



NEW YORK STATE SENATOR

Patrick M. Gallivan

Gallivan Continues Statewide Tour To Eliminate Counties' Medicaid Mandate, Provide Property Tax Relief

PATRICK M. GALLIVAN September 29, 2011

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Buffalo -- Senator Patrick M. Gallivan (R,C,I-Erie, Wyoming, Livingston, Ontario) and Assemblywoman Amy Paulin (D,I,WF-Westchester) were joined by state and local officials from across western New York Wednesday to announce bipartisan legislation (S.5889-B) that will structurally reform the cost administration of New York State's Medicaid system by incrementally transferring full responsibility for funding the \$44 billion program to the State

-- gradually eliminating the local share traditionally paid by county governments. Senator Roy McDonald (R,C,I – Saratoga) is also a primary sponsor of the Senate legislation, but was unable to join his colleagues at the press conference.

The proposal initially freezes local Medicaid costs, providing \$180 million in immediate local savings by eliminating the automatic three percent annual spending increase currently required by statute. Starting in the third quarter of 2012, the local share would then be reduced by five percent, providing counties with an additional \$75 million -- totaling \$255 million in savings for county governments. Between 2012 and 2019, local Medicaid costs will continue to be gradually reduced as the state assumes an increasing share of the burden. The end result would completely eliminate Medicaid costs from county budgets, providing municipal governments with the flexibility to substantially reduce local property taxes.

“Freezing local costs for next fiscal year by eliminating the automatic three percent increase in Medicaid will provide immediate relief to local governments struggling to make ends meet under the constraints of the new property tax cap,” said Senator Gallivan. “This legislation implements responsible and realistic reforms that will ensure taxpayers won’t continue to bear the brunt of county governments’ ever increasing Medicaid burden.”

Under New York’s current Medicaid structure, the program is funded by state and local governments, with matching funds provided by the federal government. Medicaid costs mandated by the state represent the largest item in nearly every county’s budget. On average, Medicaid accounts for 45 percent of an individual county’s local property tax levy. In many counties, that percentage is significantly higher: 94 percent of Erie County’s property tax revenues are consumed by Medicaid costs.

“Without comprehensive changes to the cost structure of Medicaid, county governments are going to be faced with extremely regrettable choices. The tax cap will only work as intended

to address the property tax burden in New York State if we provide the corresponding mandate relief on local budgets,” said Assemblywoman Amy Paulin. “This proposal will permit local governments to control taxes, while ensuring they are able to continue providing the essential services working families rely on.”

Local Medicaid costs are expected to increase \$2.6 billion by 2025 if nothing is done to provide county governments with some form of Medicaid mandate relief.

The new legislation takes advantage of the Medicaid spending cap provision enacted in this year’s State Budget prohibiting the State from increasing spending on Medicaid by more than the ten year rolling average of the medical component of the consumer price index. Absent future legislation stripping the spending cap of its teeth, Medicaid will cost taxpayers \$10 billion less than if the program continued to be funded jointly with local governments.

“The constraints of a hard spending cap will force additional reforms to Medicaid’s structure, and present a perfect opportunity to implement and expand upon the recommendations put forth by the Medicaid Redesign Team assembled by the Governor Cuomo in January,” said Gallivan.

The legislation has garnered widespread support from local officials across the New York State.

“I want to applaud Senator Patrick Gallivan and the other sponsors of this legislation for being bold in their approach to fixing this state and really easing the burden on hardworking taxpayers. Tinkering around the edges of the Medicaid problem has not reformed the program or achieved savings for taxpayers. This approach is a real and fair solution,” said Erie County Executive Chris Collins.

“On behalf of the Wyoming County Board of Supervisors, I am pleased that Senator Gallivan, who represents all of Wyoming County and the 59th Senate District, for his introduction of Senate Bill 5889-B. This is a major piece of state legislation which will lift the unbearable burden of the county portion of Medicaid payments from the backs of Wyoming County taxpayers as well as taxpayers across this state,” said A.D. Berwanger, Chairman of the Wyoming County Board of Supervisors. “When this bill is passed, the savings to Wyoming County will enable the Board of Supervisors to restore funding to various county departments, who at this time are scheduled to experience serious reductions in their respective budgets which would equate to layoff of personnel and reduction of programs. I strongly encourage the State legislature and Governor Cuomo to embrace and support this much needed mandate relief.”

