



# The Health Care Reform Act (HCRA)

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*State Fiscal Years 2002-03 and 2003-04*

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OCTOBER 2004

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New York State  
Office of the State Comptroller  
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## *Executive Summary*

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In 1997, the Health Care Reform Act (HCRA) replaced nearly two decades of rate-regulated hospital reimbursement with a mixture of negotiated rates and continuing public subsidies for a wide range of important health-related programs, including medical education, indigent care and insurance initiatives for the uninsured. HCRA has been reauthorized twice, in 1999 and 2003, significantly amended in 2002 and is currently set to expire on June 30, 2005.

The HCRA extensions and amendments have expanded health insurance coverage for the uninsured, provided insurance coverage subsidies for small businesses and working individuals, and provided funding to promote health care worker recruitment and retention. Funding for these expansions has come from allocation of a portion of the State's tobacco settlement dollars, increased cigarette taxes and a one-time increase in federal revenue. HCRA is also anticipating funding from the conversion of Empire Blue Cross Blue Shield to for-profit status, although litigation has prevented current use of these funds.

The public subsidies supported by HCRA are provided through three pools: (1) the Public Goods pool, supported by a 1 percent statewide assessment on hospitals' net inpatient revenue, surcharges on hospital and clinic services, and a "covered lives assessment" on private insurance companies based on the number of persons covered, (2) the Tobacco Control and Insurance Initiatives pool, primarily supported by cigarette tax receipts and tobacco settlement funds, and (3) the Bad Debt and Charity Care, Indigent Care and Disproportionate Share (Indigent Care) pool, funding hospital bad debt and charity care, supported by the surcharges on hospital and clinic services and transfers from State and federal Medicaid funds. Indigent care is the single largest HCRA program expense. However, several groups support raising awareness of the availability of the financial assistance that the program helps to provide for uninsured or underinsured patients. These groups also support uniform standards and procedures for providing such financial assistance, as well as special rules for the collection of debts from low and middle-income patients without coverage.

To administer the pools, the Public Health Law authorizes the Department of Health to contract with a non-profit health insurer without a competitive bid or request for proposal process. Since HCRA's inception in January 1997, the pool administrator has been Excellus Health Plan, Inc. of Rochester. As pool administrator, Excellus is responsible for making collections from all payers and providers and for disbursing funds to various HCRA programs. Since 1997, the contract with Excellus has been renewed three times, in 2001, 2003 and 2004. By the time Excellus' current contract expires in December 2005, contract payments for program administration will total approximately \$30 million over the eight-year period. Without the benefit of a competitive procurement, it is difficult to know whether the contract with Excellus represents the best value for the State.

Historically, HCRA has accumulated large unspent surpluses since receipts have collected while many programs have taken longer to implement and reach projected expenditure levels. However, in State fiscal years (SFYs) 2002-03 and 2003-04, spending levels in many major programs, such as Family Health Plus and the Elderly Pharmaceutical Insurance Coverage (EPIC) program, significantly increased, outpacing growth in revenues. In SFY 2002-03, HCRA spending exceeded revenues by \$379 million. This trend accelerated, actually doubling, in SFY 2003-04 when HCRA spending exceeded revenues by \$764 million. Accordingly, HCRA's unspent surplus has fallen substantially, from \$1.5 billion in March 2002 to \$430 million in March 2004, raising concerns about HCRA's ability to sustain such continued spending growth.

For the first five months of SFY 2004-05, HCRA's fund balance has increased to \$817 million due to higher receipts and lower spending. However, HCRA's fund balance may start dropping again if monthly spending returns to historical averages and certain receipts do not materialize.

The first ever published HCRA Financial Plan, contained in the Executive Budget for SFY 2004-05 as one part of improved reporting requirements enacted last year, sought to reverse this trend by taking a series of cost savings actions to mitigate HCRA's reliance on the General Fund and to improve HCRA's fiscal viability. While the Legislature rejected most of these savings actions, HCRA balances were not affected since the Enacted Budget used General Fund resources to offset the loss of savings from the rejected actions. However, HCRA's fiscal viability is still unsure since projected receipts may not accumulate as expected because of the Executive's reliance on loans from other pools and uncertain non-recurring or short-term revenue sources.

For example, the Division of the Budget's Enacted Budget Report for SFY 2004-05 relies on \$1.2 billion in revenue arising from Empire conversion proceeds. However, should the associated litigation be unresolved by the end of the fiscal year, or should the State lose this lawsuit, the HCRA year-end deficit could reach approximately \$400 million, if other Financial Plan assumptions remain unchanged. Such a deficit may require the General Fund to subsidize HCRA, potentially adding to the SFY 2004-05 State Budget deficit. The proceeds from the Empire conversion, like any non-recurring resource, are finite. In considering future funding of HCRA, policymakers should minimize reliance on such non-recurring resources.

Spending for HCRA programs, which includes transfers between HCRA pools, has more than doubled since SFY 2001-02, when disbursements totaled \$2.57 billion. In SFY 2002-03, HCRA spending was \$4.06 billion, representing an increase of \$1.49 billion (58 percent). For SFY 2003-04, HCRA spending increased \$1.40 billion (35 percent) to \$5.47 billion.

Like the previous system of regulated rates, a significant portion of HCRA spending is off-budget, i.e., not appropriated and not included in the State's Financial Plan. In SFY 2001-02, \$884 million in HCRA spending was off-budget, representing 34 percent of total HCRA spending. As HCRA programs and spending have expanded,

policymakers and others have raised concerns about off-budget spending and the lack of accountability to State taxpayers. Off-budget HCRA spending grew 19 percent to \$1.05 billion in SFY 2002-03 and less than 1 percent to \$1.06 billion in SFY 2003-04, which represented 19 percent of total HCRA spending in that year. The significant off-budget spending increase in SFY 2002-03 reflected greater support for programs like graduate medical education and new support for excess medical malpractice insurance and health care worker recruitment and retention grants.

Increases in on-budget spending for HCRA have been even more dramatic. In SFY 2002-03, on-budget spending increased \$1.32 billion (78 percent) to \$3.01 billion from SFY 2001-02. In SFY 2003-04, this spending increased an additional \$1.39 billion (46 percent) to \$4.41 billion. Much of the growth in on-budget spending resulted from greater appropriations for programs that traditionally would receive support from the General Fund, the State's major operating fund. This practice of using HCRA funds to supplant General Fund support for particular programs is known as "General Fund off-loading."

In April 2003, as the Legislature considered reauthorizing HCRA for two additional years, State Comptroller Alan G. Hevesi released a report that recommended moving all HCRA spending to the State Budget to provide greater accountability and oversight of funds. The report also recommended regular and comprehensive reporting of HCRA revenues and spending to lawmakers and the public if the Legislature could not eliminate off-budget spending.

Since release of the 2003 report, more information on HCRA spending has been made available. Although action was not taken to move off-budget HCRA spending to the State Budget, the Legislature did accept the Comptroller's recommendation to establish reporting requirements. New reporting requirements, which started in July 2003, have begun to provide greater transparency in the collection, pooling and distribution of HCRA funds.

Monthly reports that Excellus now prepares and submits to the Office of the State Comptroller provide access to current data, previously unavailable, which enables policymakers and other interested parties to ask questions and raise concerns about most HCRA pool activities and spending patterns. For example, policymakers and others can now see that HCRA's Tobacco Control and Insurance Initiatives pool disbursed or transferred more money than it collected for all four quarters of SFY 2003-04. After beginning the fiscal year with a balance of \$450 million, the pool ended the year with only \$26.2 million on hand. The monthly HCRA pool cash flow reports show that the Tobacco pool maintained a positive fund balance in 2003-04, but only because of a temporary increase in the Federal Medical Assistance Percentage and massive transfers from HCRA's Public Goods pool. Should these cash flow problems continue, the Public Goods pool or other funds are likely to be tapped to make up any deficit.

The other major new reporting requirement obliges the Executive to provide a HCRA Financial Plan in his annual budget submission, as well as quarterly updates. This

Financial Plan provides policymakers and the public with important new information that can be used to compare projected and actual receipts and disbursements on a quarterly basis and assess the assumptions on which the plan is based. One shortcoming is that disaggregated data on individual funding sources, although available through the Division of the Budget, was not included in the Financial Plan.

In June 2004, the Legislature passed budget reform legislation requiring the Executive Budget to include all spending related to HCRA starting in 2006. Should this legislation become law, it would be a positive step toward achieving the Comptroller's goal of assuring the same accountability and oversight for HCRA dollars as for other State Budget dollars. Not only would the Comptroller be able to provide more timely information about all HCRA spending, but the Executive Budget would also have to provide three-year financial projections for HCRA receipts and disbursements, as it already does for each of the State's governmental fund types. The legislation would require the Executive to provide separate appropriations for each HCRA program, beginning with submission of the Budget for SFY 2006-07.

Enactment of this legislation is pending action by the Executive and approval of both the next Legislature and State voters of an amendment to the State Constitution regarding one aspect of the budget reform. However, the Executive already has the authority to propose appropriations for all HCRA programs, even those programs currently off-budget and, therefore, does not need to rely on this aspect of the budget reform legislation to improve HCRA accountability. Proposing appropriations for all HCRA programs would also trigger provisions requiring three-year financial projections for HCRA receipts and disbursements.

As the debate over moving HCRA spending to the State Budget continues, policymakers should consider taking the following actions:

- Regardless of enactment of the budget reform legislation, the Executive should commit to bringing all HCRA spending on-budget in SFY 2005-06, with appropriations at the program level.
- Policymakers should evaluate whether to continue outsourcing some/all pool administration activities or move some responsibilities, such as disbursements, to the Department of Health and the Office of the State Comptroller.
- The pool administration contract should be awarded through a competitive procurement process, assuming outsourcing continues, to ensure that taxpayers get the best value.
- The HCRA Financial Plan should include more detailed information, including disaggregated data on pool receipts, to provide policymakers and others with more complete information on the assumptions included in the Executive Budget.

- Policymakers should minimize HCRA's reliance on non-recurring revenue sources, such as loans from other pools and proceeds from the conversion of Empire Blue Cross Blue Shield to a for-profit insurer. Questionable financing arrangements could lead to unfunded or under-funded programs. It is preferable to use non-recurring revenues for one-time health-related costs or for health-related investments that will reduce future annual costs to the State.
- Policymakers should consider proposals to raise awareness of the availability of indigent care funding for uninsured or underinsured patients and establish uniform standards and procedures for providing such assistance.



## *Background*

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The Health Care Reform Act (HCRA) of 1996 substantially changed the way hospital reimbursement rates are set in New York State. Beginning in January 1997, HCRA allowed most payers to negotiate their own rates for hospital reimbursement. The exceptions to this are Medicaid hospital rates set by the Department of Health (Department) and Medicare hospital rates set by the federal government. HCRA also coupled the hospital rates paid by worker's compensation and no-fault insurance with the Department's Medicaid rates.

Like its predecessor, the New York Prospective Hospital Reimbursement Methodology (NYPHRM), HCRA established three pools of money to finance health care for the uninsured and low-income working people, support Graduate Medical Education (GME) and fund various other health care initiatives, including Child Health Plus, the Elderly Pharmaceutical Insurance Coverage (EPIC) program, primary care, rural health care and quality improvement.

The three pools include:

- the Public Goods pool, supported by a 1 percent statewide assessment on hospitals' net inpatient revenue, surcharges on hospital and clinic services, and a "covered lives assessment" on private insurance companies based on the number of persons covered,
- the Tobacco Control and Insurance Initiatives pool, supported primarily by cigarette tax receipts and tobacco settlement funds, and
- the Bad Debt and Charity Care, Indigent Care and Disproportionate Share (Indigent Care) pool, funding hospital bad debt and charity care, supported by the surcharges on hospital and clinic services and transfers from State and federal Medicaid funds.

To administer the pools, the Public Health Law authorizes the Department to contract with a non-profit health insurer without a competitive bid or request for proposal process. Since HCRA's inception in January 1997, the pool administrator has been Excellus Health Plan, Inc. of Rochester (which includes the organization formerly known as Blue Cross Blue Shield of Central New York).<sup>1</sup> As pool administrator, Excellus is responsible for developing, testing and implementing the administrative procedures and computer systems required to manage direct payment election, pool collection and delinquency enforcement processes for all payers and providers, while ensuring there

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<sup>1</sup> Excellus' contract to administer various funding pools has been in effect since August 1, 1992 when NYPHRM governed the State's hospital reimbursement system, as well as disbursements for a variety of public goods.

are no delays in pool collection and distribution activities which would potentially affect hospital indigent care, GME and other HCRA pool funded programs.<sup>2</sup>

From January 1997 through December 2003, Excellus was paid over \$21 million from HCRA receipts to administer the pools, during which time the contract was renewed twice, in 2001 and 2003. In January 2004, the Department again renewed Excellus' contract, which is currently set to expire in December 2005. By the time the renewal contract expires, payments to Excellus will total \$30.3 million over the eight-year period.

State Comptroller Alan G. Hevesi continues to push for greater accountability and public oversight of health-related spending authorized by HCRA, which is set to expire on June 30, 2005.<sup>3</sup> In April 2003, the Office of the State Comptroller released a report that raised concerns about HCRA spending occurring off-budget or outside of the State budget and accounting process.<sup>4</sup> The principal recommendation of the report, released as State officials debated a proposed \$8.7 billion extension of HCRA, called for moving all HCRA spending to the State Budget in order to provide the same oversight for HCRA disbursements as for all other State Budget spending.

