Medicaid: Enrollment Growth, COVID-19 and the Future

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

December 2021
Message from the Comptroller

December 2021

The Medicaid program provides a critical support for millions of New Yorkers, ensuring access to health care services for individuals and families across the State. A combination of federal and State Medicaid policy changes enacted over the past decade has contributed to a steep decline in the number of New Yorkers without health care coverage – from 2.2 million, or 11.4 percent, in 2008 to 1.0 million, or 5.2 percent, in 2019.

As a result of these actions, New York ranked 8th lowest in the country for uninsured residents in 2019, an improvement from 20th in 2008. This is an achievement we can be proud of.

At the same time, Medicaid is the second largest category of State spending, estimated at $27.8 billion - more than 33 percent of $83.8 billion in total projected Medicaid spending - in State Fiscal Year (SFY) 2021-22, and inflation-adjusted, per-enrollee spending costs were trending higher even prior to the pandemic. As a result of the economic instability caused by the pandemic, monthly Medicaid enrollment swelled to more than 7 million people in February 2021. The Division of the Budget currently estimates that enrollment will decline by more than one million individuals in SFY 2022-23; however, should this reduction occur at a slower rate or should enrollment fail to decline by as much as projected, the State financial plan will incur additional costs.

This report details the growth in Medicaid enrollment before and during the pandemic, as well as evaluating those enrollment changes in relation to the economy’s performance. The report also evaluates risks that could result from more enrollees remaining on Medicaid than projected, and offers recommendations for policy makers as we strive to effectively manage this essential program.

Thomas P. DiNapoli
State Comptroller
# Table of Contents

I. EXECUTIVE SUMMARY ........................................................................................................... 1
II. ENROLLMENT TRENDS ........................................................................................................ 3
III. SPENDING TRENDS ............................................................................................................ 9
IV. THE ECONOMY AND FUTURE ENROLLMENT ................................................................. 14
V. RECOMMENDATIONS ......................................................................................................... 18
I. Executive Summary

Over the past fifteen years, the Medicaid program has played an increasingly important role in meeting the health care needs of New Yorkers. Monthly enrollment in the program has grown by about 5 percent per year since January 2007, and exceeded 7 million for the first time in February 2021. This growth was a result of multiple factors, including policy changes intended to reduce the number of individuals without health insurance coverage. Recently, significant growth was caused by the recession spurred by the COVID-19 pandemic and by federal laws barring states from terminating coverage for most enrollees during the public health emergency. In 1998, about one in seven New Yorkers were enrolled in Medicaid. In 2021, one in three New Yorkers are enrolled.

The policy implications of this evolution are far-reaching. First, enrollment growth has played a critical role in reducing the number of New Yorkers without health insurance. In 2008, an estimated 2.2 million New Yorkers, or 11.4 percent of the population, did not have health insurance coverage. By 2019, that rate had been cut by more than half, with 1.0 million or only 5.2 percent of New Yorkers lacking coverage, ranking New York 8th lowest among all states; in 2008, New York ranked 20th lowest.

Over the same period, costs have increased substantially, with the burden largely falling on the federal and State governments due to policy changes implemented by the State to limit local cost increases. In State Fiscal Year (SFY) 2007-08, the total cost of the New York State Medicaid program was $46.2 billion, with costs of almost $24.7 billion for the federal government, $14.2 billion for the State (12.2 percent of All Funds expenditures), and $7.3 billion for local governments, according to the Division of the Budget (DOB). For SFY 2021-22, DOB forecasts total costs of $83.8 billion, with federal, State and local shares of $48.0 billion, $27.8 billion (13.2 percent of projected All Funds expenditures), and $8.0 billion, respectively.

