

*Rockefeller Institute of Government–  
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*Ideas for Generating & Sustaining Financing  
for Health Coverage Initiatives in NYS:  
The Consumer's Perspective*

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**Elisabeth Ryden Benjamin, MSPH, JD**  
**Director, Healthcare Restructuring Initiatives**  
**Community Service Society, New York**

# Presentation Outline

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- Introduction
- Federal Sources
  - Enhanced Federal Matching Assistance Percentage (FMAP) for the Medicaid program
  - Waivers
- State Sources
  - Taxes
  - Medicaid Reform
  - HCRA Pools
  - Graduate Medicaid Education

# Introduction



# Introduction

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- CSS Polling finds health reform is a top issue
  - Election Eve Poll of National Voters November 2008:
    - Jobs and economy top issue
    - Voters say making quality health care more affordable to small business and families would be the most helpful thing to them personally and to the nation's economy generally
  - Statewide Health Poll November 2007:
    - Health reform top personal issue and top issue for politicians to act upon
- Bottom line: In voters' minds, health reform is an urgent political issue directly tied to the economic crisis

# Introduction Cont...

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- New York spends more per capita on health than any other state, \$126 billion
  - Yet 2.5 million (or 13% of population) are uninsured
  - Average health system performance (Commonwealth '07)
  - Rarely have top health outcomes & statistics (Kaiser '08)
  - Of 1,619 New Yorkers surveyed in four regions of the State:
    - 22% of New Yorkers postponed getting care
    - 25% couldn't get a prescription filled for lack of insurance or money

# Introduction Cont...

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- In health reform context, New York will have to look closely at current and potential sources of revenues and expenditures
  - Current system is remarkably opaque on both revenue and expenditure side
- We need to determine best methods of financing health reform and spending
  - Goal should be transparency, accountability and optimal use of State resources
  - But study of financing mechanisms must not delay achievable health reform

# Federal Sources of Funding



# Federal Matching Assistance Percentage (FMAP)

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- Several proposals from Congress, NGA
  - Latest discussions revolve around \$20 billion over 2 years
  - Roughly \$4 billion for NYS
- Governor Paterson's proposal
  - Increase FMAP by 5% through 2011
  - Roughly \$4 billion for NYS
- Health Advocates
  - Strongly support asking for FMAP increase
  - But FMAP funding is *not* fungible, should be spent on health, *not* budget holes

# Federal Waivers to Fund Public Insurance Expansions

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- ❑ Section 1115 Waiver or other Waiver for adult expansion
  - ❑ \$24 billion in unspent savings from § 1115 waiver
  - ❑ Cornerstone estimates—Maximum federal support up to 400% FPL would yield \$1.69 billion (State share \$2.8 billion) for 1.3 million enrollees
- ❑ SCHIP support for CHPlus expansion (65% up to 400% FPL)
  - ❑ Cover young adults up to age 25
- ❑ Other waiver ideas
  - ❑ Renegotiate F-SHRP Waiver to pay for coverage expansions (currently acquires FMAP for HCRA, e.g. HNY, ADAP, WRR, TC, telemedicine etc...)
  - ❑ Actuarial soundness rules

# State Sources of Funding



# Taxes:

## Personal Income Taxes (PIT)

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- One NY Coalition rationale for PIT increase
  - Proportionately, middle- and low-income people pay nearly twice as much in taxes as the top 1% of earners
  - Top PIT rate cut by 50% over the last 30 years, from 15.375% to 6.85%
- Millionaires' Tax (Assembly, Summer '08)
  - New income tax brackets: over \$1 million & \$5 million, would raise \$2.6 billion
- Working Families Party Proposal
  - Three new income tax brackets at: \$200,000; \$500,000; & \$1million, would raise \$5.2 billion

# Taxes:

## Other Tax Proposals

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- ❑ Bigger Better Bottle Bill (5 cents on water and beer), would raise \$218 million per year
- ❑ Increase Cigarette Taxes
  - Taxing American Indian cigarette sales, Summer '08
- ❑ Raise alcohol taxes
  - Maine defeated this
  - NY is not particularly aggressive in this area
- ❑ Impose cell phone taxes
  - California defeated this

