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THE GOOD, THE BAD, THE UGLY

Reaction to the 2017-18 Executive Budget Proposal

The New York State Conference of Blue Cross Blue Shield Plans (NYSCOP) today responded to the Executive Budget Proposal, indicating that there are three key provisions contained within the Executive Budget that will impact the cost of coverage.

“We appreciate that Governor Cuomo recognizes that pharmacy costs are rising at an unsustainable rate,” said Deborah Fasser, spokeswoman for NYSCOP. “We are pleased that he has included proposals that target the excessive pricing by certain high cost drug manufacturers. At the same time, surprisingly, he turns a blind eye to the fact that New York state’s excessive taxes on health insurance have been driving up the cost of coverage for decades, making New York the leader in health insurance taxes in the country.

“These taxes are a tremendous burden on the cost of coverage. What’s more, the Governor’s Early Intervention (EI) proposal is yet another “hidden tax” imposed on the cost of coverage further adding to the highest insurance taxes in the country.”

The provisions impacting the cost of health insurance are:

1. The Good: Stemming Prescription Drug Costs

Prescription drug costs continue to be a major driver of health insurance costs. The Governor has proposed several measures aimed at addressing the impact drug costs are having on insurance premiums. Health plans now spend more on pharmaceuticals than they do on hospital care. These proposals include:

- Shedding light how much drug manufacturers spend on researching, developing, producing and distributing drugs compared to the billions of dollars spent on marketing, advertising, and promotional efforts such as co-pay coupons; and
- Understanding how much profit drug companies are making on the various products.
- Restoring tools that allow health plans to ensure consumers are using effective, affordable drugs to counteract aggressive marketing of unnecessary, high cost drugs.

2. The Bad: Excessive Taxes on Health Insurance

The Executive proposal extends for three years approximately \$4.7 billion in state health insurance taxes. Currently, New Yorkers with private health coverage pay:

- A tax on health plans for each covered life that they insure, known as the Covered Lives Assessment: **\$1.1 billion**.
- A 9.63 percent tax on “sales” hospital and other health care services: **\$3.1 billion**.
- “Assessments” on all health plans to fund the State Insurance Department operations: **\$149 million**.
- Premium taxes on those who receive health coverage from commercial insurers: **\$350 million**.

3. The Ugly: Another Hidden Tax Piled On Consumers: Early Intervention

The Governor’s Budget once again attempts to shift the costs of the Early Intervention (“EI”) Program from the state and localities to private citizens who purchase health insurance coverage.

Health plans would be forced to pay for certain high cost EI services, without any say as to whether the care is appropriate, medically necessary, and whether the provider is properly credentialed to provide the service. In other words, the health plan is not performing medical management or insurance functions, but is simply paying for the service. This will only increase the cost of coverage, resulting in premiums becoming more unaffordable than they are today. No different than the many health care taxes paid today, this proposal requires consumers to pay for health care programs which would otherwise be paid for by government.

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The New York State Conference of Blue Cross and Blue Shield Plans (NYSCOP) is a partnership of Excellus Blue Cross Blue Shield and Empire Blue Cross Blue Shield. Together, the two health plans provide comprehensive health coverage for an estimated seven million New Yorkers.

For more information, please visit NYSCOP at: www.nysblues.org.