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NEW REPORT: STATE PLAN INTENDED TO SAVE MEDICAID MONEY WILL ACTUALLY COST TAXPAYERS $1.5 BILLION OVER 5 YEARS

Program Changes Will Decimate Essential Services Meant to Help Those Most in Need

Analysis Estimates First-Year Cost to the State Will Be $154MM, Disrupting Patient Care

NEW YORK – A touted state plan intended to save Medicaid money will actually cost the state billions over the next five years while also diminishing the quality of care for patients – according to a new report released today by the New York Health Plan Association (HPA) and the Coalition of New York State Public Health Plans (Coalition).

The state plan calls for carving pharmacy benefits out of the Medicaid managed care plan benefit package. In addition to not achieving savings the state anticipates, the change will result in more fragmented care for Medicaid patients, particularly vulnerable and low-income populations and those with chronic health conditions, who rely on having their care integrated and coordinated across the continuum.

The state's actions will also drastically affect "340B providers," a federal program that discounts drug costs and allows under-funded facilities to use the savings for essential services. This change could decimate safety net providers, stripping critical resources they need to support programs including housing, food assistance and HIV assistance that they provide to the state's most under-served communities.

Among the report's key findings:

- **Savings Projections Are Flawed** — The Department of Health's estimates for the carve-out fail to account for the key components – such as reduction in premium tax receipts, and increased state administrative costs – that will lead to increased costs. Since moving to a carve-in model in 2011, net costs per prescription for all New York Medicaid prescriptions decreased by 8.9%, driven in large part to the work of New York's Medicaid MCOs.
- **Patient Care Adversely Impacted** — A carve-out of the drug benefit runs counter to New York's successful approach of using consumer-oriented programs to ensure patients receive the best quality and most cost-effective care. Separating the pharmacy and medical benefits will lead to

difficulty in coordinating health care services across the care continuum, such as primary care and specialists, behavioral health or other specialties, for individuals with acute or chronic conditions. The report notes, “The issue is not whether New York’s integrated care model will be weakened programmatically by a pharmacy carve-out (it will), but rather the degree to which this diminishment will occur.”

- **Programs for Underserved Populations Are Undermined** — Contrary to claims there will be savings from lower prices paid for certain drugs under the federal “340B” program, in chasing these federal savings, the state will lose significantly more. Moreover, these federal savings to the state will come at the expense of certain community safety-net health centers, which have finances that are typically fragile. These cuts could be unsustainable to these organizations and to their ability to serve underserved populations, and will also have a significant negative impact on HIV programs and New York’s Ending the Epidemic initiative.

The new report, authored by the Menges Group and sponsored by HPA and the Coalition, concludes the state’s changes will cost taxpayers $1.5 billion over the next five years – $154 million in the first year alone – forcing the state to spend more to help those who can no longer get help.

“The analysis shows the carve-out of pharmacy from the Medicaid managed care benefit will fail to generate savings for the state and result in poorer care for patients,” said HPA President & CEO Eric Linzer. “With the state grappling with a $14 billion budget deficit, now is not the time to add new costs to the Medicaid program that will decrease the quality of care and devastate the delivery system.”

“This report shows that carving pharmacy benefits out of the Medicaid managed care benefit threatens consumers, providers and taxpayers,” said Anthony Fiori from the Coalition. “Carving out pharmacy benefits will cost the taxpayers big – some $154 million in the first year alone – at the same time it undermines care coordination and quality care for vulnerable consumers – such as those with HIV – as well as taking funds from safety net providers who are reeling from the COVID pandemic. The Cuomo administration should pause the carve-out program to avoid a deeper state budget hole and lower quality care.”

A copy of the full Menges report can be accessed here: www.nyhpa.org.

Note: For any media interested in a localized view on the findings of the report, we have identified representatives of numerous Community Health Centers who are available to speak on this issue.

The Coalition of New York State Public Health Plans represents eight health plans serving more than 3.48 million enrollees in New York’s Medicaid Managed Care (MMC), HIV Special Needs Plan (HIV SNP), Health and Recovery Plan (HARP) and Child Health Plus (CHP) programs.

The New York Health Plan Association represents 28 managed care health plans that provide comprehensive health care services to more than 8 million New Yorkers.