# Medicaid Reform

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- SDOH initiatives to improve Medicaid program through administrative simplification, restructuring reimbursement, supporting primary care, moves to quality-based reimbursement
- Example: Shifts money from inpatient care to ambulatory care, ideally decreases need for inpatient care
  - SDOH says: overpaying inpatient by \$600 million
  - Hospitals say: disagree, 2008 budget resulted in \$395 million loss (\$166 million reduction in trend + \$154 reallocation to OP + \$75m cut to detox), can't take more inpatient cuts
  - Consumers say: Rate setting has not achieved transparency or efficiency

# Health Care Reform Act—Revenues

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## □ HCRA

- Originally \$920 million in 1997, now \$5 billion
- 3 different pools: Indigent care; Tobacco; Professional educ.

## □ Examples of sources of funding HCRA

- Covered lives assessment (insurance consumers pay)
- Tobacco taxes and settlement
- HCRA surcharges on payers (hospitals pay)
- 1115 waiver – Community Health Care Conversion Demo Project
- Conversion moneys (90% to HCRA; 10% to NYSHF)

# HCRA—Expenditures

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- Lots of opaque project-based expenditures that are intangible to health consumers, some examples below
- General funds “off-loading” \$116-150 million per year from HCRA
  - Should be spent on health care
  - Not Medicaid matched, if we paid for coverage could leverage
- Excess Medical Malpractice Insurance \$130 million
  - Helps hospitals to pay for insurance over a certain amount
  - Malpractice reform could free up these funds

# HCRA—Expenditures Cont...

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- Hospital Indigent Care Pools -- \$847 million
  - Not traceable to individual patients
  - 2008 Budget reforms: 10% must be transparent and traceable to patients
- Other hospital programs
  - Hospital based grants program \$22 million
  - Health facility restructuring program \$20 million (run by Dormitory Authority)
  - Relation to HEAL (\$171 million)?

# HCRA—Expenditures Cont...

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## □ Workforce Recruitment & Retention (WRR)

- Old formula, based on 1999 payroll, not audited between 2002-2006 (\$2.7 billion)
- 2008 new formula: 50% based on 1999 payroll, 50% based on Medicaid inpatient discharges

## □ Current WRR allocations – F-SHRP

- Voluntary Hosps: \$262 million (-\$35million)/year ~ 50%/50% alloc.
- Public Hosps: \$49m (2% cut) grant no FMAP ~ 100% based on MA
- RHCs: \$38m ~ 50%/50% allocation
- Public RHCs: 2007-08 budget phased out over 3 years
- Personal Care in NYC: \$136m (plus FMAP) ~ 100% based on MA hrs\*
- Personal Care in ROS: \$11m (plus FMAP) ~ 100% based on MA hrs\*
- DTCs: \$13m ~ 100% based on MA visits
- Home Health Providers: \$50m (plus FMAP) ~ 100% based on MA hrs\*

\* Actual funding allocation of FMAP unclear.

# HCRA—Expenditures Cont...

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- Healthy NY
  - \$103 million allocation for individual HNY program
  - \$103 million allocation for group HNY program
  - F-SHRP matched these funds, which means there is another \$206 million out there, somewhere, possibly available for coverage or not
- Merger of Healthy NY (\$206 million) and Direct Pay (\$40 million) stop-loss pools
  - HNY arguably over-funded; stave off the DP market “death spiral”

# Graduate Medical Education

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- GME on Medicaid side is \$1.3 billion, uses a 1981 base year to allocate it, then trended forward to present, distributed as part of the Medicaid reimbursement rates
- GME on HCRA side originally allocated based on the 1997 allocations, no new teaching programs can access these funds
  - GME on HCRA side \$331 million (Plus FMAP)
- Concerns about transparency

# Acknowledgements

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- ❖ For 160 years, CSS has been the leading voice on behalf of low- and moderate-income New Yorkers. Our mission is to bring the voices of low- and moderate-income New Yorkers to the policy conversation.
  - ❖ To learn more about the Health Care for All New York Campaign (HCFANY) or CSS's Cornerstone for Coverage Proposal, please go to our websites, [www.HCFANY.org](http://www.HCFANY.org) or [www.CSSNY.org](http://www.CSSNY.org), or call Elisabeth Benjamin at (212) 614-5461 or Francesca Mueller at (212) 614-5337.
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