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## Groups Call Upon Schumer and Gillibrand to Restore Medicaid and COBRA Health Insurance Funding

### Analysis Predicts Potential Job Reductions in NYS of 77,000 and Additional State Budget Hole of \$1 Billion This Year if Enhanced FMAP Not Extended

**Albany, NY** – As the U.S. Senate prepares to take up an important jobs and tax “extenders” bill this week, several New York organizations called upon Senator Schumer and Senator Gillibrand to work to restore extensions of “enhanced FMAP” (Medicaid) and COBRA funding to avoid up to 77,000 in job losses and thousands of laid off workers being unable to afford health insurance.

“As the state begins to climb out of a recession, laid off New Yorkers and their families need COBRA health insurance benefits to avoid the risk of financial disaster,” said Bob Cohen, Policy Director of Citizen Action of New York. **“The failure to extend enhanced FMAP will blow another billion dollar hole in our state budget this year that we fear will be filled by thousands of public employee layoffs, program cuts, or both.** We need Senators Schumer and Gillibrand to once again stand up for working families by fighting to extend COBRA and FMAP.”

Extensions of “enhanced FMAP” (Medicaid) funding and subsidies for COBRA health insurance benefits were stripped from the jobs and tax “extender” legislation (H.R. 4213) when it was passed by the House of Representatives on May 28<sup>th</sup>, reportedly due to fears by some members of additional deficit spending.

“COBRA is a critical lifeline for laid off workers that allows them to purchase health insurance at a lower group rate,” said Heidi Siegfried, Director of Health Policy for for New Yorkers for Accessible Health Coverage and a leader of Health Care for all New York (HCFANY). “Without a subsidy to help them with their premiums, many laid off workers couldn’t afford health insurance. **Its ironic that the same House of Representatives that passed landmark health care reform legislation in March made it much more difficult for hundreds of thousands to get health insurance in May.**”

“The enhanced FMAP funding and other assistance in the federal stimulus law passed in 2009 helped states avoid even deeper service cuts and layoffs than were experienced,” said Frank Mauro of the Fiscal Policy Institute. “The national recession was deeper and longer than anyone imagined over a year ago. **Now states need the money while they wait for recovery to take hold.**”

COBRA benefits, part of the Consolidated Budget Reconciliation Act of 1985 (“COBRA”), allow those who lose their jobs to buy health coverage at their former employer’s group rate, less than “direct pay,” but still unaffordable for most unemployed. As part of the February 2009 stimulus law (the American Recovery and Reinvestment Act, or ARRA), Congress included a 65% federal subsidy of COBRA premiums. A U.S. Treasury Department study, using New Jersey as an example, found that the uninsurance rate for laid off workers would rise from 40% to 55% without this subsidy. Enhanced FMAP (Federal Medical Assistance Percentage), created as part of ARRA, increases the traditional federal contribution to FMAP to help states get through the recession. The provision dropped from the bill would have extended enhanced FMAP for 6 months. The extensions of the COBRA subsidy and enhanced FMAP were included in a version of the bill that the Senate passed on March 10<sup>th</sup>.

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"Our Senators have always been champions, especially when it comes to protecting the needs of low-income New Yorkers, said Lara Kassel, Coordinator of Medicaid Matters New York. **"We need them now more than ever to do everything they can to secure an extension of enhanced FMAP.** Too much is at stake to let it go."

A Fiscal Policy Institute (FPI) analysis released today finds that failure to provide enhanced FMAP benefits would most likely result in an additional \$1.06 billion in state budget cuts in Fiscal Year 2010-11 on top of the cuts already on the table as part of the Governor's gap closing plan. New York, like most states, is counting on the enhanced FMAP extension in its Executive Budget. FPI calculates that if the state decided to fill the billion dollar gap through workforce reductions, the number of layoffs would be in the 15,000-16,000 range, if the state's cash flow situation allowed the state to make up for that loss over a 12-month period rather than just during the three month period when it is scheduled to occur. (Another alternative, reductions to Medicaid reimbursement rates, would result in large numbers of hospital and nursing home layoffs and seriously undermine patient care.)

Mayor Bloomberg's FY 2011 budget is counting on \$279 million from the 6-month extension of the enhanced FMAP rates. FPI projects a doubling of the projected number of New York City employee layoffs of non-teaching personnel from 4,556 to 9,110 employees if the City chose to fill the projected \$279 million budget gap through layoffs of non-school employees. Alternatively, 3,778 teachers and school staff could be laid off. Both figures are on top of the layoffs the City is already predicting to fill its FY 2011 \$4.6 billion budget gap. The full FPI analysis is available at [www.ppefny.org](http://www.ppefny.org).

Overall, due to the failure of Congress to enact a 6-month extension of enhanced FMAP rates, New York would lose about \$3 billion in expected federal fiscal relief: \$1.06 billion for the state government itself in 2010-11 and another \$1.06 billion in 2012-13, an estimated \$600 million for New York City over time, and \$300 million for the counties outside New York City. Using an economic impact model (IMPLAN), FPI estimates that if the full \$3 billion in lost federal fiscal relief were absorbed over a 12-month period by state and local government layoffs at an average salary level of \$54,000 with payroll tax and benefit contributions of 15%, that the direct government employment loss would be around 48,000 and that the indirect and induced employment effects, which would be mostly in the private sector, would be almost 29,000. FPI thus estimates that the total job reduction statewide (direct, indirect and induced) would be about 77,000.

**"New York State would experience substantial job losses if the enhanced FMAP funding is not extended,"** said Frank Mauro, FPI Executive Director. **"The failure to extend this needed relief would be felt everywhere in the state, and hinder the state's economic recovery.** Economists agree that now is not the time to worry about the federal deficit, but help the economy recover."

Citizen Action and FPI also called upon Senators Schumer and Gillibrand to work to retain a provision in the bill being seriously opposed by Wall Street lobbyists that would close most of the so-called "carried interest" loophole that allows investment fund managers to shield part of their compensation as capital gains and thus pay a lower income tax rate than ordinary workers pay.

**"The fight over the shape of the jobs and tax bill this week is just the first skirmish in a battle to be fought in the coming months over the shape of our federal spending and tax policies as the Bush tax cuts expire and Congress begins to tackle the deficit,"** said Cohen. "Is Congress going to listen to Wall Street who is telling them to cut basic services that average Americans depend on while defending special-interest tax breaks? Or is Congress going to stand up for average Americans who are struggling to get by?"