“I stand here today because this legislation would provide long term mandate relief for counties. This is NYSAC'S highest and most important priority on behalf of the 57 counties and the city of New York- and their taxpayers. This bill represents a systemic solution for a 50 year problem that has plagued counties and our property taxpayers. It is time to change the way we do business in New York, and this legislation will do that in a way that provides relief for our overburdened taxpayers. Now, let us get to the business of passing it and enacting it into law,” said Mary Pat Hancock, Chairwoman of the Genesee County Legislature and President of the New York State Association of Counties (NYSAC). NYSAC's Board of Directors passed a formal resolution this week supporting S.5889-B.

Members of the Western New York Legislative Delegation were also on hand to support the legislation, joining their Senate and Assembly colleagues from both parties who have already signed on as official co-sponsors to S.5889-B.

“I am proud to be a co-sponsor of this legislation and applaud Senator Gallivan and Assemblywoman Paulin on their bi-partisan effort to give relief to the taxpayers of New

York State. This legislation is indication that New York State is headed in the right direction and open for business," said Senator Mark Grisanti (R-Erie, Niagara).

"I have long advocated for reforming Medicaid, and this legislation is exactly what is needed to provide relief to county governments in New York State," said Assemblyman Robin Schimminger (D-Kenmore), a co-sponsor of the Assembly version of the bill. "By initially freezing county Medicaid costs and then progressively reducing the county Medicaid cost share to zero, we in the State Legislature would be taking a huge step forward in ensuring that counties have the ability to continue to fund essential local services for seniors, veterans, law enforcement, parks, and road maintenance."

"New York is on one of only a handful of States in the Country that pass along Medicaid costs to County Government. This system is wrong and Senator Gallivan's legislation will begin to change this culture of irresponsibility and restore sanity to the Medicaid system. Medicaid's outrageous unfunded mandate is inevitably passed on to County property taxpayers and adds to the crushing burden that they face. The time for real reform is now and this bill is a significant step in the right direction," said Senator George Maziarz (R,C – Newfane).

"Medicaid is one of the largest mandated expenses for county governments across the State of New York. Mandated expenses, including Medicaid, in Cattaraugus, Allegany and Chautauqua Counties, which I represent, make up approximately 85% of the real property tax levy in each county. It is imperative that the State Legislature move this bill toward passage so that county taxpayers may be relieved of a major property tax burden. I'm hopeful that this legislation will become law, and I commend its sponsors," said Assemblyman Joseph M. Giglio (R,I,C-Gowanda).

Senator Catharine Young (R,C,I - Olean) said, "This year we took a big step in the right direction by putting a cap on property taxes, but we must go further in order to address cost drivers like Medicaid and other unfunded mandates. By freezing Medicaid costs in the short-term and requiring the state to assume all local costs for the program in the long-term, this measure will allow counties to pass the savings on to taxpayers. We must continue to find ways to change the direction of our state to make it more affordable to live and work here."

Assemblyman John Ceretto (R-I Lewiston) said, "This bill will bring much needed relief to local governments trying to cope with a multitude of state mandates. As a former county legislator, I know the negative impact state mandates have on local budgets and will continue to work to make sure the state is ensuring relief to local tax payers.

"For years, the state of New York has mandated counties pay for Medicaid - without any local input on which services to offer and how to provide them- then forced county governments to foot part of the bill. Transferring the local share of Medicaid costs will deliver significant cost savings to counties and force the state to think twice about the services it provides through its Cadillac Medicaid program," said Senator Michael Ranzenhofer (R,C,I – Amherst).

"Addressing state unfunded mandates must be our top priority in Albany and this proposal is a responsible approach at providing relief from the most costly among them. Medicaid already accounts for the vast majority of county property taxes, yet the system itself continues to grow at an unsustainable rate. By freezing county Medicaid costs and responsibly shifting those costs to the state over time, we can provide stability now while producing real tax relief long into the future. I commend Senator Gallivan and Assemblywoman Paulin for their efforts," said Assemblyman Kevin Smardz (R-I Hamburg).

Gallivan and Paulin were also insistent that this legislation in no way precludes the Legislature or Governor Cuomo from continuing to identify and eliminate burdensome unfunded or underfunded mandates aside from Medicaid.

By calling for an initial spending freeze coupled with a multi-year transition of the local share of Medicaid costs, the legislation intentionally allows the Governor, the Legislature and the State Department of Health a reasonable period of time to prepare and adjust the program to ensure that New York State's Medicaid program is compliant with the new healthcare provisions and state mandates contained in the federal Affordable Care Act, enacted in 2010.