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**GOVERNOR, LEGISLATURE AGREE TO HISTORIC HEALTH CARE INITIATIVE
Nation's Most Comprehensive Plan to Provide Health Care for Uninsured New Yorkers**

Governor George E. Pataki, Senate Majority Leader Joseph L. Bruno and Assembly Speaker Sheldon Silver today announced an agreement on an historic and dramatic improvement of New York's health care system, providing the most comprehensive new program in the nation for the uninsured, ensuring the long-term strength of our hospitals and continuing the State's national leadership in training doctors.

"This historic legislation will mean a healthier New York, providing the most comprehensive health care plan in the nation for those who need it most," Governor Pataki said. "Up to a million New Yorkers, many who work hard to provide a better life for their families, will now get the health insurance they need and deserve. At the same time, businesses and consumers will save more than \$110 million in their health care costs.

"This proposal ensures all New Yorkers -- from our cities to the rural communities, upstate or downstate -- will continue to have access to high-quality hospital care," the Governor said. "New York's long tradition of providing the best doctors, the finest hospitals and the most compassionate care for its people will continue well into the 21st Century."

Speaker Silver said, "The landmark health care financing agreement reached today is a victory for all New Yorkers and will prove to be a model throughout this country as our nation struggles to address the plight of the uninsured. Under this agreement, we are taking the extraordinary initial step to address what has been a growing health care crisis by providing coverage for nearly 1 million uninsured New Yorkers.

"Our plan providing stability for our health care system, assists our state's poor urban and rural communities by strengthening the bad debt and charity pool and eliminates the onerous lab fees paid by insurers and consumers," the Speaker said. "With this plan, we are ensuring that our hospitals and clinics throughout the state, particularly high-need hospitals, will continue in their role as the premier health care facilities in the world and guarantee that quality health care remains available, accessible and affordable for all New Yorkers."

Senate Majority Leader Bruno said: "I want to congratulate Governor Pataki for the tremendous amount of personal involvement and leadership he showed in bringing about this monumental and historic health care financing agreement. This new plan will make New York's program to provide health insurance to the uninsured the most far reaching in the country.

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"In addition, the plan will provide major Medicaid savings to state and local governments and taxpayers," Senator Bruno said. "It also means that a major part of the 2000-2001 budget will already be in place so there is no reason why we cannot have a new state budget completed on time. The new health care financing plan is truly a victory for everyone in this state."

The proposal continues funding to care for the indigent at a higher level than in previous years, funds graduate medical education at significant levels, and creates new health insurance programs to provide access to health care for the uninsured while lowering insurance costs for New Yorkers buying coverage in the direct pay market.

The agreement lowers health insurance costs for businesses and consumers by reducing by \$60 million the covered lives assessment on insurers that funds Graduate Medical Education. In addition, patients undergoing blood tests, pap smears, and other routine lab tests will save \$54 million as a result of the elimination of the 8.18 percent surcharge on freestanding labs and, pending federal approval, the elimination of the surcharge on hospital-based labs.

HCRA programs will be supported by continuation of the surcharge on outpatient and inpatient hospital services, the reduced covered lives assessment to fund Graduate Medical Education, a continuation of a 1 percent cash assessment on hospitals, and, to reduce the number of uninsured New Yorkers and support anti-smoking efforts, a 55-cent additional tax on cigarettes. In addition, all of the recurring tobacco settlement funds will be used to support the health care initiatives in this legislation.

"This new HCRA proposal builds on New York's role as a national leader in health care," State Health Commissioner Antonia G. Novello said. "Under Governor Pataki's leadership, New York will provide additional opportunities to individuals in need, especially our children, by affording them more access to quality health care; we will intensify our fight to combat youth smoking, and we will ensure that our hospitals and doctors continue to be the best in the nation. I commend the Governor on this historic proposal, it will improve and strengthen New York's health care system and it will benefit all New Yorkers."

"Governor Pataki's plan will go a long way in increasing the availability of affordable insurance coverage to uninsured New Yorkers," said Superintendent of Insurance Neil D. Levin. "Both employers and their employees will be able to purchase a package of benefits that provides substantial coverage for services including inpatient hospitalization, maternity care and preventive health care. Working families will have peace of mind knowing their critical health care needs will be met."

The first Health Care Reform Act, enacted into law in 1996, eliminated the system of state-set rates for health care services charged by hospitals to commercial insurers - reducing the inefficiencies of the old system bringing New York into alignment with 48 other states that allowed the market to determine health care charges.

Additionally, in 1998, Governor Pataki negotiated federal assistance of \$1.25 billion to assist hospitals in their transition to managed care as part of the federal approval of the state's mandatory Medicaid Managed Care waiver.

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Highlights of the 3½-year, \$9 billion proposal, which sunsets on June 30, 2003, include:

Healthy New York – Covering the Uninsured

The Healthy New York package to make affordable health insurance benefits accessible to up to 1 million New Yorkers at a 3½-year cost of \$626 million in state funds has four key components, including a Family Health Plus component. They are:

— State Subsidized Health Benefits for Small Businesses

The plan will ensure that affordable health benefits are accessible for small business owners in New York State. Too often, small businesses cannot afford to offer their employees basic health benefits because the benefit packages provided by the HMOs are too expensive. To help these small business owners afford coverage for their employees, the State will subsidize the insurance premiums for a new, streamlined benefits package for businesses that have 50 or fewer employees. Under the plan, the State will reimburse the HMOs for claims from individual policyholders between \$30,000 and \$100,000. HMOs will be responsible for any claims above and below those amounts.