This report defines "off-budget" as disbursements for which there is no appropriation or statutory authorization to spend from the State Treasury. Such disbursements are made directly to providers by the HCRA pool administrator and are excluded from the State's Financial Plan.

Bringing all disbursements on-budget would provide greater accountability for taxpayer-supported spending. Normally, expenditures are authorized by an appropriation and the Office of the State Comptroller pre-audits the expenditures, makes the payments, and then provides regular and comprehensive accounting of the expenditures. Under HCRA, many disbursements are made outside of the traditional budget process. This has prevented the Office of the State Comptroller from providing a comprehensive accounting of the flow of these funds.

Under the traditional State contract process, no vendor doing business with a State agency can be paid until the Office of the State Comptroller approves the contract and payment. Many off-budget HCRA grant programs circumvent the competitive bidding or request-for-proposal process, preventing the Office of the State Comptroller from determining whether a vendor can satisfy contractual requirements and whether a vendor's costs are reasonable. While the Office of the State Comptroller currently receives certain HCRA contracts for review, including some contracts for off-budget programs, the Office of the State Comptroller has no way of knowing whether it is

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<sup>2</sup> Direct payment election allows payers to submit surcharge payments directly to the pool administrator on behalf of providers.

<sup>3</sup> So far, HCRA has been reauthorized twice—in December 1999, until June 2003, and in May 2003, until June 30, 2005.

<sup>4</sup> Office of the State Comptroller, *The Health Care Reform Act (HCRA): The Need to Restore Accountability to State Taxpayers*, April 2003.

receiving *all* HCRA contracts because the pool administrator, not the Office of the State Comptroller, processes the payments for off-budget programs.

For off-budget programs operating outside of the contract approval process, the Office of the State Comptroller cannot pre-audit expenditures to ensure that the State is paying for services within the terms of the contract. Additionally, not-for-profit organizations operating under off-budget service contracts do not benefit from statutory provisions requiring the State to pay interest on late payments for services provided under contracts that are not promptly executed.



## *The Evolution of HCRA*

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The Health Care Reform Act (HCRA) has evolved since its implementation in 1997. While a key element of the original measure—moving New York hospitals from a system of State-set inpatient rates to negotiated rates for most payers—has stayed the same, the scope of the legislation is much broader than just hospital reimbursement and has changed considerably since initial passage.

HCRA 1996 continued funding for a wide range of health care programs supported by the New York Prospective Hospital Reimbursement Methodology (NYPHRM), HCRA's predecessor, and authorized a significant expansion of the Child Health Plus insurance program. HCRA 1996 was scheduled to expire on December 31, 1999. The first reauthorization of HCRA (HCRA 2000), enacted in December 1999, extended the program until June 30, 2003. This legislation created the Family Health Plus insurance program for uninsured adults and provided large new insurance coverage subsidies for small businesses and working individuals, as well as subsidies to offset premium increases in the individual insurance market. HCRA 2000 allocated a portion of the State's tobacco settlement dollars to help fund these and other programs and increased cigarette taxes, as well.

Amendments to HCRA 2000, signed into law in January 2002, provided significant new funding to promote health care worker recruitment and retention in hospitals, nursing homes and clinics, and among certain home care providers. The new funding was to include proceeds from a temporary increase in the Federal Medical Assistance Percentage (FMAP), the conversion of Empire Blue Cross Blue Shield to for-profit status and an additional increase in cigarette taxes.

In May 2003, the Legislature reauthorized HCRA for two additional years, until June 30, 2005, and, in response to the Office of the State Comptroller's report about off-budget spending, established reporting requirements that have begun to provide greater transparency in the monthly collection, pooling and distribution of HCRA funds. However, the Legislature did not act to move off-budget HCRA revenue collections and disbursements to the State Budget.

Amendments to HCRA 2003, proposed in January 2004 as part of the Executive Budget for SFY 2004-05, included provisions that would have authorized any non-profit health plan to convert to for-profit status. Additionally, the Executive proposed to allocate a portion of additional conversion proceeds for HCRA programs, create several new HCRA programs, target several existing HCRA programs for cuts and eliminate certain covered benefits in the Family Health Plus program. In the end, the Legislature agreed to establish a number of new HCRA programs and reduced funding for several existing programs, but declined to eliminate certain covered benefits in Family Health Plus and took no action on the proposal to authorize additional health plan conversions.

## The Evolution of HCRA

|  | <b>Description</b>   |
|--|--|
| <b>HCRA 1996</b><br><br><b>Chapter 639 of the Laws of 1996</b>           | <ul style="list-style-type: none"> <li>• Authorized negotiated rates for inpatient hospital services for all non-Medicare and non-Medicaid payers.</li> <li>• Continued the financing and distribution of funds for public goods programs, including indigent care funding for general hospitals, AIDS drug assistance, Graduate Medical Education (GME) and the physician loan repayment program.</li> <li>• Expanded the Child Health Plus insurance program up through age 18 and added inpatient coverage to the program.</li> <li>• Established a grant program to help rural communities promote effective health care delivery systems.</li> <li>• Provided funding for workforce retraining, quality improvement, regional poison control centers and health care restructuring.</li> </ul>  |
| <b>HCRA 2000</b><br><br><b>Chapter 1 of the Laws of 1999</b>             | <ul style="list-style-type: none"> <li>• Continued negotiated rates for inpatient hospital services for certain payers.</li> <li>• Brought two major new revenue sources into the HCRA pools—an increase in cigarette taxes (from \$0.56 to \$1.11 per pack) and a portion of the State's tobacco settlement dollars.</li> <li>• Increased the indigent care pool for hospital bad debt and charity care.</li> <li>• Provided additional funding for rural and high-need hospitals.</li> <li>• Created Family Health Plus for uninsured adults.</li> <li>• Included funds for Healthy NY to provide insurance coverage subsidies for small business and working individuals.</li> <li>• Funded direct pay market subsidies to offset premium increases in the individual market.</li> <li>• Shifted funding for a number of State health care programs from the General Fund to HCRA pools, including the Elderly Pharmaceutical Insurance Coverage (EPIC), various mental health and public health initiatives, and a portion of the Medicaid program.</li> </ul>   |
| <b>HCRA 2000 Amendments</b><br><br><b>Chapter 1 of the Laws of 2002</b>  | <ul style="list-style-type: none"> <li>• Committed new funding to support workforce recruitment and retention in hospitals, nursing homes, personal care programs and clinics.</li> <li>• Authorized the conversion of Empire Blue Cross Blue Shield to a for-profit insurer, dedicating 95 percent of the assets resulting from the conversion to various HCRA programs.</li> <li>• Expanded Medicaid coverage to uninsured women with breast and cervical cancer and to disabled persons who enter the workforce.</li> <li>• Increased the State cigarette tax from \$1.11 to \$1.50 per pack.</li> <li>• Reinstated a 6 percent provider assessment on nursing homes.</li> <li>• Assumed a 3 percent increase in the State's Federal Medical Assistance Percentage (FMAP).</li> <li>• Authorized higher Medicaid upper payment limit for inpatient and outpatient services at public hospitals.</li> <li>• Transferred additional State general fund spending, including the expansion of EPIC and other public health initiatives, to HCRA to provide State Budget relief.</li> <li>• Mandated the use of generic drugs for the Medicaid program.</li> <li>• Extended the Child Health Plus insurance program to July 1, 2003.</li> <li>• Simplified the Child Health Plus, Family Health Plus and Medicaid enrollment process.</li> </ul> |
| <b>HCRA 2003</b><br><br><b>Chapter 62 of the Laws of 2003</b>            | <ul style="list-style-type: none"> <li>• Continued negotiated rates for inpatient hospital services for certain payers.</li> <li>• Increased the surcharge on patient bills and the covered lives assessment on health insurers to pay for various public goods.</li> <li>• Securitized the State's tobacco settlement payments.</li> <li>• Restored funding for various HCRA programs targeted for reductions in the Executive Budget proposal.</li> <li>• Established new HCRA reporting requirements regarding the monthly pooling and distribution of HCRA receipts, as well as an annual HCRA Financial Plan proposed by the Executive.</li> </ul>  |
| <b>HCRA 2003 Amendments</b><br><br><b>Chapter 58 of the Laws of 2004</b> | <ul style="list-style-type: none"> <li>• Maximized federal Medicaid reimbursement for Graduate Medical Education (GME).</li> <li>• Imposed an asset test requirement for Family Health Plus recipients, similar to the one imposed on Medicaid applicants, but at a higher resource amount.</li> <li>• Imposed co-payments in Family Health Plus (FHP) at the Medicaid level, except for pharmaceuticals for which recipients pay a slightly higher co-payment.</li> <li>• Shifted certain low-income children from Medicaid to Child Health Plus.</li> <li>• Approved new spending initiatives to stabilize critical health care providers, increase the personal income tax credit for long-term care insurance and support long-term care insurance education/outreach, disease management and telemedicine programs.</li> <li>• Reduced support for various HCRA programs, including the Roswell Park Cancer Institute, the catastrophic health insurance program and the individual subsidy program.</li> </ul>   |

In June 2004, the Assembly and Senate passed budget reform legislation requiring the Executive Budget, starting in 2006, to include all spending related to HCRA. The legislation establishes a special fund, known as the HCRA Fund, in the joint custody of the Office of the State Comptroller and the Department of Taxation and Finance. The fund would consist of various HCRA revenue-streams, including the 1 percent assessment on general hospital revenues, surcharges on hospital bills, cigarette taxes, the covered lives assessment on health insurers and proceeds from the conversion of Empire Blue Cross Blue Shield to a for-profit insurer.

Should this legislation become law, it would be a positive step toward achieving the Comptroller's goal of assuring the same accountability and oversight for HCRA dollars as for other State Budget dollars.<sup>5</sup> Not only would the Comptroller be able to provide more timely information about all HCRA spending, but the Executive would also have to provide three-year financial projections for HCRA receipts and disbursements, as it already does for each of the State's governmental fund types.<sup>6</sup> The legislation would require the Executive to provide separate appropriations from the fund for each HCRA program, beginning with submission of the budget for SFY 2006-07. However, it is important to note that the Executive already has the authority to propose appropriations for all HCRA programs, even those programs currently off-budget, and, therefore, does not need to rely on this aspect of the budget reform legislation to improve HCRA accountability. Proposing appropriations for all HCRA programs would also trigger provisions requiring three-year financial projections for HCRA receipts and disbursements.

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<sup>5</sup> For this bill to become law, the Executive must sign it, and the next Legislature, as well as the State's voters, must approve the amendment to the State Constitution creating a contingency budget when a budget deadline is missed.

<sup>6</sup> State Finance Law, Section 22(4) requires the Executive Budget proposal to include a three-year financial projection showing the anticipated disbursements and receipts for each of the State's governmental fund types.



# ***HCRA Reporting Requirements***

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## **HCRA Financial Plan**

Historically, the Health Care Reform Act (HCRA) has accumulated large unspent surpluses since receipts have collected while many programs have taken longer to implement and reach projected expenditure levels. However, in State fiscal years (SFYs) 2002-03 and 2003-04, spending levels in many major programs, such as Family Health Plus (FHP) and the Elderly Pharmaceutical Insurance Coverage (EPIC), significantly increased, outpacing growth in revenues, as shown in Table 1. In SFY 2002-03, HCRA spending exceeded revenues by \$379 million. This trend accelerated, actually doubling, in SFY 2003-04 when HCRA spending exceeded revenues by \$764 million. Accordingly, HCRA's unspent surplus has fallen substantially, from \$1.5 billion in March 2002 to \$430 million in March 2004, raising concerns about HCRA's ability to sustain such continued spending growth. While HCRA's fund balance for the first five months of SFY 2004-05, through July 2004, has increased to \$817 million, due to higher receipts and lower spending, the fund balance may start dropping again if monthly spending returns to historical averages. But of more concern is the approximately \$400 million deficit that could occur in HCRA should certain receipts not materialize during SFY 2004-05.

From SFY 2001-02 through 2003-04, there has been a substantial increase in transfers of funds between HCRA pools. In these instances, funds from pools with available balances are used to support program spending of other pools. The transfers provide resources to pools lacking sufficient receipts to cover disbursements and, when appropriate, a way to draw down matching federal funds.

For the purposes of this report, receipts include: 1) assessments, cigarette taxes, interest income and other miscellaneous outside resources, 2) transfers from State funds, and 3) transfers from other HCRA pools. Disbursements include: 1) direct payments by the pool administrator to providers and other entities participating in off-budget programs, 2) transfers by the pool administrator to on-budget State programs or accounts like the Elderly Pharmaceutical Insurance Coverage (EPIC), Medicaid and hospital-based grants, and 3) transfers to other HCRA pools. Analysis later in this report provides detailed receipt and disbursement information by pool.

