Testimony of Helen Schaub, Political Director
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Thank you for hearing this testimony on behalf of our 300,000 members in New York State, who provide quality care in hospitals, nursing homes, community-based clinics, pharmacies and the homes of New Yorkers in need.

This budget – and those to come – will be fundamentally shaped by the $1 trillion dollars in Medicaid and Affordable Care Act cuts imposed by Republican leaders in Washington through their "Big Ugly Bill," HR 1. The bill strips health insurance from New Yorkers and critical funding from healthcare facilities, leaving vital institutions to provide care with no and low reimbursement. It is profoundly destabilizing to an already fractured healthcare system. While we are pleased that the Federal government has allowed the state to collect the MCO tax for another three quarters, HR 1's blocking of that tax beginning in 2027 ends a critical source of funding for investments in the healthcare industry. Without state intervention to protect New Yorkers, HR 1 will result in multiple facility closures, tens of thousands of healthcare jobs lost and millions of New Yorkers without adequate access to quality healthcare.

We thank the Governor for recognizing this crisis in her budget proposal and taking important steps to address it, through new resources for desperately-needed Medicaid rate increases and the Safety Net Transformation Fund, as well as a partial restoration of the nursing home capital cut.

We urge the Legislature to:

- Ensure that the additional MCO tax revenue from 2026 is invested solely in healthcare. Likewise, if the Federal government approves the return to a Basic Health Plan and use of the Essential Plan Trust Fund to support state-only Medicaid for the Aliessa population, $2 billion currently allocated for that use must also be retained for healthcare needs.
- Add to the Governor's pool for Medicaid rate increases in order to continue last year's 3-4% increases and provide an equivalent increase this year. The total cost would be $610 million state share for hospital rate increases and $385 million for nursing home rate increases. These dollars must be allocated for permanent rate increases as it is impossible to stabilize the industry using temporary dollars.

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- Restore $500 million in VAPAP funding which has been provided for the last three years. This critical source of support for safety net institutions keeps the doors open at hospitals in healthcare deserts throughout the state. Because VAPAP funding has run out each year, we believe the total pool available for safety net operating support must be at least $800 million. Paired with the new operating dollars proposed in the Safety Net Transformation Pool, a VAPAP restoration of $500 million should provide enough funding to avoid catastrophic closures in 2026.
- Provide for rate increases for primary care, including FQHCs.
- Restore the full 15% nursing home capital cut.
- Consider creating a pool to reimburse critical infrastructure capital expenses at nursing homes which were built more than 40 years ago and are ineligible for capital reimbursement.
- Raise the proposed 1.7% human services cost of living wage increase to a 2.7% COLA.

Because of robust tax receipts and a significant reserve, New York State is in a good position this year to cushion the initial impacts of HR 1. But those impacts will grow over time, with new cuts to funding for providers being phased in each year as well as new Medicaid enrollment restrictions beginning in 2027. The Governor and the Legislature should take steps now to ensure sufficient resources for the future, even as we work to change the balance of power in Washington in order to restore the Federal cuts.

The most impactful action that can be taken this year is enacting the Home Care Savings and Reinvestment Act (S2332A/Rivera – A2018A/Paulin) as part of the budget. This proposal would produce up to $3 billion a year in savings by eliminating the role of private insurance companies in Medicaid long-term care. In 2012, home care consumers were required to enroll in managed long-term care, with the promise that the state would save money by controlling utilization and capturing savings from Medicare through full-capitation plans. Instead, for-profit companies made money by more than tripling the size of the program and 80% of consumers are still enrolled in Medicaid-only plans.

By recognizing that this was a failed experiment and shifting to a managed fee-for-service system, the state will save billions by eliminating wasteful spending on plan administration and profit-driven incentives to grow the program. It will ensure that dollars invested in the home care system go to their intended purpose of supporting care and those who provide it, unlike the current situation where plans have failed to pass on dollars allocated for minimum wage increases. And it will create a new, more accountable system to stop bad-actor licensed home care services agencies from profiteering and engaging in wage theft.

Creating this new system will require a transition period to unwind the existing Federal waiver, set up state oversight and contract with licensed agencies and care management providers. That's why it is vital to enact in this year's budget, so that the resources will be available when they are even more acutely needed.

Finally, during this transition period, the state should take steps to address the crisis which has been created by the plans' failure to pass on minimum wage dollars to high-quality providers even as they are paying the higher wages. The Legislature should:

- Support the Executive's proposal on restricting LHCSA A&G to 15%
- Consider requiring plans to use a quality pool to reward home care providers with low turnover, indicating they are investing in their workforce
- Allocate additional QIVAPP dollars for providers who offer high-quality, accessible health insurance to their employees

In addition to enacting the Home Care Savings and Reinvestment Act, the Legislature can take several other actions to ensure there is sufficient revenue to address the crisis created by HR 1. These include:

- Enacting the Reinvest in NY Healthcare Act (S3814 – Rivera/A5743 – Dilan) which will tax out-of-state insurance companies on profits that are transferred out of New York to their parent companies, prior to imposing the medical loss ratio in New York. These transfers – by United Healthcare, Elevance and CVS – totaled over $6 billion over the last 9 years, including over $1 billion in 2024.
- Replacing the current MCO tax with an across-the-board one that meets the Federal standard. A 2% tax would raise an equivalent amount. Revenue from Medicaid plans could be reinvested in Medicaid, and that from commercial plans could be used to mitigate the coverage losses caused by HR 1.

With regard to other proposals in the budget, we support expanding the scope of practice for pharmacists, physician assistants, medical assistants, and EMS workers to ensure a sufficient workforce to meet community needs. Instead of allowing nursing homes to lower the quality of care by removing Licensed Practical Nurses from the bedside and asking already understaffed Certified Nursing Assistants to pass medications, we support investing in the workforce by allowing those CNAs who are in a licensed apprenticeship to become LPNs to act as temporary medication aides during that program.

Finally, we strongly support the inclusion of the Sensitive Locations Protections Act as well as the Local Cops, Local Crimes Act to ensure that immigrant New Yorkers can access healthcare without fear and healthcare workers can focus on providing quality care to their patients.