Over the State's four-year financial plan period, DOB expects total program costs to continue to grow, reaching more than $85.8 billion by SFY 2024-25. This growth is forecast despite a projected decrease in enrollment of nearly 1.5 million individuals – or 19 percent – based upon the expected end of the COVID-19 pandemic. While the adverse economic conditions caused by the pandemic have begun to abate and are expected to continue to improve, the relationship between economic improvement and Medicaid enrollment is difficult to assess due to the unprecedented circumstances. Because of policy changes, including expansions in eligible coverage, improving economic conditions as measured by the statewide unemployment rate have not significantly reduced Medicaid enrollment levels over the previous 15 years. Should enrollment remain at elevated levels despite the end of the pandemic, the risks to the State budget are notable. For example, unanticipated total costs reflecting federal, state and local shares of $20.5 billion could accrue by SFY 2024-25 if no reduction in projected caseloads occurs, which would result in unbudgeted State costs of up to $8.1 billion.
This report discusses the factors that have driven growth in Medicaid enrollment and the resulting cost impacts, the relationship between Medicaid enrollment and economic indicators, and the cost implications if DOB’s anticipated enrollment reductions fail to materialize. Looking ahead, policy makers should closely monitor enrollment trends, and identify potential policy changes that protect critical services and ensure quality of care for Medicaid participants, while allowing for cost containment and stakeholder engagement.
II. Enrollment Trends

One of the most significant policy achievements of the past fifteen years is the steady decline in the number of New Yorkers without health insurance. Since 2008, the State has reduced the total number and the percentage of uninsured New Yorkers by more than half. As shown in Figure 1, the number of uninsured declined by nearly 1.2 million to just over 1 million people, and their share of the population declined to 5.2 percent in 2019, the eighth lowest rate in the nation, according to the U.S. Census Bureau.¹

![Figure 1](https://www.census.gov/data/tables/time-series/demo/health-insurance/historical-series/2019.html)

**Figure 1**

New Yorkers Without Health Insurance, Number and Percentage, 2008 - 2019

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Number of Uninsured (in millions)</th>
<th>Percentage of Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2.2</td>
<td>11.4</td>
</tr>
<tr>
<td>2009</td>
<td>2.2</td>
<td>11.4</td>
</tr>
<tr>
<td>2010</td>
<td>2.3</td>
<td>11.9</td>
</tr>
<tr>
<td>2011</td>
<td>2.2</td>
<td>11.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.1</td>
<td>10.9</td>
</tr>
<tr>
<td>2013</td>
<td>2.1</td>
<td>10.7</td>
</tr>
<tr>
<td>2014</td>
<td>1.7</td>
<td>8.7</td>
</tr>
<tr>
<td>2015</td>
<td>1.4</td>
<td>7.1</td>
</tr>
<tr>
<td>2016</td>
<td>1.2</td>
<td>6.1</td>
</tr>
<tr>
<td>2017</td>
<td>1.1</td>
<td>5.7</td>
</tr>
<tr>
<td>2018</td>
<td>1.0</td>
<td>5.4</td>
</tr>
<tr>
<td>2019</td>
<td>1.0</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Notes: Data reflects the U.S. civilian noninstitutionalized population, which excludes persons residing in institutions consisting primarily of nursing homes, prisons, jails, mental hospitals, and juvenile correctional facilities. The Census Bureau is not releasing 2020 data for states due to the impact of the pandemic on data collection.

Medicaid has played a major role in the expansion of health insurance coverage in New York. Medicaid is a federal, state and local government-funded program that provides a wide range of medical services to economically disadvantaged populations, including low-income children and their families, low-income seniors, and low-income people with disabilities. Among major types of coverage, Medicaid accounted for the largest percentage increase in New Yorkers with health insurance, with the share of New Yorkers covered by the program rising from 19.0 percent in 2008 to 25.7 percent in 2019, as shown in Figure 2. Coverage under Medicare also grew, while private health insurance coverage declined between 2008 and 2011; although the private share has grown since 2012, it remains below its 2008 level.

As shown in Figure 3, Medicaid enrollment, as reported by the State Department of Health (DOH), began to grow quickly in January 2008, during the Great Recession, rising from 4.1 million to 6.4 million by December 2015, an increase of 55.1 percent or 6.9 percent annually.\(^2\) While initial enrollment increases may have been attributable to the economic downturn, enrollment continued to grow over the next decade even as the nation benefited from one of the longest economic expansions on record. Enrollment declined slightly in January 2016 and plateaued at about 6.2 million through January 2020.\(^3\)

\(^2\) DOH Medicaid enrollment data, available at [https://www.health.ny.gov/statistics/health_care/medicaid/eligible_expenditures/](https://www.health.ny.gov/statistics/health_care/medicaid/eligible_expenditures/) for calendar years 2007 through 2013 and, for subsequent years, provided by DOH at the request of the Office of the State Comptroller. It includes individuals enrolled in coverage by local social services districts or the State’s health insurance exchange, New York State of Health, but excludes certain seriously emotionally disturbed children up to the age of 21 enrolled in Medicaid by the State Office of Mental Health (OMH) and certain developmentally disabled adults and children enrolled in Medicaid by the State Office for People with Developmental Disabilities (OPWDD). In March 2021, DOH statistical reports counted 2,738 beneficiaries enrolled by OMH and 6,884 beneficiaries enrolled by OPWDD.