**Table 1**  
**HCRA Cash Flow**  
**State Fiscal Years 2001-02 through 2004-05**  
(in millions of dollars)

| SFY  | 2001-02        | 2002-03        | 2003-04      | 2004-05       |
|--|----------------|----------------|--------------|---------------|
| Opening Fund Balance                               | 1,240.9        | 1,572.5        | 1,193.8      | 430.3         |
| Receipts   | 3,678.8        | 4,701.9        | 5,700.9      | 4,832.0*      |
| Disbursements                                      | 3,347.2        | 5,080.6        | 6,464.4      | 4,472.0*      |
| Excess (Deficiency) of Receipts Over Disbursements | 331.6          | (378.7)        | (763.5)      | 360.0*        |
| <b>Ending Fund Balance</b>                         | <b>1,572.5</b> | <b>1,193.8</b> | <b>430.3</b> | <b>790.3*</b> |

Sources: HCRA Pool Administrator (Excellus Health Plan) and the Division of the Budget (shaded area).

Note: Includes activity of the Public Goods, Tobacco Control and Insurance Initiatives and Indigent Care pools, as well as regional escrow funds related to hospital indigent care distributions exceeding federal disproportionate share hospital (DSH) payment limits.

\*Projected by the Division of the Budget. Receipts and disbursements exclude transfers between HCRA pools.

The first ever published HCRA Financial Plan, contained in the Executive Budget for SFY 2004-05 as one part of improved reporting requirements enacted last year, proposed to reverse this trend by taking \$195 million in cost savings actions to mitigate HCRA's reliance on the General Fund and to improve HCRA's fiscal viability. These actions included imposing changes in the FHP program, such as co-payments on pharmaceuticals and other services, and eliminating reimbursement for dental and vision services; transferring certain children from Medicaid to the Child Health Plus program; maximizing federal Medicaid reimbursement for Graduate Medical Education (GME), allowing the HCRA subsidy to be reduced, and eliminating the Individual Subsidy and Catastrophic Health Care Expense programs. The Executive argued that, absent these cost saving actions, legislation enacted in 2003 would require the General Fund to make a \$118 million payment to HCRA.<sup>7</sup> This action would replenish revenues up to the level of tobacco settlement dollars otherwise available to HCRA had these revenues not been securitized.

While the Legislature rejected most of the Executive's savings actions, HCRA balances were not affected since the Enacted Budget used General Fund resources to offset the loss of savings from the rejected actions. However, HCRA's fiscal viability is still unsure since projected receipts may not accumulate as expected because of the Executive's reliance on loans from other pools and uncertain non-recurring or short-term revenue sources.

<sup>7</sup> Chapters 62 and 686 of the Laws of 2003 created the Tobacco Revenue Guarantee Fund, which provides for General Fund payments to HCRA to replace the loss of revenue from the securitization of tobacco proceeds.

Details about the projected receipts were not included in the Executive's proposed HCRA Financial Plan, which provided only aggregate data on receipts for the Public Goods and Tobacco pools. This Plan excluded specific information that would allow policymakers to assess the assumptions on which the plan is based. This information was, however, included in the Division of the Budget's (DOB's) Enacted Budget Report and shows, as illustrated in Table 1a, that the Executive is relying on over \$1.2 billion in non-recurring revenue from the Empire Blue Cross Blue Shield conversion to a for-profit insurer to help pay for various HCRA programs in SFY 2004-05. These funds, however, may not materialize due to pending litigation.<sup>8</sup>

If the courts do not rule in favor of the State or if appeals delay the litigation's final disposition beyond March 31, 2005, funding from other sources, such as the General Fund, may be necessary to fill a potential gap for SFY 2004-05 of approximately \$400 million. If the General Fund is used to fill this gap, the SFY 2004-05 State Budget deficit would increase. Furthermore, cigarette tax receipts, which decreased \$58 million (8 percent) to \$708.8 million in 2003-04, may come in lower than the \$693 million in receipts projected in DOB's Enacted Budget Report, widening this gap even more.

In January 2004, the Executive proposed using \$400 million from additional not-for-profit insurance company conversions to support HCRA in SFY 2005-06. The conversion of the Health Insurance Plan of Greater New York (HIP-NY), considered the likeliest candidate for conversion, could eventually generate as much as \$1 billion, according to lawmakers and health care experts. However, the Legislature did not agree to the Executive's proposal to authorize additional conversions. The proceeds from the Empire conversion and additional conversions, like any non-recurring resource, are finite. In considering future funding of HCRA, policymakers should minimize reliance on such non-recurring resources.

The Executive's HCRA Financial Plan for SFY 2004-05 continued HCRA's heavy subsidization of the State share costs of Medicaid that would normally receive General Fund support. This practice of using HCRA funds to supplant General Fund support is known as "General Fund off-loading." In SFY 2004-05, HCRA is projected to support

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<sup>8</sup> The pending litigation (*Consumers Union of U.S., Inc. v. The State of New York*, filed on August 21, 2002 in the Supreme Court of the State of New York, County of New York) alleges that: Chapter 1 of the Laws of 2002 authorized the State to take the property of a charitable organization, Empire, without a proper government purpose and without compensation; Empire's directors violated their fiduciary duty to pursue the company's charitable mission by acquiescing in the State's taking of Empire's charitable assets; and Chapter 1 violated Article III, Section 17 of the State Constitution barring laws that benefit one company because Chapter 1 granted Empire, and Empire alone, "an exclusive privilege, immunity or franchise;" i.e., to convert to a for-profit insurer. Until the litigation is resolved, the State Comptroller is holding in escrow \$785 million in proceeds from the sale of Empire stock—\$763.4 million for HCRA programs and \$21.6 million to help the uninsured buy health insurance. On May 20, 2004, the State Supreme Court Appellate Division filed a decision upholding an earlier court ruling that dismissed all allegations except the one that Chapter 1 violated the State Constitution. The Appellate Division decision allows this allegation to go to trial. However, WellChoice, the parent company of the converted Empire, says it anticipates filing a motion with the Appellate Division for permission to appeal the May 20, 2004 decision to the State Court of Appeals. Consumers Union also plans to appeal the Appellate Division's dismissal of the litigation's other allegations to the State Court of Appeals.

almost \$1.5 billion in State share Medicaid costs, including \$359 million in pharmacy costs, \$341 million for FHP, and \$330 million for the workforce recruitment and retention program, as a result of General Fund off-loading. In contrast, such off-loads totaled only \$252.5 million in SFY 2000-01.

**Table 1a**  
**HCRA Cash Flow**  
**State Fiscal Year 2004-05**  
(in millions of dollars)

|   | Q1†        | Q2*          | Q3*          | Q4*          | Total        |
|---|------------|--------------|--------------|--------------|--------------|
| <b>Opening Fund Balance</b>                               | <b>430</b> | <b>702</b>   | <b>1,038</b> | <b>786</b>   | <b>430</b>   |
| <b>Receipts</b>   |            |              |              |              |              |
| Public Goods Pool   | 745        | 745          | 588          | 554          | 2,632        |
| <i>    Surcharges</i>                                     |            |              |              |              | 1,493        |
| <i>    Covered Lives Assessment</i>                       |            |              |              |              | 703          |
| <i>    One Percent Assessment</i>                         |            |              |              |              | 217          |
| <i>    Federal Funds/Other</i>                            |            |              |              |              | 219          |
| Tobacco Control Pool                                      | 183        | 470          | 571          | 976          | 2,200        |
| <i>    Empire Proceeds</i>                                |            |              |              |              | 1,217        |
| <i>    Cigarette Taxes</i>                                |            |              |              |              | 693          |
| <i>    Federal Funds</i>                                  |            |              |              |              | 290          |
| <b>Total Receipts</b>                                     | <b>928</b> | <b>1,215</b> | <b>1,159</b> | <b>1,530</b> | <b>4,832</b> |
| <b>Disbursements</b>                                      |            |              |              |              |              |
| Indigent Care   | 238        | 208          | 221          | 159          | 826          |
| Graduate Medical Education                                | 85         | 91           | 116          | 91           | 383          |
| EPIC  | 150        | 150          | 103          | 91           | 494          |
| Child Health Plus   | 72         | 106          | 130          | 67           | 375          |
| Family Health Plus  | 0          | 94           | 95           | 192          | 381          |
| Workforce Recruitment and Retention                       | 14         | 48           | 116          | 151          | 329          |
| Public Health   | 18         | 30           | 25           | 22           | 95           |
| Mental Health   | 33         | 28           | 25           | 0            | 86           |
| Roswell Park Cancer Institute                             | 0          | 25           | 25           | 28           | 78           |
| Physician Excess Medical Malpractice                      | 0          | 23           | 0            | 32           | 55           |
| Transfers to Medicaid                                     |            |              |              |              |              |
| Pharmacy Costs  | 0          | 0            | 216          | 309          | 525          |
| Physician Costs   | 0          | 0            | 43           | 42           | 85           |
| Health Insurance Demonstrations                           | 0          | 0            | 28           | 2            | 30           |
| Supplemental Medical Insurance                            | 0          | 0            | 17           | 51           | 68           |
| All Other Medicaid  | 0          | 0            | 108          | 156          | 264          |
| All other   | 46         | 76           | 143          | 133          | 398          |
| <b>Total Disbursements</b>                                | <b>656</b> | <b>879</b>   | <b>1,411</b> | <b>1,526</b> | <b>4,472</b> |
| <b>Excess (Deficiency) of Receipts Over Disbursements</b> | <b>272</b> | <b>336</b>   | <b>-252</b>  | <b>4</b>     | <b>360</b>   |
| <b>Closing Fund Balance</b>                               | <b>702</b> | <b>1,038</b> | <b>786</b>   | <b>790</b>   | <b>790</b>   |

Source: Division of the Budget 2004-05 Enacted Budget Report

† Includes activity of the Public Goods, Tobacco Control and Insurance Initiatives and Indigent Care pools, as well as regional escrow funds related to hospital indigent care distributions exceeding federal disproportionate share hospital (DSH) payment limits.

\* Projected by the Division of the Budget.

## Monthly HCRA Pool Cash Flow Reports

In the past, the Office of the State Comptroller has been able to obtain information about HCRA pool balances and receipts, transfers to and from pools, transfers to and from New York State funds, and *off-budget*, program-by-program

disbursements, but only for entire State fiscal years and only because the Office of the State Comptroller requested that Excellus provide this information.<sup>9</sup>

The Public Health Law now requires Excellus to prepare and submit to the Office of the State Comptroller, monthly reports on HCRA cash flow information.<sup>10</sup> The submissions include:

- opening and ending cash balances by pool, by month,
- monthly HCRA receipts,
- monthly off-budget program disbursements,
- monthly transfers to and from HCRA pools, and
- monthly transfers to and from New York State funds.

State Finance Law, Section 8(9-a) requires this new information to be incorporated into the State Comptroller's Monthly Report On State Funds Cash Basis of Accounting.<sup>11</sup> As a result, policymakers and other interested parties now have access to current data that enable them to ask questions and raise concerns about HCRA pool activities and spending patterns, instead of waiting for year-end reports to become available.

For example, policymakers and others can now see that HCRA's Tobacco Control and Insurance Initiatives pool disbursed or transferred more money than it collected for all four quarters of SFY 2003-04. After beginning the fiscal year with a balance of \$450 million, the pool ended the year with only \$26.2 million on hand. The monthly HCRA pool cash flow reports show that the Tobacco pool maintained a positive fund balance in 2003-04, but only because of a temporary increase in the Federal Medical Assistance Percentage (FMAP) and massive transfers from HCRA's Public Goods pool. Should these cash flow problems continue, the Public Goods pool or other funds are likely to be tapped to make up any deficit.

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<sup>9</sup> The Comptroller has always been able to track the monthly balances, receipts and disbursements for *on-budget* funds supported by HCRA receipts.

<sup>10</sup> Public Health Law, Section 206(19(d)).

<sup>11</sup> The monthly cash reports are available at <<http://www.osc.state.ny.us/>>.



## ***HCRA Disbursements Since SFY 2001-02***

Total Health Care Reform Act (HCRA) disbursements have grown from almost \$2.6 billion in State fiscal year (SFY) 2001-02 to over \$4 billion in SFY 2002-03 and nearly \$5.5 billion in SFY 2003-04, as shown in Table 2.<sup>12</sup> For the period, total HCRA disbursements increased by \$2.9 billion (112 percent).

**Table 2**  
**HCRA Disbursements**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY               | 2001-02        | 2002-03        | 2001-02 to 2002-03 |         | 2003-04        | 2002-03 to 2003-04 |         | 2001-02 to 2003-04 |         |
|-------------------|----------------|----------------|--------------------|---------|----------------|--------------------|---------|--------------------|---------|
|                   |                |                | Change<br>Amount   | Percent |                | Change<br>Amount   | Percent | Change<br>Amount   | Percent |
| <b>Off-Budget</b> | 883.9          | 1,054.6        | 170.7              | 19.3%   | 1,058.6        | 4.0                | 0.4%    | 174.7              | 19.8%   |
| <b>On-Budget</b>  | 1,689.3        | 3,010.8        | 1,321.5            | 78.2%   | 4,407.7        | 1,396.9            | 46.4%   | 2,718.4            | 160.9%  |
| <b>HCRA Total</b> | <u>2,573.2</u> | <u>4,065.4</u> | <u>1,492.2</u>     | 58.0%   | <u>5,466.3</u> | <u>1,400.9</u>     | 34.5%   | <u>2,893.1</u>     | 112.4%  |

Source: HCRA Pool Administrator (Excellus Health Plan)

Since SFY 2001-02, off-budget HCRA disbursements have grown from \$884 million in SFY 2001-02 to over \$1 billion in both SFY 2002-03 and SFY 2003-04. While the dollar value of off-budget HCRA disbursements has increased, the percentage of off-budget disbursements to total disbursements has decreased from 34 percent in SFY 2001-02 to 19 percent in SFY 2003-04. The \$170 million (19 percent) increase in off-budget disbursements from SFY 2001-02 to SFY 2002-03 reflects greater support for programs like Graduate Medical Education (GME) and new support for excess medical malpractice insurance and health care worker recruitment and retention grants. Off-budget disbursements from SFY 2002-03 to SFY 2003-04 changed very little year to year. Overall, off-budget disbursements grew by almost \$175 million (20 percent) from SFY 2001-02 to SFY 2003-04.

