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Paterson Administration Fears Cost of U.S. Health Care Overhaul

By [DANNY HAKIM](#) and [DAVID M. HERSZENHORN](#)

ALBANY — The Paterson administration is raising alarms that health care legislation taking shape in Washington could drive up deficits and punish New York and other states that have expanded [Medicaid](#) coverage on their own.

New York's warning is almost certain to be echoed by governors across the country as Democrats in Congress work to complete major health care legislation that will require states to pay part of the cost of a broad expansion of Medicaid, the federal-state insurance program for the poor.

The House version of the health care bill would eventually require all states to pay 10 percent of the cost of newly enrolled Medicaid beneficiaries. The Senate version would require some states to pay more and some less; by 2019, New York would likely pay about 18 percent of the costs for new enrollees.

But [the legislation is still in flux](#), and some House Democrats want the federal government to pick up the entire cost of the Medicaid expansion, an approach that is strongly favored by Gov. [David A. Paterson](#) and many other governors struggling with steep budget deficits as a result of the weak economy.

Either way, states like New York that have more generous Medicaid eligibility rules stand to receive relatively less in new federal aid than states with the tightest eligibility rules, many of them in the South.

Lt. Gov. [Richard Ravitch](#), the Paterson administration's point man on the state budget, said, "We're being penalized for our generosity."

"What the White House wanted to do is expand the number of people covered by Medicaid, and therefore they

wanted to give the most money to the states which had the tightest eligibility requirements,” he said.

Mr. Ravitch will go to Washington on Thursday in part to meet with the state’s Congressional delegation to raise the Paterson administration’s concerns and lobby for more stimulus aid.

His trip underscores just how much the states have riding on the health care legislation that is developing in Congress, and it may signal the beginning of an intense lobbying effort by the states as they begin to grasp the implications of the health overhaul.

Aides to Senator [Max Baucus](#), Democrat of Montana and chairman of the Senate Finance Committee, cautioned states to reserve judgment.

“States stand to benefit significantly from reform, and they have a responsibility to play a role in the effort,” said Erin Shields, a spokeswoman for Mr. Baucus. Mr. Baucus will “encourage states to look not only at the federal Medicaid matching rate but also take a long-term view of reform that considers elements like increased flexibility for states and the bill’s long-term costs,” she said.

For instance, the House version of the health care bill includes a provision that would severely restrict the ability of states to adjust their eligibility rules for Medicaid or the [Children’s Health Insurance Program](#), a requirement that could prove costly. The Senate bill has no such requirement.

In recent weeks, the Paterson administration has projected that a Senate version of the legislation could cost the state \$900 million, while the original House bill could save the state as much as \$2 billion. Those appear to be best- and worst-case scenarios. The administration’s analysis of the Senate bill assumes that three-quarters of the more than one million New Yorkers who are eligible for Medicaid and other public programs but who have not enrolled will do so because they may be penalized if they are uninsured.

That is a big if, however. The various bills have undergone significant revisions in recent weeks. In the Senate, proposed penalties have been scaled back and hardship waivers that would exempt the poor. The federal

legislation is likely to modestly expand the number of New Yorkers who could sign up for Medicaid, by expanding the eligibility of childless adults, but that would have a limited financial impact.

Aides to Senator [Charles E. Schumer](#), the powerful New York Democrat who serves on the Finance Committee, strongly disputed the Paterson administration's projections.

“Senator Schumer is going to fight as hard he can for New York in every aspect of the bill, but in this instance the state's conjured prediction is highly unrealistic,” said Joshua Vlasto, a spokesman for Senator Schumer.

A far more pressing concern for New York is how great a share of Medicaid payments the federal government will pick up, and whether New York and other states that have long maintained more generous Medicaid eligibility will be treated equitably under the plan.

Mr. Ravitch is particularly concerned because of New York's precarious financial health. The state is facing unprecedented deficits in the fiscal years ending in March 2012 and 2013 and a cumulative gap of nearly \$50 billion over the next three and a half years.

Danny Hakim reported from Albany and David M. Herszenhorn from Washington.

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