

## What's Driving Medicaid Costs?

**Enrollment:** One major driver of New York's high Medicaid costs is unusually high enrollment.

Its poverty rate is about average at 13 percent, yet the share of its population covered by Medicaid, at 33 percent, is second only to New Mexico.<sup>29,30</sup> The 20-point disparity between New York's enrollment rate and its poverty rate is the widest of any state's – and suggests that a majority of recipients are living above the poverty line.

Some fraction of that latter group is likely the result of error or fraud, as audits have found.<sup>31</sup> But much of it is legitimate: The eligibility threshold is 138 percent of the federal poverty level for most recipients, 154 percent for children from 1 to 19, and 224 percent for pregnant women and infants.<sup>32</sup>

New Yorkers with higher incomes can also qualify for Medicaid if they have uninsured medical expenses that would consume all or most of their earnings, or by using legal maneuvers to transfer or shield assets before entering a nursing home.

Many of these enrollees would not need Medicaid if they had access to affordable alternatives. The state could therefore reduce Medicaid spending by making private coverage more affordable for employers and individuals.

First steps would include repealing the heavy insurance taxes imposed under the state's Health Care Reform Act, which counterproductively add \$5 billion to premiums, and rolling back coverage mandates that go beyond expert guidelines and promote waste.<sup>33</sup>

**Personal Care:** An especially stark example of high Medicaid spending in New York is the program known as "personal care," which provides non-medical services – such as cooking, house-cleaning and help with bathing – for disabled people living at home.

In 2016, New York spent \$5.5 billion on personal care services, which was the most of any state by a factor of almost three.<sup>34</sup> That cost has increased 71 percent since Cuomo's first year, more than four times faster than the overall Medicaid budget.

New York's per-capita spending on personal care, at \$279 in 2016, was the highest in the country and more than six times the average of the 33 states that offer the benefit (Figure 6).<sup>35</sup>

With 6 percent of the population, New York accounted for 40 percent of nationwide personal care spending in 2016, up from 23 percent in 2011.

In spite of extremely high spending, personal care receives comparatively little oversight from the state's Medicaid Fraud Control Unit, a branch of the state attorney general's office. From 2012 to 2015, the unit conducted just 21 investigations of personal care fraud. That was 0.3 percent of all such probes conducted during the period.<sup>36</sup>

The state could reduce personal care spending by setting stricter limits on eligibility and utilization and beefing up anti-fraud efforts.

**Provider Subsidies:** Another cost driver is the substantial amount that Medicaid spends on subsidies for hospitals, often with little connection to patient care.

One such program is the Indigent Care Pool, which distributes \$1 billion per year. Its declared purpose is to partially reimburse hospitals for providing free care to the uninsured and to supplement the relatively low fees paid by Medicaid. However, the formula used to allocate funding is arcane and dysfunctional, which sometimes results in overly generous grants to wealthy hospitals that treat few poor patients, and overly stingy grants for the true safety-net institutions.<sup>37</sup>

Two other subsidy programs, the Vital Access Provider Assurance Program and the Value-Based Payment Quality Improvement Program, effectively function as general assistance for financially struggling hospitals.

In fiscal year 2018-19, more than half of the \$539 million distributed by those two programs went to four hospitals in Brooklyn: Brookdale, Interfaith, Kingsbrook and Wyckoff Heights.<sup>38</sup> For each of them, the grants amounted to more than one-fifth of their annual revenue – and all had received similarly generous grants for the previous four years. What should be short-term help for institutions in crisis has become a major source of ongoing support.

Medicaid money should be reserved for providing care to those who need it, not needlessly subsidizing wealthy hospitals or propping open institutions that are no longer financially viable.