New York City Independent Budget Office Fiscal Brief

March 2022

NYC Medicaid Enrollment and Claims Grow During Pandemic, But Feds Shoulder Cost Increase (For Now)

Summary

When New York City became the epicenter of the Covid-19 pandemic in March 2020, many New Yorkers lost employment, income, and health insurance. As with previous economic shocks, this resulted in caseloads for Medicaid increasing while the city and the state were facing severe budget pressure due to shrinking tax revenues. Congress passed several bills to strengthen the ability of states to administer Medicaid during the pandemic—to ensure that new recipients could enroll and that current enrollees continued their coverage. New York State also instituted its own supplemental policies to strengthen Medicaid enrollment. This report provides an overview of how the pandemic and related policy responses affected Medicaid enrollment, claims, and spending in New York City. We also examine whether these trends are likely to continue in the foreseeable future, and what risks exist for New York City moving forward. Among our findings:

- In December 2021, there were 4.1 million New York City enrollees in the Medicaid program, 722,780 more than in the month before the pandemic began, an increase of 21.4 percent. Enrollment data suggests this increase will continue as long as the federal government's Covid-19 federal public health emergency declaration remains in effect.
- Despite this growth, the amount New York City is responsible to pay to the state for Medicaid services (states administer the Medicaid program) has actually decreased during the pandemic. This is because federal legislation increased federal Medicaid funding to the state, which in turn reduced New York City's share of the Medicaid program costs.
- These savings (relative to what the city would have paid without the increased federal funding) totaled $735 million from the onset of the pandemic through early February 2022. Additional city savings are expected as long as the federal public health emergency remains in effect.
- The city's savings are derived from two types of Medicaid costs for which it is responsible. The first is the city's share of payments for services for New York City Medicaid enrollees. Since the start of the pandemic through February 2022, the city has saved $518 million on these payments due to increased federal funding. Second, the city helps cover extra Medicaid costs for New York City Health + Hospitals (H+H), the city's public hospital system. Savings to the city for these "supplemental payments" totaled $217 million over the same period.

While New York City has not had to bear the increased cost of the Medicaid program for services since the start of the pandemic, the end of the additional federal funding—without an equally swift reduction in Medicaid enrollment—could put cost pressures on the state, which could prompt it to shift increased costs to the city. If cost-saving measures are needed at the state level, any cuts to the Medicaid program or Medicaid reimbursement rates would also put revenue for H+H at risk and, as a result, further city support might be required for the H+H system.

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Medicaid Program and FMAP History

Established in 1965, Medicaid primarily provides healthcare to the poor, near poor, and disabled. Medicaid is funded by the federal government, the states, and as is the case in New York State—also the state's localities. The federal contribution is known as the Federal Medical Assistance Percentage (FMAP). The FMAP varies by state with New York being one of the states with the lowest possible FMAP, and each state manages the eligibility, benefits, and administration of the program within federal guidelines. During recessions, when unemployment rises and incomes decline, Medicaid caseloads typically increase. This happens simultaneously with states and localities facing budget pressure caused by slower or shrinking tax revenues. During previous recessions, the federal government has responded by temporarily increasing the FMAP so that it assumes a greater share of the total Medicaid costs. This is known as an enhanced FMAP (eFMAP), and provides fiscal relief to states and localities, as well as continued access to medical care for individuals impacted by a recession.[1]

The Medicaid program has been growing overall since its establishment due to state and federal policy actions. One of the latest Medicaid coverage expansions was the result of the Affordable Care Act in 2010, which made childless adults with incomes at or below 138 percent of the federal poverty level eligible for Medicaid coverage. For the period from 2016 through early 2020, New York City Medicaid enrollment growth trends, however, were slightly decreasing or stagnant. Part of this is because the economy continued to improve following the 2008-2009 recession, but part of this decrease was the result of some enrollees in Medicaid being transferred to the Essential Plan, a health plan established by New York State in early 2016. The Essential Plan caters to lower-income people who do not qualify for Medicaid or Child Health Plus.[2]

The federal government previously provided New York State with eFMAP increases during recessions on two occasions: during the 2001-2002 recession through the Jobs and Growth Tax Relief and Reconciliation Act of 2003 (GTRRA) and during the 2008-2009 recession through the American Recovery and Reinvestment Act of 2009 (ARRA). Because New York City bears a portion of the state's non-federal share, these two periods with eFMAP's in place also resulted in Medicaid cost savings to the city, which the city could use for other purposes.