On-budget HCRA disbursements have grown from nearly \$1.7 billion in SFY 2001-02 to over \$3 billion in SFY 2002-03 and over \$4.4 billion in SFY 2003-04. Much of the growth in on-budget disbursements resulted from greater appropriations for programs associated with General Fund off-loading. These programs include the Elderly

<sup>12</sup> For the purposes of this report, disbursement means: 1) direct payments by the pool administrator to providers and other entities participating in off-budget programs, and 2) transfers by the pool administrator to on-budget State programs or accounts like the Elderly Pharmaceutical Insurance Coverage (EPIC), Medicaid and hospital-based grants. Direct payments made in connection with off-budget programs constitute actual program expenditures. However, transfers of off-budget funds to on-budget programs or accounts do **not** necessarily constitute actual program expenditures because not all of the transferred funds are expended. For example, in SFY 2003-04, the pool administrator transferred \$17 million to State account 339-AF for hospital based grants, but program expenditures only totaled \$9.3 million. These unspent funds, which would be considered aid to localities, are carried forward to the next SFY and must be spent by September 15 of that year.

Pharmaceutical Insurance Coverage (EPIC), enhanced community mental health, various local AIDS initiatives, local public health initiatives and local water supply protection programs, as well as a large portion of the State share costs of Medicaid. Overall, on-budget disbursements more than doubled over the period.

## Off-Budget Disbursements

The Public Goods pool yearly accounted for approximately two-thirds of all off-budget HCRA disbursements over the three-year period SFY 2001-02 through SFY 2003-04, as shown in Table 3a. Approximately \$1.5 billion (74 percent) of the pool's total off-budget disbursements over SFY 2001-02 through SFY 2003-04 were made to hospitals for GME expenses. Off-budget disbursements from the Public Goods pool grew from about \$638 million in SFY 2001-02 to \$690 million in SFY 2002-03 and \$699 million in SFY 2003-04, for an overall increase of \$61 million (10 percent) for the period.

**Table 3a**  
**Off-Budget HCRA Disbursements by Pool**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY                    | 2001-02      | 2002-03       | 2001-02 to 2002-03 |         | 2003-04       | 2002-03 to 2003-04 |         | 2001-02 to 2003-04 |         |
|------------------------|--------------|---------------|--------------------|---------|---------------|--------------------|---------|--------------------|---------|
|                        |              |               | Change             |         |               | Change             |         | Change             |         |
|                        |              |               | Amount             | Percent |               | Amount             | Percent | Amount             | Percent |
| <b>Public Goods</b>    | 637.9        | 690.2         | 52.3               | 8.2%    | 699.0         | 8.8                | 1.3%    | 61.1               | 9.6%    |
| <b>Tobacco Control</b> | 246.0        | 364.4         | 118.4              | 48.1%   | 359.6         | -4.8               | -1.3%   | 113.6              | 46.2%   |
| <b>Total</b>           | <u>883.9</u> | <u>1054.6</u> | <u>170.7</u>       | 19.3%   | <u>1058.6</u> | <u>4.0</u>         | 0.4%    | <u>174.7</u>       | 19.8%   |

Source: HCRA Pool Administrator (Excellus Health Plan)

The Tobacco Control and Insurance Initiatives pool yearly accounted for the remaining one-third of HCRA's off-budget disbursements during SFY 2001-02 through SFY 2003-04. The programs receiving the largest off-budget disbursements from the pool over the period were the Roswell Park Cancer Institute in Buffalo (\$263 million) and the Excess Medical Malpractice program (\$214 million), which provides supplemental malpractice insurance for physicians practicing in the State. Off-budget disbursements from the Tobacco pool grew from \$246 million in SFY 2001-02 to about \$364 million in SFY 2002-03. In SFY 2003-04, pool disbursements decreased to \$359 million, bringing the overall increase for the period to \$113 million (46 percent). Much of this increase reflects HCRA 2000 amendments that provided workforce retention and recruitment grants for public hospitals and nursing homes (\$74.4 million) and new HCRA funding for supplemental malpractice insurance for physicians.

## On-Budget Disbursements

The Tobacco Control and Insurance Initiatives pool accounted for the largest share (41 percent) of all on-budget HCRA disbursements over the three-year period SFY 2001-02 through SFY 2003-04. All of these disbursements were General Fund off-loads for programs that either used to receive or would normally receive General Fund support, including the State share costs of Medicaid, EPIC and enhanced mental health services. As shown in Table 3b, on-budget disbursements from the Tobacco pool grew from \$420 million in SFY 2001-02 to nearly \$1.2 billion in SFY 2002-03 and \$2.1 billion in SFY 2003-04, for an overall increase of almost \$1.7 billion (400 percent) for the period.

**Table 3b**  
**On-Budget HCRA Disbursements**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY                                  | 2001-02        | 2002-03        | 2001-02 to 2002-03<br>Change |              | 2003-04        | 2002-03 to 2003-04<br>Change |              | 2001-02 to 2003-04<br>Change |               |
|--------------------------------------|----------------|----------------|------------------------------|--------------|----------------|------------------------------|--------------|------------------------------|---------------|
|                                      |                |                | Amount                       | Percent      |                | Amount                       | Percent      | Amount                       | Percent       |
| <b>Public Goods Pool</b>             | 437.8          | 813.0          | 375.2                        | 85.7%        | 1,350.1        | 537.1                        | 66.1%        | 912.3                        | 208.4%        |
| <b>Tobacco Control Pool</b>          | 420.2          | 1,183.0        | 762.8                        | 181.5%       | 2,101.4        | 918.4                        | 77.6%        | 1,681.2                      | 400.1%        |
| <b>Indigent Care-Public Goods</b>    | 751.5          | 937.4          | 185.9                        | 24.7%        | 875.0          | -62.4                        | -6.7%        | 123.5                        | 16.4%         |
| <b>Indigent Care-Tobacco Control</b> | 79.8           | 77.4           | -2.4                         | -3.0%        | 81.2           | 3.8                          | 4.9%         | 1.4                          | 1.8%          |
| <b>Total</b>                         | <u>1,689.3</u> | <u>3,010.8</u> | <u>1,321.5</u>               | <u>78.2%</u> | <u>4,407.7</u> | <u>1,396.9</u>               | <u>46.4%</u> | <u>2,718.4</u>               | <u>160.9%</u> |

Source: HCRA Pool Administrator (Excellus Health Plan)

Disbursements from the Indigent Care fund (supported by transfers from the Public Goods and Tobacco Control pools) accounted for about 31 percent of on-budget disbursements over the period from SFY 2001-02 through SFY 2003-04. These on-budget disbursements grew from \$831 million in SFY 2001-02 to over \$1 billion in SFY 2002-03, but decreased to \$956 million in SFY 2003-04. Overall pool disbursements increased by about \$125 million (15 percent) from SFY 2001-02 to SFY 2003-04.

The Public Goods pool yearly accounted for most of the remaining on-budget HCRA disbursements (28 percent) for SFY 2001-02 through SFY 2003-04. Over \$1 billion (41 percent) of the pool's on-budget disbursements were for the Child Health Plus insurance program. On-budget disbursements from the pool grew from \$438 million in SFY 2001-02 to \$813 million in SFY 2002-03 and nearly \$1.4 billion in SFY 2003-04. Overall disbursements from the pool increased \$912 million (208 percent) from SFY 2001-02 to SFY 2003-04.



### **Public Goods Pool**

The Public Goods pool receives funding from a number of sources, including a 1 percent statewide assessment on hospitals' net inpatient revenue, surcharges on hospital and clinic services, a covered lives assessment on private insurance companies based on the number of persons covered and interest income on carryover receipts. The pool supports a wide range of programs, including the Child Health Plus insurance program, clinic uncompensated care, Graduate Medical Education (GME), the AIDS Drug Assistance Program (ADAP), legislative and Executive discretionary spending and rural health care initiatives.

The pool's opening balance, as shown in Table 4a, experienced a significant decrease from State fiscal year (SFY) 2001-02 to SFY 2004-05.<sup>13</sup> Over the period from April 1, 2001 to April 1, 2004, the pool's opening balance declined by \$471 million (57 percent) to \$351 million, reflecting a significant disparity in pool disbursements over pool receipts.

From SFY 2001-02 to SFY 2003-04, pool receipts increased by \$637 million (33 percent), mostly because of a \$348 million (18 percent) upsurge in pool assessment receipts, as shown in Table 4b. Larger transfers from other Health Care Reform Act (HCRA) pools, including \$210 million in residual funds from the Tobacco Control and Insurance Initiatives pool, accounted for most of this increase in pool receipts.<sup>14</sup> The upsurge was also partly attributed to legislative action that increased the surcharges on hospital and clinic patient bills by \$20 million and the covered lives assessment by \$9 million.<sup>15</sup> From SFY 2001-02 to SFY 2002-03, pool receipts increased nearly \$240 million (12 percent), due mostly to a \$222 million (12 percent) increase in assessment proceeds. From SFY 2002-03 to SFY 2003-04, pool receipts grew by almost \$398 million (18 percent) due to transfers from the Tobacco pool and higher assessment proceeds.

Overall growth in pool disbursements from SFY 2001-02 to SFY 2003-04 totaling nearly \$1.1 billion (60 percent), as shown in Table 4c, largely resulted from an \$836 million increase in transfers to other HCRA pools. Most of this increase, \$831 million, allowed the Tobacco Control and Insurance Initiatives pool to meet its payment obligations over the period. Transfers of pool receipts to budgeted State funds, supporting programs like Child Health Plus and hospital-based grants, increased \$200

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<sup>13</sup> The opening balance for SFY 2004-05 is the same as the ending balance for SFY 2003-04.

<sup>14</sup> Public Health Law, Section 2807-v, which authorizes distributions from the Tobacco Control and Insurance Initiatives pool, allows the transfer of residual funds to the Public Goods pool, but only after Tobacco pool programs have received their allocations. Receipt in January 2004 of \$268 million in federal funds related to the temporary increase in the State's Federal Medical Assistance Percentage (FMAP) allowed the transfer of \$179 million in Tobacco pool funds to the Public Goods pool in January 2004 and an additional \$30 million in February 2004.

<sup>15</sup> Chapter 62, Part A3, Sections 3 and 4 of the Laws of 2003.

million (17 percent) for the period. Off-budget disbursements increased about \$61 million (10 percent) from SFY 2001-02 through SFY 2003-04 and administrative expenses increased at about the same rate during this period.

From SFY 2001-02 to SFY 2002-03, pool disbursements increased more than \$613 million (34 percent), mostly attributed to a \$528 million (45 percent) increase in transfers to budgeted State funds supporting the Child Health Plus insurance program and off-loads of General Fund State share Medicaid spending to HCRA. From SFY 2002-03 to SFY 2003-04, pool disbursements increased an additional \$484 million (20 percent), reflecting an \$803 million increase in transfers to HCRA pools that were partly offset by a \$328 million decrease in transfers to budgeted State funds. The decrease in transfers to budgeted State funds largely resulted from lower disbursements for Child Health Plus and lower off-loads of General Fund State share Medicaid spending to HCRA.

Transfers to the Indigent Care fund, which is a budgeted State fund, accounted for the largest dollar increase in pool disbursements, \$124 million (16 percent), from SFY 2001-02 to SFY 2003-04. From SFY 2001-02 to SFY 2002-03, transfers to the Indigent Care fund increased nearly \$186 million (25 percent). However, transfers to the fund decreased more than \$62 million (7 percent) from SFY 2002-03 to SFY 2003-04. Transfers to Child Health Plus, which is another budgeted State fund, increased \$49 million (16 percent) from SFY 2001-02 to SFY 2003-04. From SFY 2001-02 to SFY 2002-03, transfers to Child Health Plus increased \$112 million (37 percent). However, transfers to the program decreased by \$64 million (15 percent) from SFY 2002-03 to SFY 2003-04.

