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February 28, 2019

RE: AN ACT to amend the public health law and the state finance law, in relation to enacting the "New York health act" and to establishing New York Health

A5248 (Gottfried)  
S3577 (Rivera)

### **MEMORANDUM IN OPPOSITION**

Submitted on behalf of the Blue Cross and Blue Shield Plans

The New York State Conference of Blue Cross and Blue Shield Plans strongly oppose the New York Health Plan, which would completely abolish the current system of health care coverage and replace it with a government-operated single payer system paid for by \$170 billion in new taxes in the first year alone, climbing to \$250 billion by the tenth year of operation. A government-operated single payer system ignores the advances that New York State has made within the last decade in providing avenues for individuals to access health insurance and ensuring that health care is provided in a cost-efficient and appropriate manner. In addition, it fails to consider the significant economic impact of moving to a government-operated system, especially in less economically diverse regions of the State.

#### **1. THE ESTABLISHMENT OF A SINGLE PAYER SYSTEM IGNORES THE SUCCESS OF NEW YORK'S EXCHANGE AND NEW DEVELOPMENTS IN THE ADMINISTRATION AND PROVISION OF HEALTH CARE SERVICES**

Recent federal and state health care reform efforts, including the Affordable Care Act (ACA), expanding Medicaid, adopting of the Essential Plan<sup>1</sup>, and building the infrastructure for a state-based health benefits exchange<sup>2</sup>, have created substantial opportunities to make affordable health insurance coverage a reality for all New Yorkers. These efforts have successfully reducing New York's uninsured rate from 12% to historic lows of just above 5% statewide and 4% in upstate, meaning that approximately 1 million New Yorkers lack insurance coverage. Focusing on

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<sup>1</sup> In New York, the Essential Plan is available from a variety of private carriers, has no deductible, no premium for enrollees with incomes up to 150% of the federal poverty level, and a \$20 monthly premium for enrollees with incomes between 150%-200% of the federal poverty level.

<sup>2</sup> In 2019, more than 4.7 million New Yorkers enrolled in comprehensive health coverage through the New York State of Health (NYSOH),

securing low or no cost coverage for the remaining population is easily achievable by the State. The dramatic change to the healthcare delivery and financing system contemplated by the New York Health Plan needs to be more compelling.

Slightly more than one-third of the uninsured in New York are eligible for Medicaid. An additional 10% are eligible for the Essential Health Plan, which has a maximum premium payment of \$20/month. In total, about 45% of the uninsured population qualify for free or low cost insurance options right now. Improved outreach and education could enroll these currently eligible persons into low or no-cost health insurance.

When individuals currently eligible for New York's Medicaid program and Essential Plan are accounted for, New York's actual uninsured rate is closer to 2.5% or less than 500,000 New Yorkers. If we account solely for U.S. citizens in this context,<sup>3</sup> the uninsured rate is between 1 and 2%. Investment in this population is a fraction of what is needed to impose a single payer system on New York. Enrolling the totality of this population in a catastrophic plan similar to one currently offered on the New York State of Health exchange would cost less than \$1 billion. Alternatively, New York could expand the Essential Health Plan, at a similar cost, and without additional infrastructure, to ensure universal coverage. Current federal mandates under the Affordable Care Act requiring minimum health benefits mean that any coverage offered by New York would be meaningful coverage. Focusing on enrolling these individuals into available low or no cost coverage would drive the uninsured rate in many counties of the state, especially upstate counties, to close to zero.

## **2. THE SINGLE PAYER SYSTEM FAILS TO ADDRESS THE INCREASING COSTS FOR MEDICAL CARE, WHICH RESULT IN HIGHER PREMIUMS FOR HEALTH INSURANCE**

This Bill would contribute to, and do nothing to control what is the greatest health care threat we face, the staggering increases in health care costs. While health insurers may collect significant amounts in premiums, by law, 85% of such premiums go to pay for medical services. The majority of mandated spending goes to pay hospitals and pharmaceutical companies and device manufacturers for medical care. While the Bill firmly believes that significant savings may be achieved by removing the administrative expenses of multiple insurers, it fails to recognize that this is just one piece of the puzzle. Importantly, it fails to address the real key to controlling health care costs, which is price transparency and price regulation. In a *New York Times* examination of the price of medical care in the United States, the average price for standard procedures, such as colonoscopies and hip replacements, cost significantly more in the United States than other developed nations.<sup>4</sup>

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<sup>3</sup> Noncitizens are a large portion of the total uninsured, constituting between one-third and two-fifths of the overall uninsured population. Approximately one-quarter of noncitizens qualify for Medicaid, but for their immigration status. Another quarter qualify for the Essential Health Plan. Unlike Medicaid, the Essential Plan is blind to immigration status.

<sup>4</sup> Data gathered by the International Federation of Health Plans show that an MRI costs, on average, \$1,121 in the United States and \$363 in France. An appendectomy costs \$13,851 in the United States and \$4,782 in Switzerland. A birth by cesarean section costs \$3,676 in the United States and \$606 in Canada. A bottle of Nexium -- a common acid-reflux drug -- costs \$202 in the United States and \$32 in Britain.

In order to truly decrease, or even control, the amount of health care spending in New York State, any single payer system would also need to impose price regulation on medical services. While this Bill proposes that the negotiating power of a single payer would control costs, it also would allow providers to collectively bargain as a single entity against the State. Granting providers immense negotiating leverage is the best way to ensure that prices do not fall, that reimbursement for services and devices remain high and that savings are not achieved. This Bill incorrectly diagnosis the causes of health care spending and offers the wrong prescription in controlling such costs.

### **3. THE IMMEDIATE IMPACT OF THIS BILL WOULD BE A STATE-SPONSORED ELIMINATION OF JOBS FOR A SUBSTANTIAL PORTION OF NEW YORK RESIDENTS**

Perhaps the most immediate and damaging impact of this Bill would be the extreme economic impact on the residents of New York State by abolishing the current health insurance industry and replacing it with a government-operated system. According to the most recent economic analysis prepared in support of the bill, “in 2019, there will be over 300,000 workers employed in health care administration in New York and over 26,000 employees of health insurers.”<sup>5</sup> Thus, under a conservative estimate that does not include the industries and employees that provide services to the health insurance industry, this legislation would lead to job losses for over 300,000 New York residents. Such a large reduction in employment in a single industry has not been witnessed since the most recent financial crisis, which devastated the New York economy and state revenue for a number of years. As the state is finally beginning to crawl out of this difficult time, it is hard to believe that the State, through this legislation, is actually setting up a scenario where job losses will be extreme and wide-spread.

The economic analysis report blissfully assumes that the job losses will be offset by new job creation. This fails to consider that the New York Health Plan will be largely funded by employer contributions, which means that the cost of health care remains a barrier for new business development. The sponsors of this legislation are betting that the New York economy can grow at a significant pace simply due to a change in the way health care is delivered, in numbers that are not even seen on a national level. The true result of this legislation is that a large number of New York residents, especially those in regions with less diverse economies, will lose jobs and have no opportunities in the industry that they have spent years gaining experience and knowledge.

For the foregoing reasons, the New York State Conference of Blue Cross and Blue Shield Plans strongly opposes enactment of this legislation.

Respectfully submitted,

HINMAN STRAUB ADVISORS, LLC  
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<sup>5</sup> Friedman, Gerald, *Economic Analysis of the New York Health Act*, March 2015.