\(^3\) Enrollment declined in January 2016 due to the DOH decision to transition lawfully present non-citizens with incomes at or below 138 percent of the Federal Poverty Level (FPL) who were enrolled in Medicaid, but not eligible for federal financial participation, to the Essential Plan. The SFY 2014-15 Enacted Budget authorized the State to participate in the Essential Plan, which receives federal subsidies authorized through the Affordable Care Act (ACA).
The enrollment trend prior to the pandemic is largely attributable to State and federal actions to broaden access to the program, and to the expansion of Medicaid coverage for most low-income adults authorized by the federal Affordable Care Act (ACA) in 2014.

State actions to broaden access to Medicaid coverage included:

- Increasing limits on allowable dollar amounts or resources applicants are permitted to have in reserve and still be eligible for Medicaid, effective April 2008;
- Eliminating drug/alcohol requirements for Medicaid (i.e., screenings, assessments, mandated treatment and monitoring for compliance with treatment), effective April 2008;
- Eliminating the resource test for Medicaid applicants and recipients who are not aged (65 or over), and are certified blind or certified disabled, effective January 2010;

---

5 The ACA was signed into law in March 2010; the Medicaid expansion became effective in January 2014.
7 Ibid.
8 See DOH General Information System message regarding “Elimination of the Resource Test for Non-SSI-Related Medicaid
• Eliminating the requirement for counties to finger-image Medicaid-only applicants and recipients, effective July 2009;\textsuperscript{9} and
• Eliminating the personal interview requirement for all Medicaid applicants, effective April 2010.\textsuperscript{10}

Federal actions to broaden access to Medicaid included provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) developed in response to the Great Recession. ARRA excluded an additional $25 per week in unemployment benefits from Medicaid income eligibility calculations, effective March 2009,\textsuperscript{11} and provided states the option to extend families’ Medicaid eligibility under the Transitional Medical Assistance (TMA) program for an initial period of 12 months, rather than an initial period of 6 months followed by a second 6-month period, effective July 2009.\textsuperscript{12} States are required to provide TMA for families who lose Medicaid eligibility due to an increase in earned income or hours of employment.

More significantly, the ACA expansion of Medicaid coverage for most low-income adults in January 2014 helped to increase DOH Medicaid enrollment by over 659,000 individuals, or 12.2 percent, to nearly 6.1 million by January 2015. New York’s Family Health Plus program had already expanded coverage up to 100 percent of the federal poverty level (FPL) to adults without dependent children and to 150 percent of FPL for parents with dependent children.

With implementation of the ACA coverage expansion in January 2014, the New York Medicaid program covered nearly all non-elderly adults with incomes at or below 138 percent of the poverty level. The ACA also authorized an enhanced Federal Medical Assistance Percentage (FMAP), the specified percentage the federal government reimburses states for program expenditures, for the adult expansion population. Beginning in January 2014, states like New York that had expanded Medicaid pre-ACA received a phased-in increase in their FMAP for adults without children under the age of 65, so that it equaled the enhanced federal Medicaid matching rate of 90 percent available for newly-eligible adults.\textsuperscript{13} New York’s regular FMAP is 50 percent.

As a result of these changes, adult enrollment accounted for about 1.2 million or just over half of overall DOH Medicaid growth from 2007 through 2020, with the number of adults in the program increasing from 1.4 million enrollees in 2007 to nearly 2.7 million in 2020, as shown in Figure 4. Adults now comprise the largest enrollment category in the Medicaid program.