Among off-budget programs, disbursements for GME, including incentive payments, accounted for the largest absolute increase in pool disbursements from SFY 2001-02 to SFY 2003-04, \$67.6 million (15 percent). Disbursements for GME grew by \$61.5 million (14 percent) from SFY 2001-02 to SFY 2002-03 and by only \$6.1 million (1 percent) from SFY 2002-03 to SFY 2003-04. The overall increase appears to result from payouts of unspent allocations that accumulated over time.<sup>16</sup> Disbursements for ADAP grew by \$32 million (291 percent) from SFY 2001-02 through SFY 2003-04, reflecting greater statutory allocations for the program starting in January 2003. From SFY 2001-02 to SFY 2002-03, ADAP disbursements actually decreased by \$1 million (9 percent), while ADAP disbursements from SFY 2002-03 to SFY 2003-04 increased significantly, by

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<sup>16</sup> For the purposes of this report, allocation refers to funds that by statute are reserved and accumulated from year-to-year and are available for distributions for off-budget HCRA programs. An appropriation is a statutory authorization to make expenditures for on-budget programs during a specific State fiscal year up to the stated amount of the appropriation, unless the appropriation is not re-appropriated and lapses. A lapsed appropriation is an appropriation which has expired and against which obligations can no longer be incurred, nor payment made. An appropriation lapses, and is no longer available to authorize any encumbrance or cash payments, on June 30 of the next fiscal year for State operations and on September 15 of that year for aid to localities, capital projects and debt service. Appropriations are easier to manage and track than allocations, since appropriations are valid for a defined period.

\$33 million (332 percent). Off-budget disbursements for clinic indigent care decreased by \$52.4 million (70 percent) from SFY 2001-02 to SFY 2003-04 because the program came on-budget in July 2003 to draw down federal Medicaid matching funds. Off-budget disbursements for clinic indigent care from SFY 2001-02 to SFY 2002-03 decreased by about \$14 million (19 percent), apparently due to lower payouts of accumulated, unspent program allocations. Off-budget disbursements for clinic indigent care decreased by over \$38 million (63 percent) from SFY 2002-03 to SFY 2003-04.

**Table 4a**  
**Public Goods Pool Summary**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY                    | 2001-02 | 2002-03 | 2001-02 to 2002-03 |                   | 2003-04 | 2002-03 to 2003-04 |                   | 2001-02 to 2003-04 |                   | 2004-05 | 2003-04 to 2004-05 |                   | 2001-02 to 2004-05 |                   |
|------------------------|---------|---------|--------------------|-------------------|---------|--------------------|-------------------|--------------------|-------------------|---------|--------------------|-------------------|--------------------|-------------------|
|                        |         |         | Change<br>Amount   | Change<br>Percent |         | Change<br>Amount   | Change<br>Percent | Change<br>Amount   | Change<br>Percent |         | Change<br>Amount   | Change<br>Percent | Change<br>Amount   | Change<br>Percent |
| <b>Opening Balance</b> | 821.8   | 942.6   | 120.8              | 14.7%             | 689.5   | -253.1             | -26.9%            | -132.3             | -16.1%            | 350.7   | -338.8             | -49.1%            | -471.1             | -57.3%            |
| <b>Receipts</b>        | 1,948.0 | 2,187.5 | 239.5              | 12.3%             | 2,585.3 | 397.8              | 18.2%             | 637.3              | 32.7%             | NA      | NA                 | NA                | NA                 | NA                |
| <b>Disbursements</b>   | 1,827.2 | 2,440.6 | 613.4              | 33.6%             | 2,924.1 | 483.5              | 19.8%             | 1,096.9            | 60.0%             | NA      | NA                 | NA                | NA                 | NA                |
| <b>Ending Balance</b>  | 942.6   | 689.5   | -253.1             | -26.9%            | 350.7   | -338.8             | -49.1%            | -591.9             | -62.8%            | NA      | NA                 | NA                | NA                 | NA                |

Source: HCRA Pool Administrator (Excellus Health Plan)

**Table 4b**  
**Public Goods Pool Receipts**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY  | 2001-02        | 2002-03        | 2001-02 to 2002-03<br>Change |               | 2003-04        | 2002-03 to 2003-04<br>Change |               | 2001-02 to 2003-04<br>Change |              |
|--|----------------|----------------|------------------------------|---------------|----------------|------------------------------|---------------|------------------------------|--------------|
|  |                |                | Amount                       | Percent       |                | Amount                       | Percent       | Amount                       | Percent      |
| <b>Transfers from Other HCRA Pools for</b>     |                |                |                              |               |                |                              |               |                              |              |
| Tobacco Control and Insurance Initiatives      | 0.2            | 0.5            | 0.3                          | 150.0%        | 210.2          | 209.7                        | NA            | 210.0                        | NA           |
| Health Facility Assessment                     | 1.8            | 0.0            | -1.8                         | -100.0%       | 0.1            | 0.1                          | NA            | -1.7                         | -94.4%       |
| Indigent Care                                  | 11.1           | 42.9           | 31.8                         | 286.5%        | 27.5           | -15.4                        | -35.9%        | 16.4                         | 147.7%       |
| <b>Total Transfers from Other HCRA Pools</b>   | <u>13.1</u>    | <u>43.4</u>    | <u>30.3</u>                  | <u>231.3%</u> | <u>237.8</u>   | <u>194.4</u>                 | <u>447.9%</u> | <u>224.7</u>                 | <u>NA</u>    |
| <b>Transfers from Budgeted NYS Funds</b>       |                |                |                              |               |                |                              |               |                              |              |
| 339-JB-CHCCDP                                  | 0.0            | 0.0            | 0.0                          | NA            | 83.5           | 83.5                         | NA            | 83.5                         | NA           |
| <b>Total Transfers from Budgeted NYS Funds</b> | <u>0.0</u>     | <u>0.0</u>     | <u>0.0</u>                   | <u>NA</u>     | <u>83.5</u>    | <u>83.5</u>                  | <u>NA</u>     | <u>83.5</u>                  | <u>NA</u>    |
| <b>Assessments</b>                             | 1,910.2        | 2,132.2        | 222.0                        | 11.6%         | 2,257.9        | 125.7                        | 5.9%          | 347.7                        | 18.2%        |
| <b>Interest Income</b>                         | 24.7           | 11.9           | -12.8                        | -51.8%        | 6.1            | -5.8                         | -48.7%        | -18.6                        | -75.3%       |
| <b>Total HCRA Receipts</b>                     | <u>1,948.0</u> | <u>2,187.5</u> | <u>239.5</u>                 | <u>12.3%</u>  | <u>2,585.3</u> | <u>397.8</u>                 | <u>18.2%</u>  | <u>637.3</u>                 | <u>32.7%</u> |

Source: HCRA Pool Administrator (Excellus Health Plan)

**Table 4c**  
**Public Goods Pool Disbursements**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY  | 2001-02               | 2002-03               | 2001-02 to 2002-03  |         | 2003-04               | 2002-03 to 2003-04  |         | 2001-02 to 2003-04    |         |  |
|--|-----------------------|-----------------------|---------------------|---------|-----------------------|---------------------|---------|-----------------------|---------|--|
|  | Disbursement          | Disbursement          | Amount              | Percent | Disbursement          | Amount              | Percent | Amount                | Percent |  |
| <b>Transfers to Other HCRA Pools</b>                     |                       |                       |                     |         |                       |                     |         |                       |         |  |
| Tobacco Control and Insurance Initiatives Pool           | 0.0                   | 0.0                   | 0.0                 | NA      | 831.4                 | 831.4               | NA      | 831.4                 | NA      |  |
| Indigent Care Pool                                       | 11.1                  | 43.8                  | 32.7                | 294.6%  | 15.2                  | -28.6               | -65.3%  | 4.1                   | 36.9%   |  |
| <b>Total Transfers to Other HCRA Pools</b>               | <u>11.1</u>           | <u>43.8</u>           | <u>32.7</u>         | 294.6%  | <u>846.6</u>          | <u>802.8</u>        | 1832.9% | <u>835.5</u>          | NA      |  |
| <b>Transfers to On-Budget Programs</b>                   |                       |                       |                     |         |                       |                     |         |                       |         |  |
| 061-HCRA Transfer Fund                                   | 18.0                  | 282.0                 | 264.0               | NA      | 106.0                 | -176.0              | -62.4%  | 88.0                  | 488.9%  |  |
| 068-State Operations Account (Medicaid Local Assistance) | 82.0                  | 0.0                   | -82.0               | -100.0% | 0.0                   | 0.0                 | NA      | -82.0                 | -100.0% |  |
| 068-Indigent Care Fund (Matched)                         | 751.5                 | 935.4                 | 183.9               | 24.5%   | 871.3                 | -64.1               | -6.9%   | 119.8                 | 15.9%   |  |
| 068-Indigent Care Fund (Unmatched)                       | 0.0                   | 2.0                   | 2.0                 | NA      | 3.7                   | 1.7                 | 85.0%   | 3.7                   | NA      |  |
| 339-AF-Hospital Based Grants                             | 7.0                   | 27.0                  | 20.0                | 285.7%  | 17.0                  | -10.0               | -37.0%  | 10.0                  | 142.9%  |  |
| 339-BO-Primary Care Initiatives Monitoring               | 1.0                   | 0.7                   | -0.3                | -30.0%  | 0.0                   | -0.7                | -100.0% | -1.0                  | -100.0% |  |
| 339-DN-Provider Collection Monitoring                    | 1.0                   | 2.3                   | 1.3                 | 130.0%  | 2.6                   | 0.3                 | 13.0%   | 1.6                   | 160.0%  |  |
| 339-H3-Small Business Health Insurance                   | 1.6                   | 1.9                   | 0.3                 | 18.8%   | 0.0                   | -1.9                | -100.0% | -1.6                  | -100.0% |  |
| 339-H3-Pilot Health Insurance                            | 0.0                   | 0.0                   | 0.0                 | NA      | 1.8                   | 1.8                 | NA      | 1.8                   | NA      |  |
| 339-K3-Catastrophic Health Care                          | 0.5                   | 0.5                   | 0.0                 | 0.0%    | 0.4                   | -0.1                | -20.0%  | -0.1                  | -20.0%  |  |
| 339-LB-Health Care Planning                              | 1.6                   | 2.2                   | 0.6                 | 37.5%   | 0.7                   | -1.5                | -68.2%  | -0.9                  | -56.3%  |  |
| 339-22-Emergency Medical Services                        | 10.0                  | 26.0                  | 16.0                | 160.0%  | 19.7                  | -6.3                | -24.2%  | 9.7                   | 97.0%   |  |
| 339-29-Child Health Insurance                            | 301.0                 | 413.4                 | 112.4               | 37.3%   | 349.8                 | -63.6               | -15.4%  | 48.8                  | 16.2%   |  |
| 339-LE-Health Care Delivery Improvement                  | 0.5                   | 0.9                   | 0.4                 | 80.0%   | 0.0                   | -0.9                | -100.0% | -0.5                  | -100.0% |  |
| 339-LC-Maternal Child HIV Services                       | 2.5                   | 4.5                   | 2.0                 | 80.0%   | 5.5                   | 1.0                 | 22.2%   | 3.0                   | 120.0%  |  |
| Federal Repayment  | 0                     | 7.8                   | 7.8                 | NA      | 0.0                   | -7.8                | -100.0% | 0.0                   | NA      |  |
| <b>Total Transfers to On-Budget Programs</b>             | <u>1,178.2</u>        | <u>1,706.6</u>        | <u>528.4</u>        | 44.8%   | <u>1,378.5</u>        | <u>-328.1</u>       | -19.2%  | <u>200.3</u>          | 17.0%   |  |
| <b>Total On-Budget Disbursements</b>                     | <u><u>1,189.3</u></u> | <u><u>1,750.4</u></u> | <u><u>561.1</u></u> | 47.2%   | <u><u>2,225.1</u></u> | <u><u>474.7</u></u> | 27.1%   | <u><u>1,035.8</u></u> | 87.1%   |  |

Source: HCRA Pool Administrator (Excellus Health Plan)