In addition to contributing to the cost of the services for the city's Medicaid enrollees, the city also pays the local share of the supplemental Medicaid payments for New York City Health + Hospitals (H+H). Supplemental payments are Medicaid payments to providers, in this case H+H, that are separate from and in addition to the payments made for services to Medicaid enrollees. The New York City H+H system uses these supplemental payments to help cover the costs of treating a disproportionate number of Medicaid patients, especially in outpatient and emergency settings because Medicaid reimbursements do not always cover the full cost of those services. While in most cases these payments are borne by the federal government and the state, for H+H, the city is responsible for the majority of the non-federal share of costs.

Federal and State Medicaid Policy Changes In Response to the Covid-19 Pandemic

New York City's first case of Covid-19 was confirmed on March 1, 2020, and the city quickly became the initial epicenter of the pandemic in the United States. This created both a health crisis and an economic crisis, which led then-Governor Cuomo to declare a state disaster emergency on March 7, 2020. This came shortly after the national public health emergency declaration on March 1, 2020.

These declarations of national and state public health emergencies led to rapid policy changes in the Medicaid rules and regulations. The first response by Congress came through the Families First Coronavirus Response Act (FFCRA), which was enacted on March 18, 2020. The FFCRA provided a 6.2 percentage point increase in FMAP retroactive to January 1, 2020. The American Rescue Plan Act (ARPA), which was enacted on March 11, 2021, expanded FMAP to 100 percent for the administration of Covid-19 vaccines to Medicaid enrollees, and provided a 10 percentage point increase in FMAP to state Medicaid programs from March 31, 2020 to April 1, 2021, for home and community-based services.

States had the option of whether to take the eFMAP, but those that did benefited from having to fund a smaller share of their Medicaid programs, freeing up funds that otherwise would have been needed to cover Medicaid expenses for other purposes. In the case of New York this also benefited localities including New York City. In order to access the eFMAP states had to agree to provide Medicaid eligibility standards that were no more restrictive than those in effect on January 1, 2020. States also had to agree to cover Covid-19 tests and treatments, including vaccinations, for Medicaid recipients with no cost-sharing. Finally, states also had to agree to continue eligibility

coverage for Medicaid recipients enrolled on or after March 18, 2020, until the first day of the month after the declared federal public health emergency ends. The eFMAP will remain in effect through the last day of the calendar quarter after the public health emergency ends.

New York, along with every other state, elected to receive the eFMAP. For the duration of the public health emergency period, regardless of whether enrollees may be ineligible for the program due to changes in income or employment, the state must provide continuous Medicaid coverage and then that coverage must continue for another 12 months after the public health emergency ends.[3] During the Covid-19 pandemic, New York State also applied for waivers from federal guidelines and submitted a request for changes aimed at increasing Medicaid enrollment and streamlining and expediting application processing for Medicaid applications.[4]