\textsuperscript{11} See the DOH General Information System message regarding the Automated Disregard of Additional Unemployment Benefits, available at \url{https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/SMD040609_12.PDF}.
\textsuperscript{12} See the DOH General Information System message regarding Transitional Medical Assistance, available at \url{https://www.health.ny.gov/health_care/medicaid/publications/docs/gis/09ma023.pdf}.
Figure 4

DOH Medicaid Enrollment Growth by Eligibility Group, 2007-2020

Children accounted for a quarter of the growth, rising from about 1.6 million enrollees in 2007 to 2.2 million in 2020. Aged and other enrollees accounted for nearly equal shares of the remaining growth, but the number of “other” enrollees increased almost tenfold to 274,291 in 2020, while the number of aged enrollees rose by 80 percent or 300,000 individuals. The number of blind and disabled enrollees was essentially unchanged, increasing by less than 1 percent to 676,306.

Pandemic Impact

The pandemic and the related economic disruptions swelled DOH Medicaid enrollment in New York to record levels in 2021, with the monthly number of individuals covered by the program reaching 7 million for the first time in February 2021. As shown in Figure 5, adults accounted

---

14 The enrollment category of other enrollees includes immigrants permanently residing in the U.S. under color of law (PRUCOLs), persons lawfully admitted for permanent residence (i.e., green card holders), persons admitted as refugees, persons granted asylum, persons granted status as Cuban and Haitian entrants, temporary non-immigrants, short-term visa holders, foreign students and undocumented individuals who are otherwise eligible for the program.

15 The September 2018 report by the Office of the State Comptroller, “7 Million and Counting”, available at https://www.osc.state.ny.us/files/reports/special-topics/pdf/health-coverage-2018.pdf, stated that more than 7 million New Yorkers were covered by the Medicaid program for all or part of SFY 2017-18. The level of DOH Medicaid enrollment for
for two-thirds of enrollment growth, rising by 356,677 to a monthly average of more than 3 million enrollees for the first three months of 2021.

Figure 5

DOH Medicaid Enrollment Growth by Eligibility Group, 2019, 2020 and 2021

<table>
<thead>
<tr>
<th>Eligibility Group</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults</td>
<td>2,472,337</td>
<td>2,669,239</td>
<td>3,025,916</td>
</tr>
<tr>
<td>Children</td>
<td>2,166,184</td>
<td>2,211,168</td>
<td>2,317,459</td>
</tr>
<tr>
<td>Aged</td>
<td>668,671</td>
<td>674,828</td>
<td>673,404</td>
</tr>
<tr>
<td>Blind &amp; Disabled</td>
<td>234,878</td>
<td>274,791</td>
<td>321,891</td>
</tr>
<tr>
<td>Other</td>
<td>658,314</td>
<td>676,306</td>
<td>693,152</td>
</tr>
<tr>
<td></td>
<td>676,306</td>
<td>693,152</td>
<td>693,152</td>
</tr>
<tr>
<td></td>
<td>674,828</td>
<td>673,404</td>
<td>673,404</td>
</tr>
<tr>
<td></td>
<td>274,791</td>
<td>321,891</td>
<td>321,891</td>
</tr>
</tbody>
</table>

Source: NYS DOH.
Note: Figures are calculated based on average actual monthly enrollment by calendar year. The average for calendar year 2021 is based on actual enrollment data for the months of January, February, and March.

In the Mid-Year Update to the SFY 2021-22 Enacted Budget Financial Plan summarizing official State projections over the next four years, DOB expects Medicaid enrollment to remain above 7 million at least through March 2022, but then to return to pre-pandemic levels of just over 6 million individuals by March 2024 as the economy recovers, unemployment rates continue to trend downward and the number of individuals temporarily enrolled but with a minimum of 12 months of continuous coverage begins to decline.16

February 2021 cited in this report is a monthly figure and distinct from the cumulative number of New Yorkers covered by Medicaid as cited in the September 2018 report.

