

CITIZENS BUDGET COMMISSION

Two Penn Plaza * Fifth Floor * New York, NY 10121

Contact: Carol Kellermann Elizabeth Lynam
212-279-2605, ext. 322 347-743-7784

CBC ISSUES REPORT ON NEW YORK STATE'S EXCESSIVE SPENDING FOR MEDICAID

Per Capita Spending is Twice the National Average; Per Recipient Spending for Long-Term Care Is Growing at Alarming Rates

New York, NY – November 18, 2010 – The Citizens Budget Commission (CBC) today issued a report on New York State's excessive spending for Medicaid, one of the biggest fiscal challenges facing Governor-elect Andrew Cuomo. Medicaid is one of the largest items in the State budget – costing \$50 billion annually – and, because New York requires a sizeable local share, Medicaid is also a significant burden on local governments. Approximately 14 percent of all Medicaid spending in the nation occurs in New York State.

The CBC report – titled “No Easy Solution: Effective Medicaid Cost Control Must Focus on the Elderly and Disabled” – was prepared based on research conducted by The Lewin Group, a nationwide health care consulting firm. The report's major findings, discussed in more detail in the report, include the following:

- On a per capita basis, New York's Medicaid spending is the nation's highest at \$2,283, more than twice the national average (\$1,026).
- The elderly and disabled comprise fewer than one in four (24 percent) Medicaid enrollees, but they consume nearly three of every four (72 percent) dollars spent.
- Conversely, children and non-elderly adults who are not disabled represent 76 percent of the enrollment, but only 28 percent of Medicaid expenditures.
- Spending per enrollee for the elderly and disabled populations is nearly double the national average.
- The long-term care services that many of the elderly and disabled receive are expensive and growing rapidly. Total costs for long-term care services are \$12.5 billion annually.
- Five-year trends in long-term care services show sizeable growth in spending, yet a decline in most of the populations served. On a per-recipient basis, spending for nursing home care grew by 19 percent. For non-institutional care, per recipient cost for personal care grew by 40 percent and 76 percent for certified home health agencies.

Based on these analyses, the CBC report notes that three factors drive Medicaid costs—enrollment, provider payment rates, and utilization, and that all three should be addressed in

cost-containment proposals. But the Patient Protection and Affordable Care Act (enacted last March) prohibits changes to Medicaid eligibility until 2014, if states want to retain federal funding for the program. That leaves rates and utilization as levers by which to bring New York's Medicaid costs down, and both—specifically long-term care and other services for the elderly and disabled—are major factors in New York's extraordinarily high costs.

The CBC report further recommends that a multi-year plan that takes this politically powerful bull directly by the horns—restructuring the system to provide better health, better outcomes and lower costs—should be developed. A proposal that addresses only the fringes of program expenses—the ever-unpopular examples of fraud and the already-limited costs of healthy mothers and children—will not yield significant serious fiscal relief.

“New York State is out of line with other states in all areas of Medicaid spending,” said CBC President Carol Kellermann, “but long-term care is where the most egregious per recipient spending growth is taking place. That’s where the State’s attention must be focused.”

"With a projected 9 billion dollar budget gap next year, New York State must get control of its spending. This report reveals where some of that spending is excessive and points the way to addressing the problem," said Elizabeth Lynam, CBC Deputy Research Director.

A full copy of the CBC report is available at www.cbcny.org, as is the longer background study by The Lewin Group. The Lewin Group study is also available at www.lewin.com. For further information, contact Kevin Medina at 212-279-2605 x342.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.