**Table 4c - Continued**  
**Public Goods Pool Disbursements**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY   | 2001-02               | 2002-03               | 2001-02 to 2002-03  |                     | 2003-04               | 2002-03 to 2003-04  |                     | 2001-02 to 2003-04    |                     |
|---|-----------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|
|   | Disbursement          | Disbursement          | Change              |                     | Disbursement          | Change              |                     | Change                |                     |
|   |                       |                       | Amount              | Percent             |                       | Amount              | Percent             | Amount                | Percent             |
| <b>Off-Budget Disbursements</b>               |                       |                       |                     |                     |                       |                     |                     |                       |                     |
| Senate/Assembly Discretionary                 | 15.7                  | 8.8                   | -6.9                | -43.9%              | 8.0                   | -0.8                | -9.1%               | -7.7                  | -49.0%              |
| Commissioner's Discretionary                  | 11.3                  | 16.3                  | 5.0                 | 44.2%               | 23.0                  | 6.7                 | 41.1%               | 11.7                  | 103.5%              |
| Rural Health Care                             | 9.4                   | 15.8                  | 6.4                 | 68.1%               | 11.7                  | -4.1                | -25.9%              | 2.3                   | 24.5%               |
| Health Facilities Restructuring               | 20.0                  | 20.0                  | 0.0                 | 0.0%                | 40.0                  | 20.0                | 100.0%              | 20.0                  | 100.0%              |
| ADAP  | 11.0                  | 10.0                  | -1.0                | -9.1%               | 43.0                  | 33.0                | 330.0%              | 32.0                  | 290.9%              |
| Poison Control                                | 4.9                   | 4.9                   | 0.0                 | 0.0%                | 4.9                   | 0.0                 | 0.0%                | 0.0                   | 0.0%                |
| Cancer Services                               | 5.9                   | 7.5                   | 1.6                 | 27.1%               | 7.3                   | -0.2                | -2.7%               | 1.4                   | 23.7%               |
| Clinic Indigent Care                          | 74.9                  | 60.8                  | -14.1               | -18.8%              | 22.5                  | -38.3               | -63.0%              | -52.4                 | -70.0%              |
| Supplemental BDCC Awards for DTCs             | 6.3                   | 4.5                   | -1.8                | -28.6%              | 1.6                   | -2.9                | -64.4%              | -4.7                  | -74.6%              |
| Health Information Quality Improvement        | 0.3                   | 0.1                   | -0.2                | -66.7%              | 0.1                   | 0.0                 | 0.0%                | -0.2                  | -66.7%              |
| Health Workforce Retraining                   | 7.8                   | 7.5                   | -0.3                | -3.8%               | 2.8                   | -4.7                | -62.7%              | -5.0                  | -64.1%              |
| Minority Part Medical Education Grants        | 1.1                   | 0.2                   | -0.9                | -81.8%              | 0.1                   | -0.1                | -50.0%              | -1.0                  | -90.9%              |
| Voucher Insurance                             | 0.8                   | 0.0                   | -0.8                | -100.0%             | 0.0                   | 0.0                 | NA                  | -0.8                  | -100.0%             |
| Specialty Children and Cancer Hospital        | 0.5                   | 0.0                   | -0.5                | -100.0%             | 0.0                   | 0.0                 | NA                  | -0.5                  | -100.0%             |
| Small Business Health Insurance               | 3.4                   | 3.4                   | 0.0                 | 0.0%                | 1.9                   | -1.5                | -44.1%              | -1.5                  | -44.1%              |
| Catastrophic Health Care                      | 3.9                   | 2.6                   | -1.3                | -33.3%              | 2.2                   | -0.4                | -15.4%              | -1.7                  | -43.6%              |
| Individual Subsidy                            | 6.1                   | 3.2                   | -2.9                | -47.5%              | 1.4                   | -1.8                | -56.3%              | -4.7                  | -77.0%              |
| Primary Health Care Services                  | 0.0                   | 6.9                   | 6.9                 | NA                  | 6.4                   | -0.5                | -7.2%               | 6.4                   | NA                  |
| Area Health Education Centers                 | 0.2                   | 1.4                   | 1.2                 | 600.0%              | 2.3                   | 0.9                 | 64.3%               | 2.1                   | 1050.0%             |
| GME Distribution                              | 452.2                 | 456.2                 | 4.0                 | 0.9%                | 490.3                 | 34.1                | 7.5%                | 38.1                  | 8.4%                |
| GME Incentive Pool                            | 0.0                   | 57.6                  | 57.6                | NA                  | 25.6                  | -32.0               | -55.6%              | 25.6                  | NA                  |
| Empire Clinical Research Investigator Program | 0.0                   | 0.0                   | 0.0                 | NA                  | 1.7                   | 1.7                 | NA                  | 1.7                   | NA                  |
| Cancer Mapping                                | 0.2                   | 0.0                   | -0.2                | -100.0%             | 0.0                   | 0.0                 | NA                  | -0.2                  | -100.0%             |
| Administrative Expense                        | 2.0                   | 2.5                   | 0.5                 | 25.0%               | 2.2                   | -0.3                | -12.3%              | 0.2                   | 9.6%                |
| <b>Total Off-Budget Disbursements</b>         | <u>637.9</u>          | <u>690.2</u>          | <u>52.3</u>         | <u>8.2%</u>         | <u>699.0</u>          | <u>8.8</u>          | <u>1.3%</u>         | <u>61.1</u>           | <u>9.6%</u>         |
| <b>Total Transfers and Disbursements</b>      | <u><u>1,827.2</u></u> | <u><u>2,440.6</u></u> | <u><u>613.4</u></u> | <u><u>33.6%</u></u> | <u><u>2,924.1</u></u> | <u><u>483.5</u></u> | <u><u>19.8%</u></u> | <u><u>1,096.9</u></u> | <u><u>60.0%</u></u> |

Source: HCRA Pool Administrator (Excellus Health Plan)

## Tobacco Control and Insurance Initiatives Pool

The Tobacco Control and Insurance Initiatives Pool receives funding from a number of sources, including transfers from State accounts, such as the Tobacco Settlement and the Indigent Care funds, cigarette taxes, transfers from other HCRA pools and federal funds.<sup>17</sup> The pool supports a wide range of programs, including the recruitment and retention of health care workers, EPIC, Family Health Plus, a portion of the State's share of Medicaid, grants to school-based health centers, Healthy NY insurance subsidies for small businesses and sole proprietors, and infertility grants.

The pool's opening balance, as shown in Table 5a, experienced a significant decrease from SFY 2001-02 to SFY 2004-05. Over the period from April 1, 2001 to April 1, 2004, the pool's opening balance declined by \$310.4 million (92 percent) to \$26 million, reflecting a significant disparity in pool disbursements over receipts.

From SFY 2001-02 through SFY 2003-04, pool receipts increased by over \$1.1 billion, largely because of an \$831.4 million transfer from the Public Goods pool and an increase of \$227 million in cigarette tax receipts, as shown in Table 5b. However, disbursements for this period increased even more, by almost \$1.8 billion (241 percent). One reason for the disparity is pending litigation that has held up the SFY 2003-04 transfer to the Tobacco pool of over \$400 million in proceeds from the conversion of Empire Blue Cross Blue Shield to a for-profit insurer.

From SFY 2001-02 to SFY 2002-03, pool receipts increased by \$560 million (58 percent), due mostly to the impact of a cigarette tax increase totaling \$285 million (59 percent) and almost \$215 million in new, one-time funding related to a higher Medicaid upper payment limit for inpatient and outpatient services at public hospitals.<sup>18</sup> From SFY 2002-03 to SFY 2003-04, pool receipts grew by another \$596 million (39 percent), mostly due to \$831.4 million in transfers from the Public Goods pool and \$173 million in additional federal Medicaid funds that were offset in part by the elimination of Medicaid upper payment limit funding and a \$58 million (8 percent) decrease in cigarette tax receipts.

Overall growth in pool disbursements totaled almost \$1.8 billion (241 percent) from SFY 2001-02 to SFY 2003-04, as shown in Table 5c. This growth was largely attributable to a \$1.5 billion (297 percent) increase in transfers to several large State accounts, including nearly \$1.2 billion (505 percent) to the HCRA transfer fund, which supports a portion of the State's share of the Medicaid program, community mental health services and various public health programs, and \$291 million (161 percent) to EPIC. Transfers to other HCRA pools, including \$210 million to the Public Goods pool,

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<sup>17</sup> The pool received Tobacco Settlement funds until October 2003 due to securitization of State Tobacco Settlement payments, effective January 2004.

<sup>18</sup> The higher cigarette tax receipts are the result of a \$0.39 per pack increase in the excise tax on cigarettes, authorized by Chapter 1 of the Laws of 2002, which took effect in April 2002. Chapter 1 also authorized the increase in the Medicaid upper payment limit for inpatient and outpatient hospital services.

increased by nearly \$211 million, while disbursements for various off-budget HCRA programs increased by about \$113 million (46 percent) from SFY 2001-02 through SFY 2003-04. Off-budget programs experiencing the largest dollar growth in disbursements included the excess medical malpractice insurance program and workforce recruitment and retention grants to public hospitals and public nursing homes. The disbursement for excess medical malpractice insurance grew from zero in SFY 2001-02 to \$139 million in SFY 2003-04. The disbursement for the recruitment and retention grants grew from zero in SFY 2001-02 to \$48.4 million in SFY 2003-04.

From SFY 2001-02 to SFY 2002-03, pool disbursements increased by nearly \$879 million (118 percent) due mostly to a \$762 million (154 percent) increase in transfers to budgeted State funds supporting off-loads of General Fund State share Medicaid spending to HCRA and EPIC. Off-budget disbursements increased by \$118 million (48 percent) from SFY 2001-02 to SFY 2002-03. From SFY 2002-03 to SFY 2003-04, pool disbursements increased by an additional \$917.4 million (57 percent), reflecting \$711.4 million (57 percent) in additional transfers to budgeted State funds supporting off-loads of General Fund State share Medicaid spending and EPIC. Transfers to other HCRA pools increased by \$211 million from SFY 2002-03 to SFY 2003-04. However, off-budget disbursements decreased by about \$5 million (1 percent) from SFY 2002-03 to SFY 2003-04.

Among Tobacco pool programs, off-budget disbursements for Healthy NY, which provides insurance subsidies for small businesses and sole proprietors, remain small compared to program allocations. Through March 2004, the program has spent only about \$18 million (8 percent) of the total \$238 million allocated by HCRA since enrollment began in January 2001.<sup>19</sup> In fact, Healthy NY has spent so little of its annual HCRA allocations that the Executive Budget proposal for SFY 2003-04 included language to use \$175 million in accumulated, but unspent Healthy NY allocations to help eliminate a \$200 million debt owed to HCRA pools by the State General Fund. However, the Legislature rejected this action.<sup>20</sup>

In contrast to the lack of Healthy NY spending, a program providing HCRA subsidies to stabilize insurance premiums for individuals in the direct pay market has been close to fully committed. Through March 2004, the direct pay subsidy program has spent about \$110 million of the \$116 million allocation it has received since April 2001. Assemblymember Pete Grannis (D-Manhattan) has proposed legislation

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<sup>19</sup> Low enrollment and a lag in distribution of HCRA funds to participating health plans are reasons for Healthy NY's large, unspent allocations. Net program enrollment in December 2003 was only 39,661, far less than the program's original goal of 350,000. However, in June 2003, the State Insurance Department (SID) adopted two significant regulatory changes that lowered program premiums. In addition, other changes that also became effective in 2003 may significantly increase program enrollment and expenditures. In June 2004, the State Senate passed legislation (Senate Bill 6332, sponsored by Senator James L. Seward, R-Milford) to make Healthy NY available to more people by increasing income eligibility for individual purchasers from 208 percent to 250 percent of poverty. This would also allow persons with incomes over 250 percent of poverty to purchase a Healthy NY policy at the actuarial price, without the State subsidy and increase subsidies for Healthy NY's small group program.

<sup>20</sup> Chapter 82, Part J, Sections 58 and 59 of the Laws of 2002. These sections require the loan to be repaid by the General Fund.

(Assembly Bill 6850) to require the Superintendent of the State Insurance Department to transfer unspent Healthy NY small group funds to the direct pay subsidy program to help individual subscribers afford health insurance. Senator Seward has proposed legislation (Senate Bill 6322) to add new funding to the direct pay subsidy program and to create a new catastrophic stop loss fund for claims in the individual market above \$500,000.

**Table 5a**  
**Tobacco Control and Insurance Initiatives Pool Summary**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY                    | 2001-02 | 2002-03 | 2001-02 to 2002-03<br>Change |         | 2003-04 | 2002-03 to 2003-04<br>Change |         | 2001-02 to 2003-04<br>Change |         | 2004-05 | 2003-04 to 2004-05<br>Change |         | 2001-02 to 2004-05<br>Change |         |
|------------------------|---------|---------|------------------------------|---------|---------|------------------------------|---------|------------------------------|---------|---------|------------------------------|---------|------------------------------|---------|
|                        |         |         | Amount                       | Percent |         | Amount                       | Percent | Amount                       | Percent |         | Amount                       | Percent | Amount                       | Percent |
| <b>Opening Balance</b> | 336.6   | 552.8   | 216.2                        | 64.2%   | 450.5   | -102.1                       | -18.5%  | 113.9                        | 33.8%   | 26.2    | -424.3                       | -94.2%  | -310.4                       | -92.2%  |
| <b>Receipts</b>        | 962.2   | 1,522.4 | 560.2                        | 58.2%   | 2,117.9 | 595.5                        | 39.1%   | 1,155.7                      | 120.1%  | NA      | NA                           | NA      | NA                           | NA      |
| <b>Disbursements</b>   | 746.0   | 1,624.8 | 878.8                        | 117.8%  | 2,542.2 | 917.4                        | 56.5%   | 1,796.2                      | 240.8%  | NA      | NA                           | NA      | NA                           | NA      |
| <b>Ending Balance</b>  | 552.8   | 450.5   | -102.3                       | -18.5%  | 26.2    | -424.3                       | -94.2%  | -526.6                       | -95.3%  | NA      | NA                           | NA      | NA                           | NA      |

Note: Some totals do not foot due to rounding.