16 Division of the Budget (DOB), Mid-Year Update of the SFY 2021-22 Enacted Budget Financial Plan, available at https://www.budget.ny.gov/pubs/archive/fy22/en/fy22en-fp-myu.pdf. See pages 94 and 101 for Medicaid enrollment projections. In conjunction with the federal Families First Coronavirus Response Act (FFCRA), which increased the share of federal Medicaid costs in New York and other states since the start of the COVID-19 public health emergency in January 2020, and existing federal Medicaid regulations that provide states with certain flexibilities during times of a disaster, no one in receipt of Medicaid coverage on or after March 18, 2020 will lose their Medicaid coverage during the public health emergency, which the Biden Administration has extended at least into January 2022, unless an individual voluntarily terminates coverage, is no longer a resident of the State or is deceased, according to DOH General Information System messages to local social services.
III. Spending Trends

In New York, Medicaid is jointly financed by federal, State, and local governments. The federal share for most Medicaid services is determined by the federal medical assistance percentage (FMAP), which is based on a formula that provides higher reimbursement to states with lower per capita incomes relative to the national average (and vice versa).\(^{17}\) New York’s FMAP is the statutory minimum of 50 percent, reflecting the State’s relatively high per capita income, the third highest in the nation in 2020, according to the U.S. Commerce Department’s Bureau of Economic Analysis (BEA).\(^{18}\)

Prior to the pandemic, from SFY 2007-08 through SFY 2019-20, total Medicaid spending (including the federal, State and local shares) grew by 5.4 percent per year, increasing by nearly $30 billion to reach $75.9 billion, as shown in Figure 6.\(^{19}\) Some of the largest increases in year-over-year Medicaid spending before 2020 occurred during and after the 2007-09 recession and as a result of the ACA Medicaid expansion beginning in January 2014.


\(^{19}\) This calculation is based on spending levels provided by, or found in Financial Plan documents prepared by, DOB and reflects the impact of deferrals of certain State and federal payments from SFY 2018-19 to SFY 2019-20 ($3.5 billion), from SFY 2019-20 to SFY 2020-21 ($2.3 billion) and from SFY 2020-21 to SFY 2021-22 ($3.5 billion). Had these deferrals not occurred, overall Medicaid spending in New York would have grown by about 5.8 percent per year.
Figure 6

Medicaid Spending in New York by Funding Source, SFYs 2008-2025
(in billions of dollars)

Source: New York State Division of the Budget.
Note: Figures in the light gray box are actual amounts; all other figures are projected amounts.

Inflation-adjusted spending per DOH Medicaid enrollee rose slightly during the 2007-09 recession, then fell every year until 2016, as illustrated in Figure 7.\textsuperscript{20} Implementation of Medicaid Redesign Team (MRT) initiatives starting in 2011 – intended to slow the growth of costs, accommodate increased enrollment, and improve the quality of care and health outcomes for beneficiaries – contributed to this decline, as did the enrollment expansion under the ACA.\textsuperscript{21} However, spending per enrollee started climbing again as enrollment plateaued.

\textsuperscript{20} Spending per enrollee is calculated by dividing DOH Medicaid expenditures per calendar year as contained in Management and Administrative Reporting Subsystem (MARS) 36 statistical reports by the average number of DOH Medicaid enrollees per calendar year (both data sets provided by DOH to the Office of the State Comptroller and available on the DOH website).

\textsuperscript{21} MRT initiatives included eliminating rate increases for hospitals, nursing homes and home care providers, reducing managed care profit margins from 3 percent to 1 percent, reducing home care utilization, and implementing health homes for high-cost, high-need populations.
Figure 7

DOH Medicaid Spending Per Enrollee, 2007-2020
(adjusted for inflation)


Most Medicaid enrollees – 75 percent in 2020 – are non-elderly, non-disabled adults or children. Children – 34 percent of all enrollees in 2020 – are the least costly to insure, with inflation-adjusted costs per enrollee decreasing by 30.3 percent from 2007 to 2020, as shown in Figure 8.
On the other hand, inflation-adjusted spending per enrollee on adults – accounting for 41 percent of all enrollees in 2020 – increased by 3.6 percent from 2007 to 2020, the only category of eligibility experiencing an increase over the time period. Overall spending on adults – $21.1 billion in 2020 – became the largest category of DOH Medicaid spending for the first time.

Overall spending on the blind and disabled totaled $20.6 billion in 2020. While constituting only 10.4 percent of enrollment in 2020, spending on the blind and disabled per enrollee was the highest among all eligibility groups last year, exceeding per-enrollee spending on the aged, the next highest group, by over $4,100 or 15.7 percent per enrollee. Overall spending on aged enrollees doubled from $8.8 billion in 2007 to $17.9 billion in 2020.

