

**Tuesday, September 21, 2010**

**Bad Medicine? No Medicine!  
Paladino Proposes 40% Cut to Medicaid**

Republican gubernatorial candidate Carl Paladino is proposing to cut the state's Medicaid expenditures by \$20 billion – that's right, \$20 billion, or 40% -- by eliminating what he describes as "gold plated", "optional" services. The impact of such a move would be devastating, say providers and advocates. Millions of New Yorkers – including many with serious disabilities – will lose a wide range of critically important services. And, state expenses for dealing with health care and disabilities-related crises are likely to skyrocket – both now and in the future.

The whole idea that there are "optional" Medicaid services is a very unfortunate example of extremely poor legislative language selection. Normally, we think of "optional" services as something we would like, but don't really need, like flying business class instead of coach, or having our own private hospital room rather than the more common two-person, semi-private variety.

In Medicaid parlance, however, the concept of "optional" services dates back to the program's 1965 enactment through passage of Title XIX of the Social Security Act. The law laid out a series of basic "mandatory" services that States were required to provide in order to participate in the federal program. States were also offered the choice of providing a variety of other "optional" benefits.

In basic terms, "mandatory" services primarily consisted of doctors and hospital services, along with things like medical home health, lab tests and X-rays, medical transportation and nursing facilities.

Optional services, which states are not required to provide, include many elements now considered to be fundamental to the most basic medical care.

Topping the list would be prescription and non-prescription drugs, a key treatment vehicle for almost all medical conditions. It hardly seems worth the cost and bother of sending Medicaid recipients to a doctor, if you are not going to provide them with the medication that those doctors are almost certain to prescribe. In Federal Fiscal Year 2008, these kinds of drugs accounted for \$3.5 billion -- \$2.1 billion after adjusting for rebates – of New York State's optional Medicaid expenditures, according to the Division of Budget.

Other routine medical services categorized as "optional" include emergency hospital care, physical therapy, durable medical equipment, prosthetic devices, and hospice care. And, of course, there are such frivolous programs such as dental services and eye care – something which many private health insurance plans also do not cover but critical to a person's overall health and wellness nonetheless.

Some "Optional" Medicaid services have been vital to providing services in community-based, rather than hospital-based, settings, thus making them more convenient and therefore more effective for patients as well as significantly less expensive for the state. Clinics, which are not hospital affiliated, are considered an optional service. So, too, are private duty nursing and a range of home health therapies and personal care that keep patients out of high cost hospitals and nursing homes. The elimination of funding for these community- and home-based services, therefore, is likely to drive up state expenses rather than reduce them.

"Balancing budgets should never be done on the backs of low-income people," says Lara Kassel, Coordinator, Medicaid Matters NY. "Taking away the ability to access essential services – things like dental care, wheelchairs, oxygen tanks, and eyeglasses – would be unconscionable. People who use Medicaid should never be denied what they need to keep them healthy, safe and living in their homes."

Providers also argue that the elimination of "optional" Medicaid expenditures will effectively eliminate whole systems of services for poor and low income individuals with developmental disabilities, mental illness and substance abuse problems.

#### **No Developmental Disabilities Services?**

New York State's Office for Persons with Developmental Disabilities (OPWDD) provides a wide array of services to tens of thousands New Yorkers and their families, much of it supported by "optional" services. Over 6,000 individuals who require the most intensive levels of care and supervision live in Intermediate Care Facilities (ICFs), which in FFY2008 accounted for \$3.2 billion in "optional" Medicaid expenditures. No optional Medicaid, no ICFs!

Most of the 27,500 individuals with developmental disabilities living in OPWDD-licensed Individualized Residential Alternatives (IRAs) receive Medicaid Case Management Services, another "optional" expense to coordinate their care.

The vast majority of day services for more than 57,000 individuals with disabilities also are supported by "optional" Medicaid funding, via the Home and Community-Based Waiver. These services include training with life skills, supported employment, rehabilitative services and treatments, and day habilitation. Another 43,000 individuals with developmental disabilities living at home with their families received support services in the home, including respite for family members, recreation, crisis intervention, and case management.

"Optional Medicaid services includes virtually of the community supports for people with developmental disabilities in New York State," says Peter Pieri, Executive Director of the Inter Agency Council of Mental Retardation and Developmental Disabilities Agencies.

It seems hard to believe that anyone would be proposing closing ICFs housing 6,000 of the state's highest needs residents or eliminating the crucial support services for almost 100,000 other developmentally-disabled New Yorkers. Yet that is what a flat out elimination of "gold plated optional Medicaid services" means!

What are the alternatives? "Either the state pays 100 percent more than it is currently paying because it loses the Federal Medicaid share or it eliminates the services. Those are the only two options," says Peter Pieri, Executive Director of the Inter Agency Council of Mental Retardation and Developmental Disabilities Agencies.

### **No Community Behavioral Health?**

Community behavioral health services primarily operate out of non-hospital-affiliated community-based clinics, which would no longer be reimbursable if "optional" Medicaid services were eliminated. These 500- plus programs across the state serve over 90,000 people with mental illness every single week. They emerged to become the primary source of services and treatment for New Yorkers with mental illness after the state emptied its psychiatric hospitals, dumping tens of thousands of former patients onto the streets and into homeless shelters, during the 1950s, '60s, and '70s.

Eliminating the service, however, doesn't eliminate the need. Without community-based clinics, poor and low-income individuals with mental illness will go without regular, routine treatment and be left to seek crisis care through hospital emergency rooms – itself an "optional" service – leading to significantly higher treatment costs and more frequent in-patient psychiatric hospitalizations.

"These are lifesaving services for people who desperately need them," says Philip Saperia, Executive Director of the Coalition of Behavioral Health Agencies. "The thought of eliminating them in their entirety is appalling."

By the way, psychologist services and inpatient psychiatric hospital services for individuals under the age of 21 are also "optional" – and would no longer be funded on this proposal.

### **No Substance Abuse Treatment?**

The elimination of "optional" Medicaid benefits would also eliminate a significant portion of the funding which supports the network of community-based alcoholism and substance abuse treatment services where an estimated 110,000 people with addictions seek help on any given day. "This proposal is remarkably short-sighted," says John Coppola, Executive Director of Alcoholism and Substance Abuse Providers of NYS. "It would take away the option to get treatment for their addiction. Hospitals and emergency rooms will be flooded with people. We know as an absolute certainty that the economic cost of untreated addiction is way, way, way higher than the cost of treatment."

### **Bad Economics**

In addition to leaving hundreds of thousands of New Yorkers without the care and services they desperately need, slashing Medicaid funded services would also be very bad for the State's economy. For one thing, a \$20 billion cut in Medicaid services would cost the State something on the order of \$10 billion in Federal aid – no small impact in these very difficult times. The total hit to the economy would actually be much larger still. According to an economic impact model developed by Families USA,

the proposed \$20 billion reduction in Medicaid spending would lead to a \$41.8 billion reduction in total business activity in New York State and eliminate 320,200 jobs.