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Where Cuomo should cut Medicaid

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Gov.-elect Andrew Cuomo, facing a \$9 billion projected gap in the state budget when he takes office in January, should move quickly to rein in the state's out-of-control Medicaid spending.

One of the largest items in the state budget, Medicaid now costs \$50 billion a year, and it burdens local governments as well, since the state requires them to pay for a sizeable share of the program.

A new study by the Citizens Budget Commission documents that spending on Medicaid in New York is way out of line with other states, and points the way to fixing the problem. The report finds that:

- * New York's Medicaid spending, on a per-capita basis, is the highest in the nation and more than twice the national average: \$2,283 vs. \$1,026.

- * About 14 percent of all Medicaid spending in the nation now occurs in New York.

- * Spending per enrollee for our elderly and disabled populations is nearly double the national average.

- * Only about one in four Medicaid enrollees (24 percent) are elderly or disabled, yet they consume nearly three of every four dollars spent (72 percent).

In other words, children and non-elderly adults who are not disabled represent 76 percent of the enrollment, but only 28 percent of Medicaid spending.

Especially expensive, and rapidly growing, is long-term care for the elderly and disabled -- with costs for those services now totaling \$12.5 billion a year. And the trends are even more worrisome.

Five-year trends (2003-2008) show both sizeable growth in this spending and a decline in most of the populations served. Per-recipient spending for nursing-home care grew by 19 percent. For non-institutional personal care, it rose 40 percent; for certified home health agencies, 76 percent.

Three factors drive Medicaid costs: the number of people enrolled; the payment rates to providers, and the extent to which the services are utilized. All three should be addressed in order to contain costs. But the Patient Protection and Affordable Care Act (i.e., the ObamaCare law) bans changes to Medicaid eligibility until 2014, unless states want to lose federal funding for the program.

That leaves rates and utilization as the levers that New York can use to bring its Medicaid costs under control, and both -- especially as they apply to long-term care and other services for the elderly and disabled -- are major factors in New York's extraordinarily high costs.

In January, Gov. Cuomo should create a multiyear plan that addresses the problem of excessive spending on Medicaid -- restructuring the system to provide better health-care outcomes and lower costs. A proposal that addresses only the edges of program spending -- e.g., one that targets fraud and the already limited costs of care for healthy mothers and children -- won't yield significant, serious, fiscal relief.

High Medicaid spending has long benefited providers, gaining the support of legislators looking to satisfy powerful special interests. New Yorkers will have to decide whether they want to continue footing the bill for Medicaid costs that are more than twice the national average.

To meet its obligations to the neediest New Yorkers without slashing other public services, the state needs to bring down the cost of care where it is exorbitant.

As newly elected legislators prepare to head to Albany in January, taxpayers in their home districts should let them know how they feel. It's the taxpayers who are paying the bill, in their state and local taxes, for the most costly Medicaid system in the nation.

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