

New York State's Proposed \$255 Billion "New York Health" Program



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Prepared by Kevin M. Bronner, Ph.D.

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Prepared By:

Albany Research in Public Administration (ARPA)
4 Georgian Terrace
Albany, New York 12211
(518) 489-5252
www.albanyrpa.com

ARPA New York State Local Government Improvement Program Series

This study adds to a four part series about the efforts of the State of New York to improve local government efficiency. The series includes reports on:

1. The New York State Fiscal Stress Monitoring System for Local Governments.
2. The Financial Restructuring Board for Local Governments *A New York State Entity*.
3. The New York State Local Government Real Property Tax Freeze.
4. The New York State Department of State Local Government Efficiency Program.

New York State's Proposed \$255 Billion "New York Health Program"

Abstract

The New York State Legislature is considering passing a replacement for the federal Affordable Care Act in the form of a "New York Health Program" to provide a single payer health insurance program for about 20 million New Yorkers. Some members of the state legislature conducted a forum in June 2017 which indicated that the cost of the program would be about \$255 billion annually. Currently the New York State budget amounts to approximately \$151 billion so the single payer program would represent a substantial increase in the amount of funds spent on New York State government. A bill is being considered by the New York State Assembly in 2017 called the "New York Health Act (Assembly bill number 4738). The new health insurance program would be open to all New Yorkers (approximately 20 million) and would replace current health insurance programs such as private insurance, the Affordable Care Act, and Medicaid and Medicare. An annual expenditure of approximately \$255 billion would be used to finance the program. A current economic analysis presented by members of the state legislature during June 2017 indicates that the funding would come from redirecting federal funds for \$163 billion, and New York State payroll tax increases of \$59 billion, and a New York State tax on other earned income such as dividends and stock returns for \$33 billion. The \$255 billion New York Health program is approximately 158 percent bigger than the entire New York State budget which approximates \$151 billion in 2017-2018. Taxes collected by the State of New York would have to be increased from \$73 billion currently to \$164 billion (by 124 percent) if the health insurance program is implemented as proposed by the New York State Assembly.

The New York Health Program

The State of New York is considering the development of a state run program to replace the federal Affordable Care Act (New York State Assembly Bill 4738). The bill indicates that Article XVII, Section 3 of the New York State Constitution requires that New York State ensure that its citizens have a right to health care. The bill also finds that the federal Affordable Care Act is deficient in several respects in providing health care benefits to the citizens of New York State. The bill states that while some improvements have occurred due to the Affordable Care Act, it still leaves many New Yorkers without coverage or inadequate coverage. The bill also states that individuals, employers, and taxpayers have experienced a rise in health care costs including rising premiums, deductibles, and co-pays. The New York State assembly bill also notes problems with

restricted provider networks and high out-of-network charges which causes problems for New York's citizens. Furthermore, the federal health insurance program has caused many employers to shift costs to employees or to drop coverage for their employees. Other problems cited by the New York Assembly bill include problems being experienced by hospitals, health centers, and other providers where they incur substantial losses. The New York State Assembly is attempting to solve the problems associated with the federal Affordable Care Act by developing a single-payer New York Health Program which will be run by the New York State government and will provide universal health coverage to approximately 20 million New Yorkers.

The New York State Assembly indicates that it will seek waivers from the federal government to replace major health care programs such as the Affordable Care Act, Medicaid, Medicare, and other programs. The State of California is also considering a single payer program costing about \$400 billion (Joffe 2017, Pipes 2017). In New York State it is expected that approximately \$163 billion in federal funds could be transferred to a New York Health trust fund. An additional amount of \$59 billion in payroll taxes, and \$33 billion in taxes on earned income items such as interest and dividends would be used to finance the health care trust fund which is currently expected to cost \$255 billion per year (Beckley 2017). The analysis conducted by Pipes indicates that a federal waiver for health care program including a reimbursement for a state is problematic. According to the Office of the New York State Comptroller (2017) New York State collected approximately \$73.3 billion in taxes in 2016. If New York State increases taxes by \$91 billion to support the single payer program, a tax increase of 124 percent would have to occur.

The current version of Assembly Bill 4738 has a "Fiscal Implications" section. A supporting *Memorandum in Support of Legislation* also contains a "Fiscal Implications" section. Neither of these documents has any numbers outlining the cost of the program at this time. Two members of the New York State Assembly, Richard Gottfried (Chair of the Assembly Health Committee) and Phil Steck (Member of the Assembly Health Committee) conducted a Health Care Town Hall meeting on June 6, 2017 to discuss the New York Health Program. One of the speakers at the event, Susan Beckley from the Finger Lakes for New York Health provider presented an economic analysis for the program (Beckeley 2017). The analysis indicated that

the New York Health Program would cost approximately \$255 billion per year.¹ This amounts to a cost of \$12,750 per year for each of the 20 million citizens in New York State.

The New York State Senate must also pass a bill to implement the New York Health program and it would have to be signed into law by the governor of the State of New York. The sponsors of the legislation indicated that local governments would benefit from the law because they could avoid some payments for employee health insurance and Medicaid costs which are paid in part by county governments in New York State.

Summary

The State of New York is considering developing a \$255 billion per year single payer health care program to provide universal health care coverage for approximately 20 million citizens in the state. According to the bill before the New York State Assembly the private insurance programs and the federal programs such as the Affordable Care Act are not providing New York's citizens with a right to basic healthcare as outlined in the New York State Constitution. The New York State Assembly is considering bill number A4738 to implement the program. Similar bills were also passed in 2015 and in 2016. The New York State Senate is also considering such a bill and if passed by both houses, it could be signed into law by the Governor of the State of New York. Taxes collected by the State of New York would have to be increased from \$73 billion currently to \$164 billion (by 124 percent) if the health insurance program is implemented as proposed by the New York State Assembly. New York State would also have to acquire a waiver from the federal government to end programs such as the Affordable Care Act, Medicaid and Medicare, and receive \$163 in federal funds reimbursement to help finance the \$255 billion health insurance program.

¹ Mr. Gottfried mentioned a higher estimate of the cost of the program of \$280 billion at the Town Hall Meeting.

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