Pandemic Fiscal Impacts

During the pandemic, in SFY 2020-21, total Medicaid spending in New York declined by about $650 million or less than 1 percent compared to the previous year, reflecting what may have been a decrease in utilization of non-COVID medical care, particularly early in the pandemic.\textsuperscript{22} State spending decreased by more than $4 billion; as part of its response to the COVID-19 pandemic, the federal government increased its share of funding for most services provided by

New York’s Medicaid program by 6.2 percentage points for each calendar quarter during the public health emergency. This enhanced funding began January 1, 2020 and provided about $4.2 billion in additional federal resources (and commensurate State and local savings) in SFY 2020-21. It is currently expected to continue at least through March 2022, and according to DOB, is projected to provide $3.6 billion in additional federal resources (and commensurate State and local savings) in SFY 2021-22.23

DOB projects State and local Medicaid funding to increase in SFY 2021-22 as the enhanced funding ends. State-funded Medicaid costs are expected to rise by $5.3 billion (23.5 percent) in the current year and by another $3.7 billion (13.3 percent) to $31.5 billion in SFY 2022-23, due to the anticipated phase-out of enhanced federal Medicaid funding, as well as reimbursement to providers for the cost of the increase in the minimum wage, increased costs and enrollment growth in managed long-term care, and payments to financially distressed hospitals.24

DOB expects total Medicaid spending will rise to $83.8 billion in SFY 2021-22, but then remain relatively flat through March 2024 and increase to $85.8 billion in SFY 2024-25.

24 Ibid.
IV. The Economy and Future Enrollment

The pandemic and the resulting economic decline helped to push the number of New Yorkers enrolled in Medicaid to record levels, as people experiencing income and job loss became eligible for and enrolled in the program. As shown in Figure 9, the jump in the State’s unemployment rate from 3.9 percent in March 2020 to 16.2 percent in April 2020 triggered increases in Medicaid enrollment that have continued into 2021, even as joblessness has declined. Similar trends in Medicaid enrollment and joblessness occurred after the 2007-09 recession.

**Figure 9**

DOH Medicaid Enrollment and State Unemployment Rate, 2007-2021


As the Medicaid and CHIP Payment and Access Commission (MACPAC) points out, “employment growth tends to lag general economic growth following a recession, so individuals who obtain Medicaid during a downturn may not return to private coverage until long after the end of the official recession.” In addition, there are “maintenance of effort” provisions included in federal COVID legislation that require states to provide continuous coverage for current enrollees and prohibit states from terminating most coverage during the public health emergency in exchange for enhanced FMAP. Therefore, New York and other states may

continue to experience higher-than-average rates of enrollment growth for several years after the pandemic recession.\textsuperscript{26}

Figure 10 shows the experience during and after the 2007-09 recession. Even as average annual wages began to improve beginning in 2010 and continued to grow through the subsequent decade, State poverty rates increased starting in 2009 until they reached a high of 17.3 percent in 2013. Poverty rates began to trend lower starting in 2014, when the ACA Medicaid coverage expansion began in New York. As noted previously, enrollment plateaued in the period between 2015 and 2019 before increasing again in the pandemic.

\textbf{Figure 10}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure10.png}
\caption{DOH Medicaid Enrollment, New York State Poverty Rate and State Average Annual Wages, 2007 – 2020}
\end{figure}

Sources: NYS DOH and U.S. Census Bureau.

DOB’s Mid-Year Update of the SFY 2021-22 Enacted Budget Financial Plan expects Medicaid enrollment to decrease by almost 1.3 million people (nearly 17 percent) by March 2023 and then to continue to fall in the next two years, as shown in Figure 11.

\textsuperscript{26} Ibid.
Even as enrollment declines, the current Financial Plan expects little change in overall Medicaid spending until SFY 2024-25, when spending is projected to increase by 2.5 percent to $85.8 billion. At the same time, Medicaid spending per enrollee is also projected to increase, rising by nearly 27 percent from $11,037 in SFY 2021-22 to about $14,000 per enrollee by March 2025. The federal share of Medicaid spending is expected to decrease as the enhanced COVID-related funding ends, but then tick up again, while the State share is projected to increase by more than $11 billion over the Financial Plan period.

