



STATE OF NEW YORK | EXECUTIVE CHAMBER
DAVID A. PATERSON | GOVERNOR

For Immediate Release: July 22, 2009

Contact: Marissa Shorenstein | marissa.shorenstein@chamber.state.ny.us | 518.474.8418
| 212.681.4640

GOVERNOR PATERSON OUTLINES HEALTH CARE REFORM PRINCIPLES IN LETTER TO CONGRESSIONAL DELEGATION

Numerous Successes in New York Show Path to Affordable and Essential Health Care Reforms

Federal Health Reform Is Essential to Economic Recovery and Must be Affordable and Equitable to All States

Governor David A. Paterson sent a letter to the New York State Congressional Delegation detailing principles that he believes must be part of national health care reform to ensure its success. New York has already taken steps to expand health insurance, improve quality and control cost. Governor Paterson also urged members of Congress to assure that while providing New Yorkers with access to high quality, affordable health care services, they will also be treated equitably by the essential reform measures that are part of the final package.

“As the only State in the nation with open enrollment and pure community rating, New York has been a leader in guaranteed access to health insurance coverage without regard to age, sex, health status or occupation. Unfortunately, New York also has high health care and premium costs,” said Governor Paterson. “I share your commitment to comprehensive health care reform and urge the passage of a health reform bill this year. But to be most effective, reform must recognize the efforts of those states that have been leaders and treat all states equitably. That means not increasing the burdens on state government or the costs for health care consumers.”

New York has been a national leader in guaranteeing access to both public and private coverage, with a public health insurance program that covers 4.5 million children and adults. As a result, the number of low-income New Yorkers without health insurance is well below the national average.

Recognizing that coverage expansions are not sustainable without complementary efforts to contain costs, the New York’s Health Care Improvement Act, enacted as part of the

State's 2009-10 Budget, made sweeping reforms intended to ensure that New York Medicaid buys quality, cost-effective care.

Governor Paterson's reforms are consistent with the current reform efforts in Washington. For example, New York is shifting spending to primary care from in-patient to promote prevention and reduce costs. Also, New York no longer pays hospitals for the costs of "never events," that is, serious, preventable, and costly medical errors.

Despite these successes, more remains to be done. Approximately 2.5 million New Yorkers still do not have health insurance. New York's businesses, which are critical to creating jobs and a successful economic recovery, are burdened in already difficult economic times with health costs that consistently rise faster than inflation.

Governor Paterson continued: "I look forward to working together with you and the Obama Administration to advance a sound state-federal partnership that will press our shared goal of ensuring that all Americans have access to superior, cost-effective health care. Thank you for your commitment and hard work on behalf of the citizens of New York State."

The full letter is included below and also available online:

http://www.ny.gov/governor/press/pdf/press_0721091.pdf.

July 21, 2009

Dear New York Delegation,

As Governor of New York State, one of my highest priorities and greatest responsibilities is to ensure that New Yorkers have access to high quality, affordable health care services. My multi-year reform agenda supports the goals established by President Obama and Congress, including expansion of coverage and access, improved quality and cost containment. I share your commitment to comprehensive health care reform and urge the passage of a health reform bill this year.

Medicaid covers over 4 million low-income, elderly and disabled New Yorkers and is the single largest payer of health care services in the State, at almost 30 percent. Medicaid and the State's Child Health Plus programs subsidize coverage to children in families with incomes up to 400 percent of poverty, parents up to 160 percent of poverty and single adults up to 100 percent of poverty. Yet, there are still 2.5 million uninsured New Yorkers, half of whom are eligible, but not enrolled in these public programs. For this reason, I have worked aggressively to improve access to Medicaid by simplifying and aligning coverage for all eligibility groups, reducing administrative barriers and taking steps to expand eligibility, despite a deteriorating economy. The State's coverage reforms are coupled with smart cost containment including significant payment and program reforms to ensure that New York Medicaid is buying value for its health care spending.

As the only State in the nation with open enrollment and pure community rating, New York has been a leader in guaranteed access to health insurance coverage without regard to age, sex, health status or occupation. Unfortunately, New York also has high health

care and premium costs. While access to coverage is guaranteed, affordability has become an obstacle, particularly in New York's individual market where single premiums average \$970 monthly. Accordingly, federal health reform is a welcome, once in a lifetime opportunity to provide quality, affordable health insurance for all Americans while simultaneously building a 21st Century economy.

