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Editorial

The Governor's Health Plan

Gov. Eliot Spitzer's plan to freeze Medicaid payments at current levels for hospitals and nursing homes is causing understandable consternation among health care institutions that are already in precarious financial straits. But the governor's new budget proposal looks like a responsible way to free up money to help pay for a huge increase in state aid for education and subsidize the property tax cuts he deems necessary to win approval of his education proposals — and accelerate much-needed reform in the way medical care is delivered.

New York currently spends roughly a third of the state budget, or some \$46.5 billion, on Medicaid, far more than any other state. That makes Medicaid a reasonable place to look for savings. By ramping down the rate of growth, the governor's new budget proposes to save more than \$1.2 billion from projected state spending on Medicaid and a related health program in the next fiscal year.

A portion of these savings would be used to provide health insurance for some of the 2.6 million New Yorkers who currently lack it, including 400,000 children. Mr. Spitzer proposes to increase the income limits for a joint state-federal program that insures children and to simplify the administrative procedures, with the expectation that in a very few years all 400,000 uninsured children may be covered. He also plans to reduce the bureaucratic hurdles that currently make it hard for adults eligible for Medicaid to enroll and stay enrolled.

All these steps combined, the governor estimates, should cut the number of uninsured people in half over the next four years. We fear that his projections are much too optimistic, but he is at least making a good-faith effort to cover low-income people. In sharp contrast, President Bush's proposal for tax subsidies for private insurance utterly ignores this most needy segment of Americans.

The heart of the governor's plan is to drive New York's health care system, now heavily reliant on high-cost care in hospitals and nursing homes, toward greater use of outpatient clinics, home care and primary care in the community. Virtually all health experts agree that is the way to go, not only in New York but in other high-cost states as well.

Mr. Spitzer's proposal assumes that freezing payments to hospitals and nursing homes will compel those institutions to manage themselves more frugally and bargain more aggressively with unions and private health plans. Lots of money sloshes through health care institutions from Medicare, Medicaid and private payers, so there should be room to absorb a temporary freeze while hospitals plan for a more

constrained future. But the reimbursement system for health care is jerry-built with cross-subsidies to support vital services.

Hospitals have already complained that Medicaid fails to pay them the true cost of inpatient care and grossly underpays them for outpatient care, and now the governor wants to hold down payments still further. That is not a reason to oppose Mr. Spitzer's needed transition, but care must be taken to ensure that vital health care institutions are not damaged before alternatives are readily available.