often compared to California's, there are distinct differences that explain why New York appears to spend more. For example, unlike California, New York has chosen Medicaid as the primary vehicle to finance mental health care. The California Medicaid program enrolls a smaller percentage of the highest-cost beneficiaries—the elderly and disabled. In New York, elderly or disabled individuals make up 23.3% of Medicaid enrollees, compared to 17.5% in California. Additionally, California's program underpays providers even more than New York.
- The state's efforts to maximize federal Medicaid support give the impression of higher spending, when, in reality, the need for additional state funding is reduced. An estimated \$9 billion of total annual Medicaid spending in New York is attributable to state policies to obtain more appropriate federal financial support. Some of these policies include: providing health insurance to 500,000 adults; supplementing the state's indigent care pool; and securing \$300 million annually for five years with the Federal-State Health Reform Partnership agreement dedicated to restructuring New York's health care system.

- Special needs populations represent 20% of beneficiaries, but 75% of expenditures. To address growing Medicaid costs, policymakers must develop effective models of care delivery for the beneficiaries who need it most.
- Medicaid reform does not just mean payment reform—it includes decisions about the size and scope of the delivery system, quality initiatives, and efforts toward universal coverage.

The Healthcare Association of New York State (HANYs) is the only statewide hospital and continuing care association in New York State, representing more than 550 non-profit and public hospitals, nursing homes, home care agencies, and other health care organizations.