The State’s experience since the Great Recession indicates Medicaid enrollment may not decline as swiftly as DOB anticipates, even as the economy continues to improve. If so, the Financial Plan could face significant additional out-year spending pressures. Holding figures for projected spending per enrollee constant, Figure 12 summarizes four potential scenarios:

(1) Scenario 1 – No Decline: enrollment does not decline but remains steady at approximately 7.6 million enrollees;

(2) Scenario 2 – Modest Decline: enrollment declines by 250,000 beginning in SFY 2022-23, less than a quarter of the decline expected in the Financial Plan;

(3) Scenario 3 – Partial Decline: enrollment declines by 500,000, or a third of the Financial Plan expectation; and

(4) Scenario 4 – Full Decline at Slower Rate: enrollment declines by nearly 1.5 million by SFY 2024-25, but at a slower pace than currently projected in the Financial Plan, about 500,000 annually.

The illustrative scenarios show that slower-than-anticipated enrollment declines would produce fiscal pressures on spending beginning in SFY 2022-23. For example, if only a third of the assumed decline (500,000 enrollees) is realized, there could be an additional $10.4 billion in total costs, reflecting federal, State and local shares, including $3.9 billion in State costs in that year. As detailed in Figure 12, the unanticipated total annual costs under these alternative scenarios range from $6.5 billion (assuming enrollment only declines by about 1 million

---

**Figure 11**

**Projected Medicaid Enrollment and Spending in New York, SFYs 2021 – 2025**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
<th>2024-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>7,074,379</td>
<td>7,594,490</td>
<td>6,310,764</td>
<td>6,139,622</td>
<td>6,128,784</td>
</tr>
<tr>
<td>Spending (in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>45,054</td>
<td>47,988</td>
<td>44,322</td>
<td>42,884</td>
<td>43,786</td>
</tr>
<tr>
<td>State</td>
<td>22,532</td>
<td>27,835</td>
<td>31,541</td>
<td>32,674</td>
<td>33,909</td>
</tr>
<tr>
<td>Local</td>
<td>7,660</td>
<td>7,998</td>
<td>8,214</td>
<td>8,129</td>
<td>8,064</td>
</tr>
<tr>
<td>Total</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$84,077</td>
<td>$83,687</td>
<td>$85,759</td>
</tr>
</tbody>
</table>

Source: DOB, Mid-Year Update.
individuals by March 2024) to $20.5 billion (assuming Medicaid enrollment does not decline at all by March 2025). The State share of these costs – estimated in a range of $2.5 billion to $8.1 billion – would have a significant impact on the financial plan.

Figure 12

Risk Analysis of Medicaid Enrollment and Spending Projections, SFYs 2021-2025

<table>
<thead>
<tr>
<th>Source</th>
<th>SFY 2020-21</th>
<th>SFY 2021-22</th>
<th>SFY 2022-23</th>
<th>SFY 2023-24</th>
<th>SFY 2024-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOB Enrollment Projections (in millions of people)</td>
<td>7.07</td>
<td>7.59</td>
<td>6.31</td>
<td>6.14</td>
<td>6.13</td>
</tr>
<tr>
<td>DOB Spending Projections (in millions of dollars)</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$84,077</td>
<td>$83,687</td>
<td>$85,759</td>
</tr>
<tr>
<td>Per Enrollee Spending</td>
<td>10,636</td>
<td>11,037</td>
<td>13,323</td>
<td>13,631</td>
<td>13,993</td>
</tr>
<tr>
<td>Alternative Enrollment Scenarios</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 1: No Decline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment Projections (in millions of people)</td>
<td>7.14</td>
<td>7.59</td>
<td>7.59</td>
<td>7.59</td>
<td>7.59</td>
</tr>
<tr>
<td>Spending Projections (in millions of dollars)</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$101,180</td>
<td>$103,518</td>
<td>$106,268</td>
</tr>
<tr>
<td>Total Cost Increase</td>
<td>17,103</td>
<td>19,831</td>
<td>20,509</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated State Share Cost Increase</td>
<td>6,416</td>
<td>7,743</td>
<td>8,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 2: Modest Decline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment Projections (in millions of people)</td>
<td>7.14</td>
<td>7.59</td>
<td>7.34</td>
<td>7.34</td>
<td>7.34</td>
</tr>
<tr>
<td>Spending Projections (in millions of dollars)</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$97,849</td>
<td>$100,110</td>
<td>$102,770</td>
</tr>
<tr>
<td>Total Cost Increase</td>
<td>13,772</td>
<td>16,423</td>
<td>17,011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated State Share Cost Increase</td>
<td>5,167</td>
<td>6,412</td>
<td>6,726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 3: Partial Decline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment Projections (in millions of people)</td>
<td>7.14</td>
<td>7.59</td>
<td>7.09</td>
<td>7.09</td>
<td>7.09</td>
</tr>
<tr>
<td>Spending Projections (in millions of dollars)</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$94,518</td>
<td>$96,702</td>
<td>$99,272</td>
</tr>
<tr>
<td>Total Cost Increase</td>
<td>10,441</td>
<td>13,015</td>
<td>13,513</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated State Share Cost Increase</td>
<td>3,917</td>
<td>5,082</td>
<td>5,343</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 4: Full Decline at Slower Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment Projections (in millions of people)</td>
<td>7.14</td>
<td>7.59</td>
<td>7.11</td>
<td>6.62</td>
<td>6.13</td>
</tr>
<tr>
<td>Spending Projections (in millions of dollars)</td>
<td>$75,246</td>
<td>$83,821</td>
<td>$94,671</td>
<td>$90,199</td>
<td>$85,759</td>
</tr>
<tr>
<td>Total Cost Increase</td>
<td>10,594</td>
<td>6,512</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated State Share Cost Increase</td>
<td>3,974</td>
<td>2,642</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: DOB data and OSC analysis.
V. Recommendations

