Testimony

# Public Hearing: Medicaid Program Efficacy and Sustainability

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Assembly Standing Committee on Health

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Good morning Chairman Gottfried and members of the Assembly Standing Committee on Health. I am Bea Grause, president of the Healthcare Association of New York State, representing not-for-profit and public hospitals, health systems and post-acute care providers across New York.

Thank you for convening this hearing on Medicaid program efficacy and sustainability and for the opportunity to provide comment.

According to the New York State of Health's most recent enrollment report,[1] total Medicaid enrollment has reached 7.1 million New Yorkers, an increase of more than one million members since the beginning of the pandemic in March 2020. This represents a 17% increase in the total number of Medicaid enrollees in less than a year and half. More than one out of every three New Yorkers is now enrolled in Medicaid.

I raise this statistic to remind us all of the critical importance of the Medicaid program in New York. As the predominant insurer, payer and safety net in New York, the importance of the Medicaid program's efficacy and sustainability cannot be overstated. Quite simply, there is no turning back. We must look forward and work closely together to ensure the Medicaid program works across New York state — for enrollees and the hospitals, nursing homes and other providers that serve them.

## Medicaid global cap

Today, I'd like to focus my remarks on the Medicaid global cap, which was established nearly ten years ago as an outcome of the Medicaid Redesign Team's deliberations. Established during a time of fiscal crisis, the global cap was intended to apply state spending controls to New York's Medicaid program.

While the global cap can be viewed as a helpful tool for government to limit increases in state Medicaid spending to about 3% each year and support access to Medicaid waivers, the cap, as constructed and implemented by the state, includes several challenges that must be addressed:

- The cap does not include any adjustments for factors that can drive spending changes, such as enrollment, patient acuity and demographics, benefit enhancements and other programmatic changes. As previously noted, Medicaid enrollment has increased by more than one million in the last 16 months and has grown by over three million since 2010.

- Each year, costs related to administrative and other spending components that are not directly linked to Medicaid patient coverage, access and services are included under the cap. Specifically, according to the state's global cap reports, state-share spending for "Medicaid administrative costs" and "OHIP budget/state operations" included in

[1] Medicaid enrollment is from NYSOH's September 2021 health insurance coverage update: https://info.nystateofhealth.ny.gov/sites/default/files/Health%20Insurance%20Coverage%20Update%20-%20September%202021_0.pdf

the spending cap has averaged about $820 million each year over the past three years. These costs shift critically needed dollars away from coverage, access and care and instead offset what arguably should be General Fund costs.

- The state leverages the cap as a tool to divert state Medicaid funding directly to the General Fund. This shifting of Medicaid dollars for General Fund relief has totaled more than $1.2 billion in state fiscal years 2018 to 2020 combined. Those dollars should have been invested in the Medicaid program.

And these points just scratch the surface.

Given these flaws, HANYS urges this committee in the short term to either support rescinding the Medicaid global cap or consider structural changes to the cap to allow for spending growth in areas directly impacting Medicaid patient coverage, access and care.

For the hospitals and nursing homes we represent, structural changes to the global cap offer the state the opportunity to reinvest in its healthcare system in much-needed and important ways. HANYS recommends the following:

- ***Re-establish a consistent Medicaid trend factor for hospitals and nonprofit nursing homes, whose reimbursement rates have been stagnant since 2008.*** Medicaid substantially underpays for the services provided to Medicaid members — paying just 67 cents for every dollar of service provided in a hospital.[2] Importantly, Medicaid inpatient and outpatient services make up about one-third of all patient volume at hospitals. A consistent and reliable trend factor can help to close this reimbursement gap that only continues to worsen.

- ***Restore provider funding that was cut***. In recent years, the state budget has significantly reduced and in some cases eliminated key Medicaid-funded support for hospitals and other providers. We urge you to restore the following:

    - 1.5% across-the-board Medicaid payment;
    - special funding pool for sole community hospitals;
    - special funding pool for critical access hospitals;
    - enhanced safety net funds for non-distressed hospitals; and
    - rate-based capital funding.

- ***Make new investments in behavioral healthcare,*** including, but not limited to, improvements in inpatient and outpatient reimbursement levels to support retention of these critical services in communities.

- ***Protect critical safety net programs, including distressed hospital funding, Medicaid Disproportionate Share Hospital funding and state support for hospital and provider access to the federal 340B Drug Discount Program***.

[2] Medicaid underpayment estimated by HANYS using 2019 Institutional Cost Reports.

Looking forward, structural changes to the global cap will be necessary to address the aging population and long-term care spending. Demographic projections for New York show a 40% increase in the population age 65 and older between 2016 and 2030 (from 3.1 million or 16% of New York's population to 4.3 million or 21% of the state's population). While not all of these individuals will transition to the Medicaid program, many will. This trend is important because providing healthcare to the elderly is five times more expensive than providing care to children and three times more expensive than providing care to adults.

## Meeting the capital needs of New York's healthcare providers

And, while not directly related to the Medicaid global cap, I'd like to take this opportunity to highlight the continuing capital needs of providers across New York and urge this committee's support to invest in a new statewide capital program that addresses pandemic preparedness and other goals in preparation for the state securing a new delivery system reform waiver.

## Conclusion

Making meaningful and necessary reforms to the Medicaid program can be challenging due to its sheer size and complexity. However, ensuring that the program is structured and administered in a manner that preserves sustainability while providing coverage and access to care and services is paramount. Together, we must continue the important work of improving this program that touches and improves the lives of so many New Yorkers.

Thank you for the opportunity to participate in this important discussion. I look forward to continuing to work with you on critical healthcare issues.