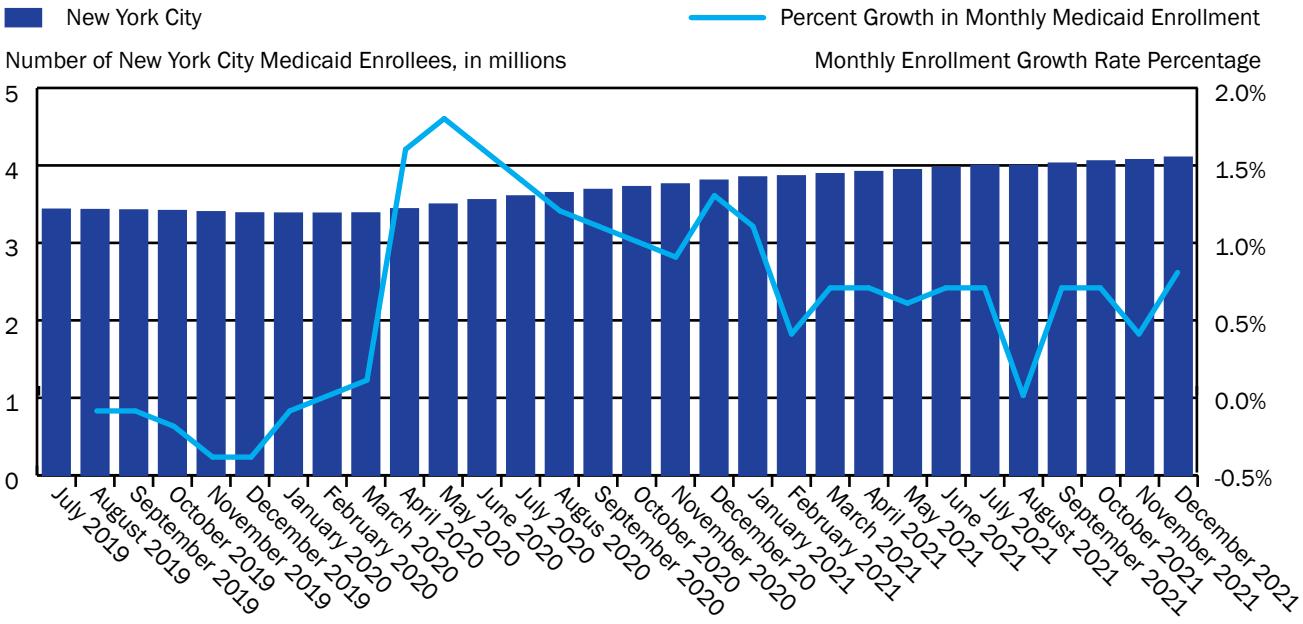
In the months leading up to the pandemic, from July 2019 through February 2020, Medicaid enrollment in New York City was relatively stable, averaging 3.4 million; monthly enrollment growth was actually slightly negative during the period. The start of the pandemic, however, changed the trajectory of this trend. Between March 2020 and May 2020, at the height of the initial wave of the pandemic, New York City Medicaid enrollment increased by 117,150 enrollees (a 3.5 percent increase in enrollment). After that initial increase, the rate of growth gradually slowed over the subsequent 18 months, but always remained positive. In December 2021, Medicaid enrollment was 4.1 million, fully 20 percent more than it was in February 2020. While historically New York City has experienced growth in Medicaid enrollment during economic downturns, the increased Medicaid enrollment as a result of the Covid-19 pandemic was the largest increase in enrollment in one year since the inception of the program in the 1960s, and may have ripple effects for years to come.

Total NYC Medicaid Claim Costs Grew During Pandemic, But Less Than by Enrollment

New York City Medicaid claim growth over fiscal year 2020 was relatively lower than normal, 1.8 percent, suggesting that during the height of the pandemic in the city and the immediate aftermath, New York City experienced lower claims growth than normal. However, New York City Medicaid claims have since begun increasing at higher growth rates. New York City Medicaid claims totaled $42.9 billion for fiscal year 2021, an increase of 3.1 percent from fiscal year 2020, but the average monthly enrollment grew by 11 percent during the same period—or more than three times the growth in claims.