Medicaid is a critical support for millions of New Yorkers and represents the largest spending program in the State budget, at $67.6 billion in State and federal spending or 36.2 percent of the State’s All Funds disbursements in SFY 2020-21. Due to the rapid enrollment increase driven by the COVID-19 pandemic, enrollment is projected to peak at almost 7.6 million in the current fiscal year, and federal legislation locks in continued coverage so long as states benefit from enhanced FMAP. While this enhanced rate currently is set to expire in March 2022, federal agencies have acknowledged that enrollment declines will likely lag the end of the recession, perhaps significantly. Therefore, enhanced FMAP rates should be extended until any lingering health care or economic impacts are fully resolved.

As the economy recovers and labor markets settle, it is unclear to what extent and on what timeline enrollment in Medicaid will decline. Federal and state policy changes have loosened the connection between economic swings and enrollment, with the State experiencing elevated pre-pandemic enrollment levels despite improving economic circumstances after the Great Recession. Given the budgetary size of the Medicaid program, it presents uniquely challenging risks to the State financial plan and State policy makers should take the following actions to ensure the long-term viability of the program:

- **Closely Monitor Enrollment Trends.** As the State economy continues to recover from the economic disruptions caused by the pandemic, the specific impacts to Medicaid enrollment levels are difficult to predict with any degree of certainty due to the unparalleled circumstances. While DOB forecasts a reduction of nearly 1.5 million enrollees, or 19 percent of total caseload, there is no historical precedent for such a reduction in the program. To ensure that timely actions can be taken to mitigate the impact of any shortfall in the anticipated enrollment declines, policy makers must actively and closely monitor monthly enrollment levels and costs per enrollee.

- **Engage Stakeholders in Developing Strategies to Protect Quality of Care and Contain Costs.** Two comprehensive efforts to identify cost-containment measures were completed under the Medicaid Redesign Team (MRT) processes in 2011 and 2020, resulting in actions estimated by DOB to generate Medicaid savings of $2.7 billion and $2.2 billion, respectively, for each year and intended to restrain spending growth in future years. The MRT processes benefited from collaborative engagement between stakeholders with a wide range of interests, as well as opportunities for public participation. Nonetheless, the MRT II process commenced after the identification of $4 billion of costs in excess of the targeted Medicaid spending growth rate, was completed in less than two months from inception to finalized recommendations, and could have benefited from a more deliberative process with wider engagement of stakeholders.

In light of the historically unprecedented circumstances related to forecasting enrollment changes following a pandemic and the outsized impact of Medicaid enrollment on the
overall Financial Plan, policy makers should consider a more timely and more deliberative stakeholder engagement process to ensure the financial viability of the State Medicaid program in the years ahead.