Source: HCRA Pool Administrator (Excellus Health Plan)

**Table 5b**  
**Tobacco Control and Insurance Initiatives Pool Receipts**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY  | 2001-02      | 2002-03        | 2001-02 to 2002-03<br>Change |         | 2003-04        | 2002-03 to 2003-04<br>Change |         | 2001-02 to 2003-04<br>Change |         |  |
|--|--------------|----------------|------------------------------|---------|----------------|------------------------------|---------|------------------------------|---------|--|
|  |              |                | Amount                       | Percent |                | Amount                       | Percent | Amount                       | Percent |  |
| <b>Transfers from Other HCRA Pools for</b>     |              |                |                              |         |                |                              |         |                              |         |  |
| 1997 Medicaid Disproportionate Share           | 0.6          | 10.3           | 9.7                          | NA      | 2.4            | -7.9                         | -76.7%  | 1.8                          | 300.0%  |  |
| Medicaid Disproportionate Share                | 0.0          | 0.0            | 0.0                          | NA      | 0.0            | 0.0                          | NA      | 0.0                          | NA      |  |
| 1994-1995 Regional Escrow                      | 3.6          | 0.0            | -3.6                         | -100.0% | 0.0            | 0.0                          | NA      | -3.6                         | -100.0% |  |
| Regional Escrow Account                        | 0.0          | 0.8            | 0.8                          | NA      | 0.4            | -0.4                         | -50.0%  | 0.4                          | NA      |  |
| Public Goods                                   | 0.0          | 0.0            | 0.0                          | NA      | 831.4          | 831.4                        | NA      | 831.4                        | NA      |  |
| 1993 Hospital Regional Pool Contribution       | 0.0          | 5.7            | 5.7                          | NA      | 0.0            | -5.7                         | -100.0% | 0.0                          | NA      |  |
| 1996 Hospital Regional Pool Contribution       | 0.0          | 27.3           | 27.3                         | NA      | 0.0            | -27.3                        | -100.0% | 0.0                          | NA      |  |
| 1993 Statewide Bad Debt and Charity Care       | 0.0          | 0.2            | 0.2                          | NA      | 0.0            | -0.2                         | -100.0% | 0.0                          | NA      |  |
| 1996 Statewide Bad Debt and Charity Care       | 0.0          | 1.0            | 1.0                          | NA      | 0.0            | -1.0                         | -100.0% | 0.0                          | NA      |  |
| <b>Total Transfers from Other HCRA Pools</b>   | <u>4.2</u>   | <u>45.3</u>    | <u>41.1</u>                  | 978.6%  | <u>834.2</u>   | <u>788.9</u>                 | NA      | <u>830.0</u>                 | NA      |  |
| <b>Transfers from Budgeted NYS Funds</b>       |              |                |                              |         |                |                              |         |                              |         |  |
| 060-Tobacco Settlement Fund                    | 381.0        | 408.0          | 27.0                         | 7.1%    | 352.0          | -56.0                        | -13.7%  | -29.0                        | -7.6%   |  |
| 068-Indigent Care Fund                         | 79.8         | 77.4           | -2.4                         | -3.0%   | 0.0            | -77.4                        | -100.0% | -79.8                        | -100.0% |  |
| 339-JB-CHCCDP                                  | 0.0          | 0.0            | 0.0                          | NA      | 48.5           | 48.5                         | NA      | 48.5                         | NA      |  |
| 265-FMAP                                       | 0.0          | 0.0            | 0.0                          | NA      | 173.0          | 173.0                        | NA      | 173.0                        | NA      |  |
| <b>Total Transfers from Budgeted NYS Funds</b> | <u>460.8</u> | <u>485.4</u>   | <u>24.6</u>                  | 5.3%    | <u>573.5</u>   | <u>88.1</u>                  | 18.1%   | <u>112.7</u>                 | 24.5%   |  |
| Cigarette Tax Receipts                         | 481.2        | 766.5          | 285.3                        | 59.3%   | 708.6          | -57.9                        | -7.6%   | 227.4                        | 47.3%   |  |
| UPL Payments                                   | 0.0          | 214.9          | 214.9                        | NA      | 0.0            | -214.9                       | -100.0% | 0.0                          | NA      |  |
| Assessments                                    | 0.0          | 0.0            | 0.0                          | NA      | 0.0            | 0.0                          | NA      | 0.0                          | NA      |  |
| Interest Income                                | 16.0         | 10.4           | -5.6                         | -35.0%  | 1.6            | -8.8                         | -84.6%  | -14.4                        | -90.0%  |  |
| <b>Total HCRA Receipts</b>                     | <u>962.2</u> | <u>1,522.4</u> | <u>560.2</u>                 | 58.2%   | <u>2,117.9</u> | <u>595.5</u>                 | 39.1%   | <u>1,155.7</u>               | 120.1%  |  |

Source: HCRA Pool Administrator (Excellus Health Plan)

Note: Some totals do not foot due to rounding.

**Table 5c**  
**Tobacco Control and Insurance Initiatives Pool Disbursements**  
**State Fiscal Years 2001-02 to 2003-04**  
(in millions of dollars)

| SFY  | 2001-02      | 2002-03        | 2001-02 to 2002-03 |               | 2003-04        | 2002-03 to 2003-04 |              | 2001-02 to 2003-04 |               |
|--|--------------|----------------|--------------------|---------------|----------------|--------------------|--------------|--------------------|---------------|
|  | Disbursement | Disbursement   | Change             |               | Disbursement   | Change             |              | Change             |               |
|  |              |                | Amount             | Percent       |                | Amount             | Percent      | Amount             | Percent       |
| <b>Transfers to Other HCRA Pools</b>         |              |                |                    |               |                |                    |              |                    |               |
| Public Goods Pool                            | 0.2          | 0.4            | 0.2                | 100.0%        | 210.2          | 209.8              | NA           | 210.0              | NA            |
| Health Facility Assessment Fund              | 0.3          | 0.0            | -0.3               | -100.0%       | 0.0            | 0.0                | NA           | -0.3               | -100.0%       |
| Indigent Care Pool                           | 4.0          | 2.2            | -1.8               | -45.0%        | 3.2            | 1.0                | 45.5%        | -0.8               | -20.0%        |
| <b>Total Transfers to Other HCRA Pools</b>   | <b>4.5</b>   | <b>2.6</b>     | <b>-1.9</b>        | <b>-42.2%</b> | <b>213.4</b>   | <b>210.8</b>       | <b>NA</b>    | <b>208.9</b>       | <b>NA</b>     |
| <b>Transfers to On-Budget Programs</b>       |              |                |                    |               |                |                    |              |                    |               |
| 061-HCRA Transfer Fund                       | 234.0        | 804.4          | 570.4              | 243.8%        | 1,415.2        | 610.8              | 75.9%        | 1,181.2            | 504.8%        |
| 068-Indigent Care Fund                       | 79.8         | 77.4           | -2.4               | -3.0%         | 81.2           | 3.8                | 4.9%         | 1.4                | 1.8%          |
| 339-DN-Provider Collection Monitoring        | 0.5          | 0.5            | 0.0                | 0.0%          | 0.5            | 0.0                | 0.0%         | 0.0                | 0.0%          |
| 339-J6-EPIC Program                          | 181.2        | 375.5          | 194.3              | 107.2%        | 472.3          | 96.8               | 25.8%        | 291.1              | 160.7%        |
| <b>Total Transfers to On-Budget Programs</b> | <b>495.5</b> | <b>1,257.8</b> | <b>762.3</b>       | <b>153.8%</b> | <b>1,969.2</b> | <b>711.4</b>       | <b>56.6%</b> | <b>1,473.7</b>     | <b>297.4%</b> |
| <b>Total On-Budget Disbursements</b>         | <b>500.0</b> | <b>1,260.4</b> | <b>760.4</b>       | <b>152.1%</b> | <b>2,182.6</b> | <b>922.2</b>       | <b>73.2%</b> | <b>1,682.6</b>     | <b>336.5%</b> |
| <b>Off-Budget Disbursements</b>              |              |                |                    |               |                |                    |              |                    |               |
| Grants to Medical Schools                    | 0.5          | 0.2            | -0.3               | -60.0%        | 1.5            | 1.3                | 650.0%       | 1.0                | 200.0%        |
| Grants to School Based Health Centers        | 7.4          | 7.0            | -0.4               | -5.4%         | 7.0            | 0.0                | 0.0%         | -0.4               | -5.4%         |
| Direct Pay Marketing                         | 35.0         | 36.0           | 1.0                | 2.9%          | 39.0           | 3.0                | 8.3%         | 4.0                | 11.4%         |
| Tobacco Use Prevention/Control               | 26.8         | 33.9           | 7.1                | 26.5%         | 29.8           | -4.1               | -12.1%       | 3.0                | 11.2%         |
| Roswell Park                                 | 90.0         | 90.0           | 0.0                | 0.0%          | 82.7           | -7.3               | -8.1%        | -7.3               | -8.1%         |
| Healthy NY Individual                        | 0.4          | 4.0            | 3.6                | 900.0%        | 1.0            | -3.0               | -75.0%       | 0.6                | 150.0%        |
| Healthy NY Group                             | 3.2          | 5.7            | 2.5                | 78.1%         | 0.5            | -5.2               | -91.2%       | -2.7               | -84.4%        |
| Healthy NY Admin                             | 0.0          | 0.0            | 0.0                | NA            | 3.2            | 3.2                | NA           | 3.2                | NA            |
| Excess MedMal                                | 0.0          | 75.0           | 75.0               | NA            | 139.0          | 64.0               | 85.3%        | 139.0              | NA            |
| High Need Indigent Care                      | 72.8         | 70.8           | -2.0               | -2.7%         | 0.0            | -70.8              | -100.0%      | -72.8              | -100.0%       |
| DSH Share Rural Hosp                         | 6.2          | 5.7            | -0.5               | -8.1%         | 0.0            | -5.7               | -100.0%      | -6.2               | -100.0%       |
| Non-DSH Share Rural                          | 3.4          | 2.8            | -0.6               | -17.6%        | 0.0            | -2.8               | -100.0%      | -3.4               | -100.0%       |
| DOH Admin Tobacco Control Cancer Services    | 0.0          | 4.0            | 4.0                | NA            | 0.0            | -4.0               | -100.0%      | 0.0                | NA            |
| Workforce Retention Public General Hospitals | 0.0          | 18.5           | 18.5               | NA            | 48.4           | 29.9               | 161.6%       | 48.4               | NA            |
| Workforce Retention Public Nursing Homes     | 0.0          | 7.5            | 7.5                | NA            |                | -7.5               | -100.0%      | 0.0                | NA            |
| Hospital Compliance Audits                   | 0.0          | 2.8            | 2.8                | NA            | 3.6            | 0.8                | 28.6%        | 3.6                | NA            |
| Infertility Grants                           | 0.0          | 0.0            | 0.0                | NA            | 3.3            | 3.3                | NA           | 3.3                | NA            |
| Administrative Expense                       | 0.3          | 0.5            | 0.2                | 66.7%         | 0.6            | 0.1                | 20.0%        | 0.3                | 100.0%        |
| <b>Total Off-Budget Disbursements</b>        | <b>246.0</b> | <b>364.4</b>   | <b>118.4</b>       | <b>48.1%</b>  | <b>359.6</b>   | <b>-4.8</b>        | <b>-1.3%</b> | <b>113.6</b>       | <b>46.2%</b>  |
| <b>Total Transfers and Disbursements</b>     | <b>746.0</b> | <b>1,624.8</b> | <b>878.8</b>       | <b>117.8%</b> | <b>2,542.2</b> | <b>917.4</b>       | <b>56.5%</b> | <b>1,796.2</b>     | <b>240.8%</b> |

## Indigent Care Pool

Surcharges on hospital and clinic services, as well as federal resources support HCRA's Indigent Care pool, which funds hospital bad debt and charity care. The pool also receives funding from the Tobacco Control and Insurance Initiatives pool to support a high need indigent care adjustment for rural and urban safety net hospitals. To be eligible for bad debt and charity care distributions, hospitals have to implement minimum collection policies and procedures approved by the Commissioner of Health and submit reports to the Department on costs incurred and uncollected amounts for providing services to insured and uninsured patients.

The pool's opening balance, as shown in Table 6a, experienced a significant decrease from SFY 2001-02 to SFY 2004-05. Over the period from April 1, 2001 to April 1, 2004, the pool's opening balance declined by \$32.9 million (80 percent) to \$8.1 million. However, this decrease does not reflect any significant disparity between pool receipts and disbursements. In each of SFYs 2001-02, 2002-03 and 2003-04, receipts and disbursements were approximately the same. Disbursements were only \$12.4 million (1.6 percent) higher than receipts in SFY 2001-02, \$20.6 million (2.1 percent) higher in SFY 2002-03, and essentially equal in SFY 2003-04.<sup>21</sup>

From SFY 2001-02 to SFY 2003-04, pool receipts increased \$235.2 million (31 percent), as shown in Table 6b. The bulk of the increase in receipts occurred during SFY 2002-03, when receipts increased \$209.1 million (28 percent). Transfers from State funds accounted for the largest share of pool receipts in SFY 2003-04. Indigent Care funds and matching federal funds comprised \$952.5 million (96 percent) of total receipts in SFY 2003-04.

From SFY 2001-02 to SFY 2003-04, pool disbursements increased by more than \$222.7 million (29 percent), as shown in Table 6c. Most of this increase occurred during SFY 2002-03, when disbursements increased \$217.2 million (28 percent). Off-budget spending for indigent care represented the largest share of pool disbursements in SFY 2003-04. Off-budget indigent care disbursements accounted for \$965.2 million (98 percent) of total pool disbursements in SFY 2003-04.

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<sup>21</sup> Tables 6b and 6c do not contain any information on individual receipts and disbursements for SFYs 2001-02 and 2002-03 because this information was not available from the pool administrator for those fiscal years. Detailed information on Indigent Care pool receipts and disbursements for SFY 2003-04 resulted from the new HCRA reporting requirements enacted in 2003.