Although New York City Medicaid claims have been increasing since the start of the pandemic, the average claim cost per New York City enrollee has been mostly decreasing since January 2020. At the start of the pandemic in March 2020, the total average Medicaid claim

Monthly Enrollment and Growth in New York City's Medicaid Program



SOURCE: Medicaid enrollment data: New York State Medicaid Enrollment Databook, updated January 3, 2022

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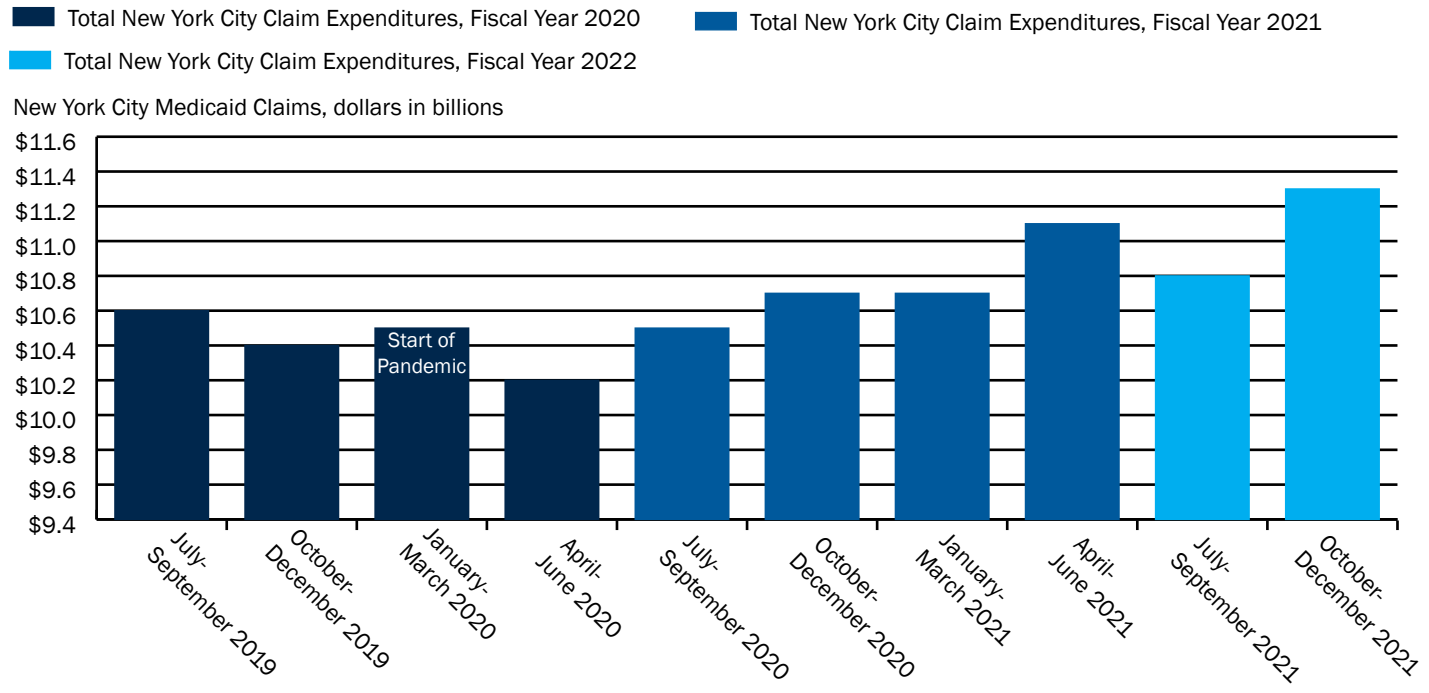
New York City Medicaid Claim Expenditures



