Opinion: Cutting Expensive Middle-Men Out of Home Care Will Save New York Billions

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“As our older population grows, we must make sure every valuable state dollar is spent directly on the care our constituents need—not siphoned off by private companies that do not provide any health care services.”

By 2030, 25 percent of New York State’s population will be 60 or older. As our population ages, we need to ensure our state is ready to provide the services and support they need—including home care. Unfortunately, New York is currently wasting billions of dollars on private insurance companies that act as expensive middle men between the state and home care workers.

As our older population grows, we must make sure every valuable state dollar is spent directly on the care our constituents need—not siphoned off by private companies that do not provide any health care services.

New York didn’t always outsource the management of home care. For decades, the state paid for these services directly through a fee-for-service model. But in 2011, under then-Governor Cuomo, the state handed control of its Medicaid home care program to private insurance companies, arguing that privatization would improve care through the promise of care management and care coordination.

These private insurance companies have acted as expensive middle men and made billions doing so, while doing little to “coordinate” care for New Yorkers that are in dire need. While the original concept envisioned one company coordinating healthcare services across multiple systems for an individual—such as hospital visits, nursing home stays, and medication—this has not happened. I’ve yet to see plans demonstrate that their “coordination” is improving outcomes.

Additionally, the promise of “care management” has never been delivered upon. While plans might point to the anecdotal success story, we hear hundreds of stories from people who do not have a care manager, have no way in which to reach a care manager, and are left to fend for themselves as they try to manage their health conditions, fix their wheelchairs or other durable medical equipment, and arrange for essentials, like home delivered meals, issues that I am working to address through other legislative proposals that I have advanced.
Rather than coordinating or managing different types of care, these middle men are merely taking money from one entity—the state—and handing a portion of it directly to another—home care providers—while pocketing billions during this handoff.

In the past four years alone, an analysis conducted by 1199 estimated that, between state expenditures and federal matching funds, private insurance companies “managing” long term care have pocketed as much as $5.5 billion. Their breakdown shows over $3 billion spent on administrative costs and $2.4 billion in profit. It’s no surprise then that the largest managed care companies’ senior management are reporting massive annual salaries.

The promised higher quality of care has not materialized. Instead, New Yorkers who need care are regularly denied, forced to appeal multiple times, or left to wait months without essential care. And there’s a reason: these companies receive a flat fee of approximately $5,000 per person—so there’s a financial incentive to approve fewer home care hours, and keep more state dollars as profit.

Gabriela from Brooklyn told us her bedridden mom had her home care hours cut back with no explanation. Gemma in Kingston had to fight and appeal to have her hours reinstated after eight weekly hours were inexplicably cut. These stories are hardly isolated: just last year, a federal Office of the Inspector General report found one of the largest insurance companies managing care in New York was not complying with requirements for denying home care—and found “New York had limited ability to conduct effective oversight” of these companies.
For every rate cut, excluded provider, or care denial that plans make, they are able to put another dollar in their pockets. In the past few years, the state has taken

extraordinary actions to help struggling providers avoid potential closure or elimination of critical services. These struggling providers often include safety net facilities that serve our most vulnerable communities. Meanwhile, New Yorkers are left subsidizing the profits and broken policies of these insurance plans while care providers are sounding the alarm for investment in their workers and services.

We cannot continue to waste millions of dollars or allow more aging New Yorkers to struggle to obtain home care. That's why home care workers, 1199, older adults, disabled New Yorkers, and legislators, including myself, are working to end this failed experiment and remove these expensive intermediaries from the system.

Our bill, **The Home Care Savings & Reinvestment Act (S. 7800/A. 8470)**, would stop the state from giving insurance companies billions of dollars meant for care by removing these ineffective middle men, and returning home care management directly to the state. The bill could generate hundreds of millions to billions in savings annually, which should be used to pay for growing home care needs, improving service quality, and ensuring continuity of care by funding higher wages for home care workers during New York's worst-in-the-nation home care worker shortage. The Act would create a cost-effective program to ensure that consumers receive the care management they need.

It's no surprise these for-profit companies are pushing back hard against our legislation. Their companies and their investors stand to lose hundreds of millions in profit if we cut them out. We're committed to this fight because patients and home care workers deserve a better system and because the State cannot afford to waste billions to enrich for-profit companies—especially at a time when we need to invest every available dollar directly into delivering care.

Gustavo Rivera represents the Bronx in the New York State Senate, where he is chair of the Senate's committee on health.