**Table 6a**  
**Indigent Care Pool Summary**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY                    | 2001-02     | 2002-03     | 2001-02 to 2002-03<br>Change |               | 2003-04    | 2002-03 to 2003-04<br>Change |               | 2001-02 to 2003-04<br>Change |               | 2004-05    | 2003-04 to 2004-05<br>Change |             | 2001-02 to 2004-05<br>Change |               |
|------------------------|-------------|-------------|------------------------------|---------------|------------|------------------------------|---------------|------------------------------|---------------|------------|------------------------------|-------------|------------------------------|---------------|
|                        |             |             | Amount                       | Percent       |            | Amount                       | Percent       | Amount                       | Percent       |            | Amount                       | Percent     | Amount                       | Percent       |
| <b>Opening Balance</b> | <b>41.0</b> | <b>28.6</b> | <b>-12.4</b>                 | <b>-30.2%</b> | <b>8.0</b> | <b>-20.6</b>                 | <b>-72.0%</b> | <b>-33.0</b>                 | <b>-80.5%</b> | <b>8.1</b> | <b>0.1</b>                   | <b>1.3%</b> | <b>-32.9</b>                 | <b>-80.2%</b> |
| Receipts               | 754.5       | 963.6       | 209.1                        | 27.7%         | 989.7      | 26.1                         | 2.7%          | 235.2                        | 31.2%         | NA         | NA                           | NA          | NA                           | NA            |
| Disbursements          | 767.0       | 984.2       | 217.2                        | 28.3%         | 989.7      | 5.5                          | 0.6%          | 222.7                        | 29.0%         | NA         | NA                           | NA          | NA                           | NA            |
| <b>Ending Balance</b>  | <b>28.6</b> | <b>8.0</b>  | <b>-20.6</b>                 | <b>-72.0%</b> | <b>8.1</b> | <b>0.1</b>                   | <b>1.3%</b>   | <b>-20.5</b>                 | <b>-71.7%</b> | <b>NA</b>  | <b>NA</b>                    | <b>NA</b>   | <b>NA</b>                    | <b>NA</b>     |

Source: HCRA Pool Administrator (Excellus Health Plan)  
Note: Some totals do not foot due to rounding.

**Table 6b**  
**Indigent Care Pool Receipts**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY  | 2001-02      | 2002-03      | 2001-02 to 2002-03 |         | 2003-04      | 2002-03 to 2003-04 |         | 2001-02 to 2003-04 |         |
|--|--------------|--------------|--------------------|---------|--------------|--------------------|---------|--------------------|---------|
|  |              |              | Change<br>Amount   | Percent |              | Change<br>Amount   | Percent | Change<br>Amount   | Percent |
| <b>Transfers from other HCRA Pools for</b> |              |              |                    |         |              |                    |         |                    |         |
| Public Goods                               | NA           | NA           | NA                 | NA      | 8.1          | NA                 | NA      | NA                 | NA      |
| Tobacco Control and Insurance Initiatives  | NA           | NA           | NA                 | NA      | 2.8          | NA                 | NA      | NA                 | NA      |
| Regional Escrow                            | NA           | NA           | NA                 | NA      | 1.2          | NA                 | NA      | NA                 | NA      |
| Bad Debt & Charity Care                    | NA           | NA           | NA                 | NA      | 24.8         | NA                 | NA      | NA                 | NA      |
| Health Facility Assessment Fund            | NA           | NA           | NA                 | NA      | 0.0          | NA                 | NA      | NA                 | NA      |
| <b>Total transfers from other pools</b>    | <u>NA</u>    | <u>NA</u>    | <u>NA</u>          | NA      | <u>36.9</u>  | <u>NA</u>          | NA      | <u>NA</u>          | NA      |
| <b>Transfers from NYS Funds</b>            |              |              |                    |         |              |                    |         |                    |         |
| 068-Indigent care fund                     | NA           | NA           | NA                 | NA      | 476.3        | NA                 | NA      | NA                 | NA      |
| 265-Federal HHS Fund                       | NA           | NA           | NA                 | NA      | 476.3        | NA                 | NA      | NA                 | NA      |
| <b>Total Transfers from NYS Funds</b>      | <u>NA</u>    | <u>NA</u>    | <u>NA</u>          | NA      | <u>952.6</u> | <u>NA</u>          | NA      | <u>NA</u>          | NA      |
| <b>Interest Income</b>                     | NA           | NA           | NA                 | NA      | 0.3          | NA                 | NA      | NA                 | NA      |
| <b>Other</b>                               | NA           | NA           | NA                 | NA      | 0.0          | NA                 | NA      | NA                 | NA      |
| <b>Total Pool Receipts</b>                 | <u>754.5</u> | <u>963.6</u> | <u>209.1</u>       | 27.7%   | <u>989.8</u> | <u>26.2</u>        | 2.7%    | <u>235.3</u>       | 31.2%   |

Source: HCRA Pool Administrator (Excellus Health Plan)

Note: Some totals do not foot due to rounding.

**Table 6c**  
**Indigent Care Pool Disbursements**  
**State Fiscal Years 2001-02 through 2003-04**  
(in millions of dollars)

| SFY  | 2001-02      | 2002-03      | 2001-02 to 2002-03 |              | 2003-04      | 2002-03 to 2003-04 |             | 2001-02 to 2003-04 |              |
|--|--------------|--------------|--------------------|--------------|--------------|--------------------|-------------|--------------------|--------------|
|  |              |              | Change<br>Amount   | Percent      |              | Change<br>Amount   | Percent     | Change<br>Amount   | Percent      |
| <b>Transfers to other HCRA Pools</b>       |              |              |                    |              |              |                    |             |                    |              |
| Public Goods                               | NA           | NA           | NA                 | NA           | 20.5         | NA                 | NA          | NA                 | NA           |
| Tobacco Control and Insurance Initiatives  | NA           | NA           | NA                 | NA           | 2.4          | NA                 | NA          | NA                 | NA           |
| Regional Escrow                            | NA           | NA           | NA                 | NA           | 0.0          | NA                 | NA          | NA                 | NA           |
| Bad Debt & Charity Care                    | NA           | NA           | NA                 | NA           | 0.0          | NA                 | NA          | NA                 | NA           |
| Health Facility Assessment Fund            | NA           | NA           | NA                 | NA           | 1.7          | NA                 | NA          | NA                 | NA           |
| <b>Total transfers to other HCRA pools</b> | <b>NA</b>    | <b>NA</b>    | <b>NA</b>          | <b>NA</b>    | <b>24.6</b>  | <b>NA</b>          | <b>NA</b>   | <b>NA</b>          | <b>NA</b>    |
| <b>Transfers to NYS Funds</b>              |              |              |                    |              |              |                    |             |                    |              |
| 068-Indigent care fund                     | NA           | NA           | NA                 | NA           | 0.0          | NA                 | NA          | NA                 | NA           |
| 265-Federal HHS Fund                       | NA           | NA           | NA                 | NA           | 0.0          | NA                 | NA          | NA                 | NA           |
| <b>Total Transfers to NYS Funds</b>        | <b>NA</b>    | <b>NA</b>    | <b>NA</b>          | <b>NA</b>    | <b>0.0</b>   | <b>NA</b>          | <b>NA</b>   | <b>NA</b>          | <b>NA</b>    |
| <b>Off-Budget Disbursements</b>            |              |              |                    |              |              |                    |             |                    |              |
| Indigent Care                              | NA           | NA           | NA                 | NA           | 965.2        | NA                 | NA          | NA                 | NA           |
| <b>Administrative Expense</b>              | NA           | NA           | NA                 | NA           | 0.0          | NA                 | NA          | NA                 | NA           |
| <b>Total Transfers and Disbursements</b>   | <b>766.9</b> | <b>984.2</b> | <b>217.3</b>       | <b>28.3%</b> | <b>989.8</b> | <b>5.6</b>         | <b>0.6%</b> | <b>222.9</b>       | <b>29.1%</b> |

Source: HCRA Pool Administrator (Excellus Health Plan)  
Note: Some totals do not foot due to rounding.

## Indigent Care Program Reform

Indigent care is the single largest HCRA program expense. However, several groups support raising awareness of the availability of the financial assistance that the program helps to provide for uninsured or underinsured patients. Recent surveys by organizations like Citizen Action of New York and the Legal Aid Society document consumers' difficulty in obtaining information on how to apply for assistance and how eligibility determinations are made.<sup>22</sup> These groups also support uniform standards and procedures for providing such financial assistance, as well as special rules for the collection of debts from low and middle-income patients without coverage.

To address these and other concerns, Assemblymember Grannis has proposed three pieces of legislation:

- Assembly Bill 9217 would require hospitals to submit reports to the Department on the number of uninsured or underinsured patients they serve.
- Assembly Bill 9218-A would require hospitals to implement uniform standards and procedures for providing financial assistance from the Indigent Care pool for low and middle-income patients without coverage. Standards and procedures specified in the bill include proper notification to patients of the availability of funds, use of a standard application for assistance, evaluation of applications within set timeframes and establishment of an appeals process for applicants denied assistance, and proper training of hospital staff in the policies and procedures.
- Assembly Bill 9219-A would require hospitals implementing minimum collection policies and procedures to include special rules for the collection of debts from low and middle-income patients. The special rules include notification of the availability of financial assistance prior to billing, eligibility determinations for financial assistance prior to billing, notification by collection agencies of financial assistance procedures for patients, use of installment plans for the payment of debts, guidelines for the use of deposits when demanded by hospitals prior to elective surgery, prohibition of collections from Medicaid-eligible patients at the time of service and the capping of collection amounts at the higher of the Medicare or for-profit payment rate.

At least one other State lawmaker, Assembly Member Richard N. Gottfried (D-Manhattan), is drafting legislation to address concerns about hospital charity care policies, but he has not yet introduced it.

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<sup>22</sup> The Legal Aid Society, *State Secret: How Government Fails To Ensure That Uninsured And Underinsured Patients Have Access To State Charity Funds*, October 2003; and Citizen Action of New York, *Hospital Free Care: Can New Yorkers Access Hospital Services Paid For By Our Tax Dollars?*, October 2003.

In February 2004, the Healthcare Association of New York State (HANYs) issued hospital financial aid guidelines, which offer information in the areas of financial aid eligibility determinations, discount policies, public and patient awareness, implementation debt collection, and accountability.<sup>23</sup> The guidelines recommend that hospitals implement policies that:

- plainly state the eligibility criteria to receive financial aid,
- provide financial assistance to the lowest income individuals—those below 200 percent of the federal poverty level. Hospital collections practices must also recognize the limited financial capacity of those individuals. The guidelines allow hospitals to consider providing financial assistance to those who earn 200 percent of poverty or more,
- explain whether and how assets will be used to determine eligibility for financial assistance,
- define the type and scope of services eligible for financial aid, and
- clearly state if charity care/financial aid policies apply only to patients from certain hospital service areas and, if so, define those areas.

In addition, the U.S. Department of Health and Human Services (HHS) recently reiterated federal policy that gives hospitals the ability to provide discounts to uninsured and underinsured patients who cannot afford their hospital bills. Hospitals had claimed that HHS regulations require hospitals to bill all patients using the same schedule of charges, forcing the uninsured to pay full price for their care.

Despite the efforts of providers and federal regulators to ensure appropriate access to affordable health care, policymakers should consider proposals to raise awareness of the availability of indigent care funding for uninsured or underinsured patients and establish uniform standards and procedures for providing such assistance.

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<sup>23</sup> Healthcare Association of New York State Membership Memorandum, "HANYs Issues Hospital Financial Aid Guidelines," February 3, 2004. The memorandum announced the public release of the report, *Financial Aid/Charity Care Policy at New York's Not-For-Profit Hospitals: Guidelines from the Healthcare Association of New York State*. HANYs represents more than 550 non-profit and public hospitals, nursing homes, home care agencies and other health care organizations throughout New York State.



## *HCRA Recommendations*

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As the debate over moving HCRA spending to the State Budget continues, policymakers should consider taking the following actions:

- Regardless of enactment of the budget reform legislation, the Executive should commit to bringing all HCRA spending on-budget in SFY 2005-06, with appropriations at the program level.
- Policymakers should decide whether to continue outsourcing some/all pool administration activities or move some responsibilities, such as disbursements, to the Department of Health and the Office of the State Comptroller.
- The pool administration contract should be awarded through a competitive procurement process, assuming outsourcing continues, to ensure that taxpayers get the best value.
- The HCRA Financial Plan should include more detailed information, including disaggregated data on pool receipts, to provide policymakers and others with more complete information on the assumptions included in the Executive Budget.
- Policymakers should minimize HCRA's reliance on non-recurring revenue sources, such as loans from other pools and proceeds from the conversion of Empire Blue Cross Blue Shield to a for-profit insurer. Questionable financing arrangements could lead to unfunded or under-funded programs. It is preferable to use non-recurring revenues for one-time health-related costs or for health-related investments that will reduce future annual costs to the State.
- Policymakers should consider proposals to raise awareness of the availability of indigent care funding for uninsured or underinsured patients and establish uniform standards and procedures for providing such assistance.

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