I urge Congress to consider and adopt several key health care reform policy principles, which I fully understand will be discussed and negotiated to serve the greater good.

- **Equitable Treatment For All States:** States like New York that have adopted targeted minimum levels of coverage for some or all populations should receive the same level of support as states that have not. Under some federal proposals being considered states that have not previously adopted those minimum levels would be eligible for 100 percent federal funding for the cost of the expansion. States like New York would not receive any federal funding. Mechanisms used to finance the cost of health care reform should be fashioned so as to not disproportionately impact New York due to its high cost of living, incidence of poverty or large number of immigrants. Similarly, federal market reforms, such as an affordability schedule for subsidies for individuals to purchase coverage through an insurance exchange, need to account for health care and premium costs in New York, which is among the highest in the nation.
- **Federal Reforms Must be Affordable to the States.** As we strive to achieve universal coverage, we must be mindful of the daunting fiscal challenges states now face. Expansions of eligibility levels and coverage mandates are central components of the bills under consideration. Together they will result in increased enrollment in the public programs in all states, including New York. This new enrollment should not result in significant new costs for states. That is why we were especially pleased to see that the House bill provides that the federal government will assume 100 percent of the costs of covering certain populations, such as childless adults, thereby freeing up state dollars for traditional populations (e.g., children and parents) for the added enrollment costs once mandates go into effect. State eligibility systems will be key in processing Medicaid enrollment and calculating family eligibility for affordability credits in any Insurance Exchange. Accordingly, we would urge that the Federal matching rate for eligibility systems be increased to the level for claims processing systems. Finally, we know that coverage does not guarantee access; additional federal funding should be invested in primary care capacity and access.
- **Maintain DSH and GME Funding Streams:** Disproportionate Share Hospital (DSH) payments to safety net hospitals should be maintained. While the need for DSH may diminish over time as coverage expands, it would be premature to cut funding levels until there has been a

documented decrease in the number of uninsured patients. Given the large number of undocumented immigrants in New York, many patients are likely to remain uninsured and dependent on safety-net hospitals. New York's teaching hospitals are a national public good. Although we have just 6 percent of the nation's population, we train 16% of the physicians. After completing their training, more than half of them leave to practice outside of New York. Congress should clarify that Medicaid covers Graduate Medical Education (GME) in both inpatient and outpatient settings.

- **Leveraging Medicaid In Health Reform:** Federal support for Medicaid is critical if states are to maximize the program's role in ensuring coverage and access to care. Medicaid and Medicare should be aligned to advance payment reforms that incentivize quality and efficiency. Federal reform should include minimum income levels that trigger coverage of children, parents and single adults. States that meet the minimums should receive enhanced federal funding. Medicaid enrollees, up to the national eligibility level, should be outside the insurance exchange since states have developed administrative structures responsive to the needs of the lowest income families. In instances where Medicaid wraps around private coverage obtained through the exchange, any proposal should seek to minimize administrative complexity.
- **Ensure Level Playing Field in any Insurance Exchange Program.** States should have a role in establishing and operating insurance exchanges. Reforms to introduce a health insurance exchange should be structured to avoid creating an un-level playing field that encourages anti-selection, where unhealthy or high-risk consumers go either inside or outside of the exchange. For example, rating, participation, and benefit packages should be consistent inside and outside of the exchange. Insurance risk should be broadly pooled across all products in a given market, both inside and outside of the exchange, to effectively spread costs and minimize anti-selection. Risk adjustment mechanisms should be similarly applied.

It will also be important to improve coordination of the financing, benefits and administration of Medicaid and Medicare will be essential (approximately 40 percent of total Medicaid spending in NYS is on the dual eligible population). Any Federal reforms should be a floor, not a ceiling, and allow states like New York to provide greater consumer protections under state law. Similarly, in order to fully protect New York State citizens, states should have the ability to enforce federal laws as well as state laws that provide greater protections.

I look forward to working together with you and the Obama Administration to advance a sound state-federal partnership that will press our shared goal of ensuring that all

Americans have access to superior, cost-effective health care. Thank you for your commitment and hard work on behalf of the citizens of New York State.

Sincerely,

David A. Paterson
Governor, New York

Additional news available at www.ny.gov/governor/press

*High resolution images available at www.ny.gov/governor/mediaimages / password:
*paterson**

*New York State / Executive Chamber / press.office@chamber.state.ny.us / 212.681.4640 /
518.474.8418*