SOURCE: New York City MARS Data

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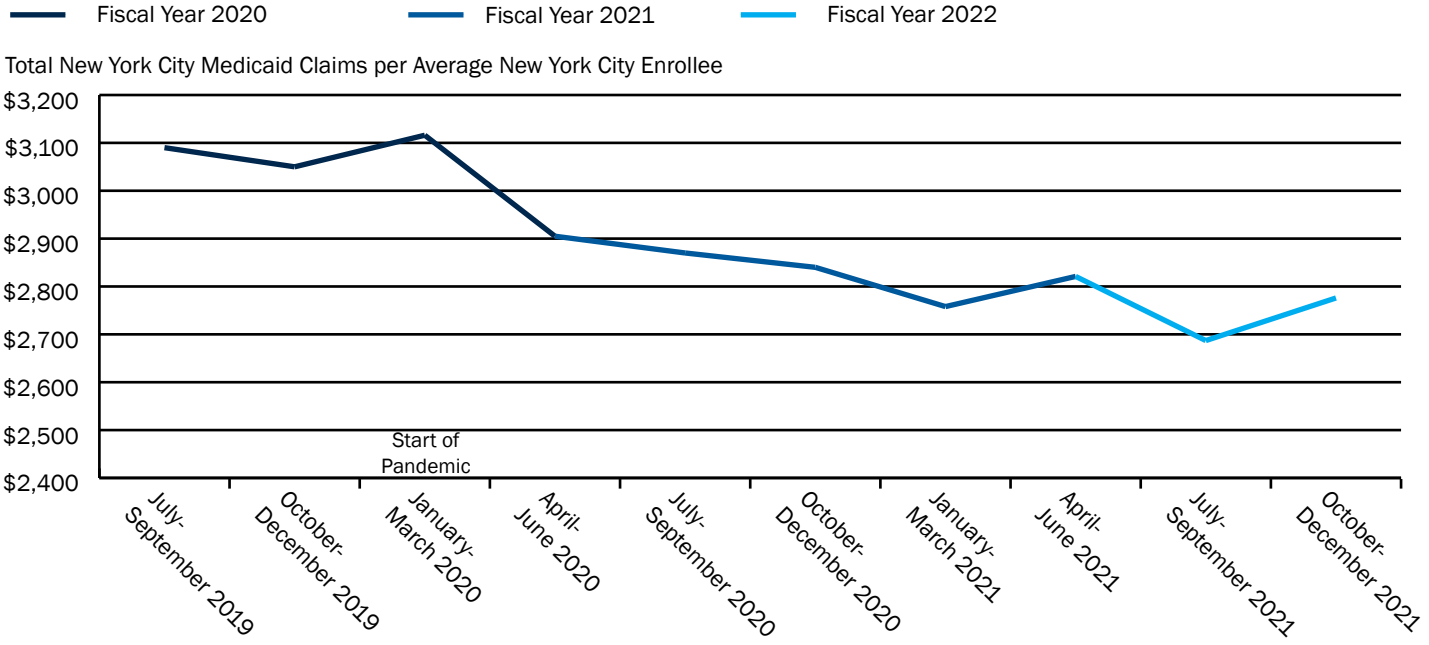
Total New York City Medicaid Claims per Average New York City Medicaid Enrollee



SOURCES: Medicaid enrollment data, New York State Department of Health Medicaid enrollment data broken down by age: New York State Medicaid Program Enrollment by Month Beginning 2009. Updated October 27, 2021; Medicaid Claims Data: New York City MARS Data

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cost per New York City enrollee was about $3,116. By the end of December 2021, the average claim cost per enrollee was $2,776, a 10.9 percent decrease.

Part of the reason for this decrease per enrollee can be attributed to the profile of the enrollees who have joined: the new enrollees generally have lower risk profiles and spending patterns, including children under age 20 and working adults. Covid-19 also shut down elective procedures during the height of the pandemic, which reduced spending and utilization for these deferred types of care. Utilization of nursing homes also decreased, and there were savings from the implementation of Medicaid Redesign Team II (MRT 2.0) initiatives.[5] (MRT 2.0 was a 2020 New York State taskforce that was charged with finding initiatives to achieve savings for the Medicaid program.) These savings were partially offset by increased costs associated with Covid-19 inpatient care and emergency department services.[6]

With the eFMAP and other policy changes in place, the burden of increased Medicaid enrollment and the rising number of Medicaid claims for services in New York City during the pandemic has fallen largely on the federal and state governments, which pay around 57 percent and 28 percent of the cost of Medicaid services in the city, respectively. Since state fiscal year 2015, New York state has agreed to cap the local contribution to the Medicaid program for all localities in the state, so that it is responsible for taking on any extra Medicaid costs for services in the event that costs are higher than the cap. That means that New York City is not responsible for financing any Medicaid service claims that go beyond a hard cap of approximately $5.4 billion in any state fiscal year.[7] Thus, New York City's contribution for services to New York City Medicaid enrollees is not dependent on fluctuations in Medicaid caseload or the utilization of services. Importantly, for New York City, however, the cap does not apply to the city's contribution to supplemental payments for H+H.

