



Position Statement on Medicaid Reform

Current Situation: The cost of Medicaid – long considered by the business community to be one the most onerous government mandates – has now caught the attention of government officials, the media and the public at-large across New York State. Erie County Executive Joel Giambra deserves considerable credit for bringing about this heightened awareness and for starting a new dialogue from which positive progress in reducing the cost of Medicaid can be achieved.

Background: The numbers on Medicaid expenditures tell much of the story. New York outpaces every other state in the nation when it comes to Medicaid spending. For FFY 1998, New York spent \$27 billion on Medicaid; the next closest state, California, spent \$18 billion. Focusing in on state spending only, New York spent more than California and Texas **combined** – two states both with a larger population than New York. Boiling the numbers down to simplest terms, New York spends \$7,180 per Medicaid enrollee, while the national average is only \$3,800.

The reason for this disparity is that New York simply has made its Medicaid program too expansive. To illustrate this point, we compared the Medicaid benefits package with another state program, Healthy NY, which aims to provide health insurance coverage to small businesses and their employees. Consider the following:

Healthy NY Pays for the Basics.....

- Inpatient hospital services,
- Outpatient hospital services
- Physician services consisting of diagnostic and treatment services, consultant and referral services, surgical services,
- Outpatient surgical facility charges related to a covered surgical procedure
- Pre-admission testing
- Maternity care
- Adult preventive services consisting of mammography screening, cervical cytology screening, periodic physical examinations no more than once every three years
- Diagnostic x-ray and laboratory services
- Preventive and primary health care services for dependent children
- Emergency services

- Therapeutic services consisting
- Blood and blood products furnished in connection with surgery or inpatient hospital services
- Prescription drugs obtained at a participating pharmacy (\$3,000 maximum per person, per year)

Medicaid Pays for All That...But So Much More

- Dental Care
- Home health care
- Physical therapy, speech pathology and occupational therapy
- Family planning services
- Mental Health Care
- Outpatient treatment substance abuse.
- TRANSPORTATION TO OBTAIN MEDICAL CARE

But Medicaid has another advantage beyond benefits. While, Healthy NY is built upon a system of co-payments.....

- Inpatient hospital services ~ \$500 copay
- Surgical services ~ 20% or \$200 copay
- Outpatient surgical facility ~ \$75 copay
- Emergency services ~ \$50 copay, waived if admitted to the hospital
- Prenatal services ~ \$10 copay
- All other services ~ \$20 copay

.....There are no Medicaid Co-payments

A look at prescription drug coverage between the programs further underscores the point. Healthy NY requires an annual \$100 deductible, while Medicaid requires no deductible. Healthy NY requires a \$10 co-payment for generic prescription or \$20 co-pay plus the difference between the generic and brand-name drug; there is no Medicaid co-payment. But above all else, the Healthy NY drug benefit is capped at \$3,000 annually while there is no annual prescription drug cap on Medicaid.

Ironically, while New York requires every HMO in the state to participate in Healthy NY with the hope of using managed care techniques to restrain the cost of the program, New York ranks 45 in the nation in the percent of Medicaid recipients enrolled in managed care. (source: Kaiser Family Foundation)

What makes Medicaid expenditures even more troublesome is that New York is one of only a few states that require local governments to pay a portion of the Medicaid tab. As

it stands now, the federal government pays for 50 percent of New York's Medicaid costs. New York splits the remaining 50 percent with county governments. Hence, counties' must pay for 25 percent of a program for which they have no say in how it operates.

As a result, the local share of Medicaid is one of the reasons for our high property taxes and as such, one of the reasons that our region and New York State overall, are at a competitive disadvantage in attracting and retaining jobs. This year, every single dollar raised in Erie County will be used to pay for the county's Medicaid costs. Medicaid expenses are also one of the main reasons why Niagara County had to raise its sale tax by one percent.

Partnership Position: The Buffalo Niagara Partnership and our 3,500 members agree with the County Executive that something must be done to reduce the Medicaid burden on local governments. The only true way to bring Medicaid under control is to reduce the cost of the program and trim some of the benefits provided. Raising taxes or merely shifting the tax burden to another source does not address the true problem – Medicaid benefits in New York are simply too costly and too expansive.

We are fully aware that any effort to reduce Medicaid expenditures will undoubtedly create a political backlash from certain special interests in the state. However, employers and employees are fully prepared to initiate a political firestorm based on the simple lack of fairness between the overly generous plan paid for by tax dollars versus the coverage available to private sector employees.

The comparison between Healthy NY and Medicaid outlined above, begs the questions of why is basic health care coverage acceptable for working men and woman of New York State, but not sufficient for those who receive Medicaid? Considering the cost of the Medicaid program, this is a question that elected officials must answer.

But beyond the dollars and cents, there is a core argument that taxpayers should not have to pay for a government program to provide health benefits to others that exceed their own coverage by leaps and bounds. It is incumbent upon our state leaders to do the right thing and reign in the Medicaid program. That will make a state takeover of the local share possible without the need to raise any taxes and should lead directly to a reduction in local property taxes.