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NEW YORK HEALTH PLAN ASSOCIATION TESTIFIES AT JOINT BUDGET HEARING

The New York Health Plan Association (HPA) offered testimony today at the Joint Senate Finance-Assembly Ways and Means hearing on the 2021 Executive Budget Proposals on Health Care. In his testimony, HPA President and CEO Eric Linzer opened by stating:

“We recognize the fiscal challenges the state faces, but remain concerned with the ongoing cuts in Medicaid totaling hundreds of millions of dollars that health plans have shouldered the last several years. Our members have been consistent, reliable partners in the state’s coverage expansion and delivery system reform efforts, and have been responsible stewards of state resources providing predictability and accountability to the Medicaid program. To protect the coverage and services for the millions of New Yorkers who rely on our member Medicaid plans, closing the structural deficit should focus on eliminating funding that doesn’t meet the goals of expanding access or reforming the delivery system, while rejecting any new taxes or other measures that will increase the cost of coverage for employers and consumers.”

In his testimony, Linzer focused on three key issues: (1) Closing the Medicaid Gap; (2) No New Health Care Taxes; and (3) Addressing Runaway Prescription Drug Prices. Highlights from the testimony include:

Closing the Medicaid Gap — Given the fiscal challenges in the Medicaid program, it is critical to make the most efficient use of limited state dollars to ensure that they are achieving the goals of expanding coverage, improving quality, or reforming the delivery system. While the Executive Budget will reconvene the Medicaid Redesign Team (MRT) to make recommendations to reform the program, HPA recently proposed a comprehensive series of common-sense measures – many of them long overdue – to decrease the structural deficit by nearly \$900 million, while also protecting the state’s most vulnerable citizens. The proposals include:

- **Eliminating or Substantially Reducing Supplemental Payment Pools:** More than \$1 billion is provided to hospitals, Performing Provider Systems and other providers each year through a variety of supplemental payment programs, including the state’s Equity Pools, Excess Medical Malpractice Pool, the Workforce Recruitment & Retention Pool, and the Quality Incentive Vital Access Provider Program. In many instances, these supplemental pools merely boost payments to providers without delivering additional benefits to patients. Given the current fiscal challenges, the state should assess the ongoing necessity of each program to determine whether the investments are actually helping to address the goals of increasing coverage, enhancing access to care, or improving quality, and eliminate those pools that either have achieved their goals or are no longer necessary. **Potential Savings: \$581.5MM**
- **Realigning the Indigent Care Pool (ICP) Funding:** As the uninsured rate in New York has dropped from 10% in 2014 to roughly 5% today, funding from the ICP should support hospitals that provide the majority of care to vulnerable low-income and uninsured individuals and whose financial stability is challenged. A number of institutions that have positive operating margins and are not dependent on ICP payments currently receive funding regardless of their need. The state should implement a proposal from the Governor’s FY20 30-day amendments to limit payments of ICP funds to \$10,000 for any downstate hospital with an operating margin of more than 2.98% or a net operating income of more than \$68 million. **Potential Savings: \$138MM**

- **Reforming the Health Home Program:** The health home program now accounts for over \$600 million in annual Medicaid spending, but after seven years there is little detail on outcome and performance measures or cost analysis regarding the effectiveness of the program. A May 2018 report on the program by Citizens Budget Commission noted that enrollment has been well below initial projections and most other states' health home programs concentrate on a much narrower population than New York. Given the structural deficit in Medicaid, the state should reduce the size of the health home program by \$150 million, eliminating low-performing health homes and adopt meaningful outcome measures to focus on a more targeted population than it does today. **Potential Savings: \$150MM**

No New Health Care Taxes — Recent news reports have indicated that the MRT will consider raising taxes on health insurance as a way to close the Medicaid gap. The MRT should focus exclusively on reforming and controlling costs in the Medicaid program, not adding more revenue through new or increased taxes on the privately insured. New York currently collects more than \$5 billion dollars annually through various taxes, surcharges and assessments on health insurance, representing the third largest source of state revenue behind the sales and income taxes. These taxes apply to every entity providing coverage including employers, union benefit funds, and the more than 250,000 consumers in the individual market, exacerbating the affordability challenge in health care for New Yorkers.

Addressing Runaway Prescription Drug Prices — Breakthrough medications offer tremendous clinical benefits for patients, but the prices charged for prescription drugs is a major threat to keeping health care affordable for New Yorkers. High drug costs and continually rising prices are a major factor for increases in insurance premiums. We appreciate the Governor's attention to this issue and the proposal to create a new drug accountability board within the Department of Financial Services to investigate prescription drug increases is an important step to containing runaway drug prices. However, setting the threshold to trigger an investigation at a 100% increase within one year is much too high. Patients should not have to wait until a drug price doubles before the increase is questioned.

A copy of the full HPA testimony is available on the HPA website at <https://nyhpa.org/wp-content/uploads/2020/01/2021-Health-Budget-hearing-1-29-2020.pdf>.