The new benefits package will include essential coverage for inpatient and outpatient hospital services, physician diagnostic and treatment services, maternity care, family preventive and primary care, x-ray and laboratory services, and a prescription drug benefit. The new benefits package will be more affordable than other benefit packages now required by law. All HMOs in New York State are required under the plan to offer the new benefits package to small group employers and the working uninsured.

— State Subsidies for Uninsured Individuals and Families

This subsidized standard benefits package will also be available to uninsured individuals and their families. To be eligible, these residents must work for employers who do not offer health insurance. This portion of the plan will make coverage available to those employees and their families who may not receive coverage through their employer.

— Subsidies for Direct Pay Individuals

The third portion of the plan stabilizes premiums for individuals in the direct pay market by providing State subsidies. The subsidies for this group will be available in the form of "stop loss" coverage through a State administered fund for HMO claims between \$20,000 and \$100,000.

— Family Health Plus for Working Parents and Individuals

The proposal expands upon Child Health Plus by expanding coverage so that parents can obtain the same coverage as their children through managed care plans. The proposal expands Medicaid coverage for families with incomes below 150 percent of the federal poverty level (\$25,000 for a family of four). It also expands Medicaid for individuals with incomes of up to 100 percent of the federal poverty level (\$8,200).

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Child Health Plus

Increases funding to more than \$1.1 billion over the life of the Act in the nation's best child health insurance plan to support the program's rapid growth. At the enactment of the first HCRA, less than 125,000 children were enrolled in the program. Today, more than 415,000 children are receiving comprehensive medical care, ranging from well-child visits to hearing, vision and dental care to x-rays and hospital inpatient services.

Care for the Indigent

Hospitals will continue to be reimbursed more equitably for their true costs of treating uninsured indigent patients. Under the proposal, distribution of \$765 million annually - higher than both the first HCRA and the funding available for bad debt and charity care during the final year of NYPHRM -- will be based on a formula that is based on need.

In addition, those major public hospitals that had been reimbursed in the past for a higher percentage of their charity care costs because of their high volume of cases will not receive any reductions in charity care funding during the life of the bill. In particular, the formula helps rural and high-need hospitals. Additionally, funding in the amount of \$48 million annually will be made available to fund charity care provided by clinics.

Graduate Medical Education

The proposal supports New York's distinguished academic medical centers and continues a system to keep dollars collected for graduate medical education within the geographic region of the state where the medical services will be rendered. It also lowers the covered lives assessment used to fund the program by 8.7 percent - making GME more affordable for employers that provide health insurance and improving their competitive positions. This allows funding to be directed toward physicians in training at New York's premier academic medical centers and preserves New York's reputation for excellence in training new physicians.

Rural Health Care

Enhanced support for rural health care will be provided. Recognizing the unique issues facing rural providers serving remote or sparsely populated areas, \$17 million will be made available to them annually to promote more effective health care delivery through the planning, implementation and operation of rural health networks. A portion will go to rural hospitals for diversifying, reorganizing or integrating operations; enhancing the cost-effectiveness and quality of care; and improving access to needed health care services. Part of the funding will be distributed to rural hospitals to improve operational efficiencies, reduce the duplication of services and develop affiliations with community-based health care providers.

Tobacco Prevention

In addition to a \$13 million investment in Medicaid coverage of smoking cessation products, a new program to reduce tobacco use among New Yorkers will be created with an average annual cost of \$37 million.

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Additionally, New York's tobacco products tax will be increased to a \$1.11 per pack. Anti-smoking advocates agree that since adolescent purchase of cigarettes is impacted by any increase in cost, the tax increase will have a dramatic impact on teen smoking rates.

The anti-tobacco program, using guidelines produced by the federal Centers of Disease Control and Prevention for fighting tobacco use, includes the support of community and school-based services, the largest anti-tobacco advertising campaign in the history of the state, programs to address racial and ethnic disparities in smoking rates, the restriction of youth access to tobacco products, and the promotion and funding of cessation services for people that need help quitting smoking.

Mental Health Initiative

Funding of approximately \$80 million annually to strengthen New York State's mental health system. The funding will help the state implement Kendra's Law and will expand children and adult mental health services.

Medicaid Cost Containmentment

To control the growth of the most generous Medicaid program in the nation, existing Medicaid cost containments would continue for the next three state fiscal years. Additionally, the agreement provides for controlling inflationary adjustments to Medicaid.

Among other programs that will continued to be funded include:

- Emergency medical services: up to \$22 million annually, an increase over previous HCRA funding levels.
- \$10 million to provide important cancer services, including breast cancer screening;
- New funding in the amount of \$7 million for school based health centers;
- Poison control centers: \$5 million annually to support the current centers.
- AIDS Drug Assistance Program: \$12 million annually to be used to help employed persons with HIV or AIDS purchase the expensive medications they need to control their illness.
- Commissioner's Priority Pool: \$15 million annually to meet emerging public health care needs. An additional \$15 million annually will be available for the Legislature for emerging priorities.

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