City Savings on Medicaid Costs Due to Covid-19 eFMAP
As of February 2, 2022, dollars in millions

	Fiscal Year		
	2021	2022	Total
Savings on Medicaid Costs Subject to State Cap	$339.5	$178.1	$517.6
Savings on Medicaid Supplemental Payments	107.1	110.3	217.4
Total	**$446.7**	**$288.3**	**$735.0**

SOURCE: Mayor's Office of Management and Budget email dated 2/3/2022
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The additional funding through the Covid-19 eFMAP reduces city costs in two ways. The first is through reduced weekly payments to the state for the city's share of the cost of services to Medicaid enrollees (the payments subject to the state cap). The federal eFMAP funding is disbursed to the state, which then reduces how much the city is to required pay. The second way is through reduced Medicaid supplemental payments to the state that the city makes on behalf of H+H. The state receives additional federal funding for these payments as well, so the city's costs are lowered.[8] Since the beginning of the pandemic through February 2, 2022, the city has saved a total of at least $735.0 million due to eFMAP, according to the Mayor's Office of Management and Budget (OMB). This includes $517.6 million in savings on Medicaid costs for services subject to the state cap and $217.4 million in savings for the supplemental payments it makes for H+H.

How much the city will ultimately save due to the eFMAP remains to be seen. When the city adopted the fiscal year 2022 budget in June 2021, OMB estimated that the city would end up saving $550 million over the course of the pandemic, clearly an underestimate. This total only assumed that the eFMAP savings would be available through September 2021 (it included $340 million in savings in fiscal year 2021 and $210 million in 2022). It also only included the savings on the city's payments for services to Medicaid enrollees and excluded the city's savings on the supplemental payments on behalf of H+H, citing the unpredictably in timing of such savings. The eFMAP funding is set to end on the last day of the calendar quarter in which the Covid-19 federal public health emergency is officially lifted. As of now, the enhanced payments will continue until at least June 30, 2022.

Most Recent State Budget and City Risks

In the latest State Fiscal Year 2022-2023 Executive Budget proposal, released in January 2022, Governor Hochul announced initiatives that would contribute to the growth of the Medicaid program in the state.[9] These actions currently have limited effects on the city's budget, because the Executive Budget also proposes that the local cap on contributions for Medicaid services remain in effect. As a result, any extra Medicaid costs from localities including New York City will continue to be borne by the state. However, that does not mean that the budget is without risks for the city.

The State Executive Budget proposal assumes that the Covid-19 public health emergency period will end April

16, 2022, and that the Covid-19 eFMAP would expire at the end of the quarter on June 30, 2022. Under this assumption, the State's 2022-2023 Executive Budget predicts that enrollment levels will peak at 7.7 million enrollees state-wide and costs for the Medicaid program at the state Department of Health will grow to $98.1 billion in 2022-23. The state also predicts that Medicaid costs will subsequently drop to $92.2 billion in the 2023-24 state fiscal year, due to a projected decline in enrollment to near pre-pandemic levels once the continuous coverage requirements end. The rationales behind this enrollment decline assumption are: the expected end of the pandemic, the improvement of the economy, unemployment trends towards pre-pandemic levels, and the effects of the ARPA spending plan.

Currently, the Biden Administration has committed to giving states 60 days' notice before ending the public health emergency to allow states some predictability of funding and as of publication of this brief, the federal government has not given that notice. It is therefore likely that the federal public heath emergency will be extended for at least one more quarter from April through mid-July.

