



**Testimony of the New York Health Plan Association**

**to the**

**Senate Finance Committee  
and the Assembly Ways & Means Committee**

**on the subject of  
2013-2014 Executive Budget Proposal**

**January 30, 2013**

## INTRODUCTION

The New York Health Plan Association (HPA), comprised of 22 health plans that provide comprehensive health care services to nearly seven million New Yorkers, appreciates the opportunity to present its members' views on the Governor's budget proposals. Our member health plans have long partnered with the state in achieving its health care goals, including improved access to quality care in its government programs as well as providing access to care that exceeds national quality benchmarks for commercial enrollees. Our plans include those that offer a full range of health insurance and managed care products (HMO, PPO, POS, etc.), public health state plans (PHSPs) and managed long term care plans. The New Yorkers who rely on these plans are enrolled through employers, as individuals, or through government sponsored programs — Medicaid Managed Care, Child Health Plus, Family Health Plus and Healthy New York. Starting next year, hundreds of thousands of additional New Yorkers will be receiving coverage from HPA members as New York implements the Affordable Care Act (ACA). Accordingly, we appreciate the opportunity to offer our view on the proposed 2013-2014 Executive Budget in relation to its application for health care spending in New York.

This will be a very challenging year for New York's health plans. First, health plans are working in partnership with the New York Health Insurance Exchange to prepare for and implement the ACA. This is an unprecedented expansion of health insurance requiring the expenditure of millions of dollars in investment and many thousands of hours of staff time to prepare for a smooth transition. Additionally, health plans continue to implement the Medicaid Redesign Team (MRT) initiatives including the enrollment of new populations and the implementation of the Fully Integrated Duals Advantage (FIDA) initiative. For these reasons, the Legislature should be mindful of

the need to avoid disrupting the implementation of these critical expansions of health insurance coverage.

## **HEALTH CARE TAXES**

We are pleased to see that once again this year the Governor's budget proposal does *not* include any new or increased health care taxes. The various Health Care Reform Act (HCRA) surcharges and assessments along with other assorted taxes levied on health insurers will amount to close to five billion dollars this year, which contributes to New York's health care costs being higher than the national health average. We ask that the Legislature observe the "no new taxes" principle. This is particularly important in light of the fact that new federal taxes imposed by the ACA will add \$1.7 billion to the cost of private health insurance beginning in 2014<sup>1</sup>. The ten year cost to New Yorkers of the ACA premium tax alone is estimated to be \$13 billion.<sup>2</sup>

## **NEW YORK HEALTH EXCHANGE**

After using his Executive Order authority last year to establish the New York Health Exchange, the Governor's budget proposal this year enacts numerous provisions that will enable New York to align statutes and conform to the ACA and continue to move forward implementing the Exchange. These proposals include:

- Creating consistency inside and outside the Exchange with current market practices;
- Eliminating the Healthy New York program for individuals, effective December 31, 2013;

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<sup>1</sup> Source: "The Facts About... Taxes on New York's Privately Insured"; New York State Conference of Blue Cross and Blue Shield Plans; January 2013. Note: The additional \$1.7 billion in state health insurance taxes are the combined estimate of the Federal Premium Tax and the Transitional Reinsurance Program Fee.

<sup>2</sup> "State-by-State Impact of the Health Insurance Tax"; America's Health Insurance Plans; December 2012.

- Eliminating the standardized individual direct pay products, effective October 2013, and establishing a new individual market product outside of the Exchange that must conform to Exchange requirements; and
- Eliminate the Regulation 146 market stabilization program, recognizing a federal risk adjustment mechanism is being implemented in the Exchange.

HPA and its member plans have been working closely with the Exchange staff for more than six months in an ongoing dialogue as New York develops the standard plan design for the various “metal tiers”; criteria for qualified health plans; market participation rules; actuarial soundness for rate setting; and myriad other details that will need to be decided before the Exchange can go live.

The proposed budget provisions relating to implementation of New York’s Health Insurance Exchange are reflective of these ongoing discussions and are supported by HPA and its member plans as they will further the effort to create an exchange that will provide New Yorkers who are currently uninsured access to more affordable health insurance and help to create a more stable market for other New Yorkers.

## **MEDICAID**

**Expanding Medicaid Managed Care:** HPA’s membership includes 15 health plans that participate in government sponsored programs, providing comprehensive health care services to nearly four million New Yorkers who are enrolled in Medicaid Managed Care, Child Health Plus, Family Health Plus and Managed Long Term Care. Plans have been a strong partner with the state in the Medicaid Managed Care program for close to 20 years, have been staunch supporters of New York’s efforts to implement and expand the Managed Long Term Care (MLTC) program and, over the past two

years, have worked diligently to successfully enact the multiple reforms of the Medicaid Redesign Team (MRT). Together, these joint efforts have resulted in expanded access to care for many New Yorkers and improved quality of care. HPA and its member health plans are committed to continuing to support these efforts to bring high quality, affordable and accessible health care to all New Yorkers.

The historical data of the state's Medicaid managed care program and the recent MRT reform experience underscore the ability of plans to provide needed services and manage patient care that results in improved quality outcomes with the added advantage of delivering cost savings to the state and its taxpayers. Examples of this include:

- Improved access to important primary and preventive health services as well as management of chronic conditions as measured and reported annually by the Department of Health's Quality Assurance Reporting Requirements;
- The transition of numerous previously excluded populations into managed care plans (e.g., the homeless, personal care and consumer directed personal care, restricted recipients and low birth weight newborns);
- DOH's 2012 MLTC performance report demonstrates high quality performance and member satisfaction; and
- The successful integration of the Medicaid pharmacy benefit into the Medicaid managed care package, which has saved New York more than \$100 million. The realization of this reform is highlighted by the governor's proposal to repeal not only the "prescriber prevails" authority for atypical antipsychotics in the Medicaid managed care, which HPA supports, but also in the fee-for-service Medicaid system.

Recognizing these accomplishments, the Governor's budget plan includes MRT proposals to remove any barriers to enrolling remaining populations into Medicaid managed care, and HPA supports these proposals. This includes certain "special needs" populations who have significant behavioral health requirements. Higher need populations to be incorporated into Medicaid managed care include:

- Individuals requiring rehabilitation and recovery services who will receive behavioral health benefits through Health and Recovery Plans (HARP) that will be integrated into mainstream Medicaid managed care plans; and
- Individuals with developmental disabilities will similarly have their care needs better coordinated through new Developmental Disabilities Individual Support and Care Coordination Organizations (DISCOs).

**Global Cap:** The implementation of the ACA creates enhanced federal funding for certain populations that were previously funded through Medicaid. It is estimated the ACA will generate \$82 million in Medicaid savings this fiscal year. However, the Governor's budget plan calls for moving half of these funds outside of the Medicaid global cap to fund other public health programs. These savings — along with any future ACA related savings — should stay within the Medicaid system and be applied to the global cap. This will allow for investment in key initiatives — especially quality improvement — and also eliminate the 2% across the board cut imposed on providers and Medicaid managed care plans as well as avoid any future need to impose cuts in order to stay within the cap.

## CONCLUSION

The Governor's proposed health care budget provides a thoughtful roadmap for New York to continue its course to improving affordable access to health coverage and quality of care for its residents, both through its continued expansion of its Medicaid managed care program and the implementation of a well-designed Health Exchange. Health plans have been a partner in these ongoing efforts. HPA and its member plans remain committed to working with you and your colleagues on initiatives that keep New York moving forward on this course. We thank you for the opportunity to share our views today.