When the public health emergency period does eventually end, the city will be affected in several ways. First, the city's savings due to eFMAP will end. The city will also be affected by the impact that the end of eFMAP funding will have on the state and the Medicaid program. While the economy is expected to continue to improve, declines in Medicaid enrollment have historically lagged economic recovery, meaning that Medicaid enrollment may take a while to decrease to near pre-pandemic levels, if it does at all. The unprecedented nature of the enrollment increase during the pandemic makes it difficult to predict how quickly or if enrollment can return to near pre-pandemic levels as the State Executive Budget forecasts. While Medicaid enrollment has not experienced such a quick drop before, it also has never experience such swift growth. However, there are new health insurance coverage options available since the last recession in 2008-2009, which may make it easier for enrollees to transition out of Medicaid.

For now, the city would not be responsible for any increases in Medicaid service costs above the state cap on local contributions. However, the end of eFMAP funding will increase cost pressures for the state, which could prompt the state to look to increase taxes, shift costs onto New York City, or cut costs in other areas of the state budget. The state has attempted to shift its Medicaid costs to the city in the past—the last unsuccessful attempt was in the Cuomo Administration's Executive Budget released in January 2020 before the onset of the pandemic. However, the fact that the Covid-19 eFMAP funding was contingent on states not shifting costs to localities —along with some opposition in the Assembly—tabled the then-governor's plan. Without the cap, Medicaid costs for the city could grow quickly, given the growth in the number of enrollees during the pandemic and the expansions included in Governor Hochul's Executive Budget.

The city would also be indirectly impacted if cuts are made by the state to the Medicaid program when the Covid-19 eFMAP funding ends. Any cuts to the Medicaid program or Medicaid reimbursement rates would put Medicaid revenue for H+H at risk, affecting H+H's finances, and as a result further city support might be required for the H+H system. The unprecedented nature of the current situation has created much uncertainty and it will take time for it to become clear what the lasting effect on the city's budget will be.

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Endnotes

[1]Congress previously also authorized a statutory FMAP adjustment following Hurricane Katrina in August 2005 and in 2010 Congress added a provision to the Social Security Act to provide a disaster adjusted recovery FMAP increase to eligible states that experience a major state-wide natural disaster.
[2]Either people who have family incomes over 138 percent and up to 200 percent of the federal poverty level) or have incomes ranging up to 200 percent of the federal poverty level and have a valid visa or deferred action status.
[3]Unless a recipient requests to end their Medicaid coverage, moves out of state, dies, or is found to have been ineligible when they first enrolled.
[4]In order for the state to receive enhanced eFMAP funding, states must agree to maintain the Medicaid eligibility standards, methodologies and procedures in place as of January 1, 2020. States also have to agree not to dis-enroll anyone enrolled in Medicaid as of March 18, 2020 or to dis-enroll anyone who enrolls during the emergency period. This is to ensure that anyone enrolled keeps their coverage and access during the public health emergency period.
[5]As of December 2021, around two-thirds of the $2.2 billion in savings actions included in New York State's FY2021 Enacted Budget have been implemented. The remaining savings focused on modifying eligibility and personal care services/consumer directed personal assistance program requirements have been delayed due to the maintenance of effort (MOE) requirements associated with the enhanced eFMAP and the American Rescue Plan Act (ARPA) eFMAP of 10 percentage point increase for certain home and community based services.
[6]New York State Department of Health. "Medicaid Global Spending Cap Report. April through December 2021 Quarterly Report." Medicaid Global Spending Cap Report April through December 2021 (ny.gov)
[7]This amount excludes New York City's supplemental Medicaid payment budget.
[8]eFMAP funding from Covid-19 does not apply to childless adults who became eligible as a result of the Affordable Care Act, which the federal government already covers 90 percent of the cost.
[9]See New York State Department of Health "2022-23 Executive Budget Briefing and Questions & Answers" 2022-23 Executive Budget Briefing (ny.gov) Accessed March 4, 2022.