

# NEW YORK STATE FISCAL YEAR 2027 ENACTED BUDGET SUMMARY

## Overview

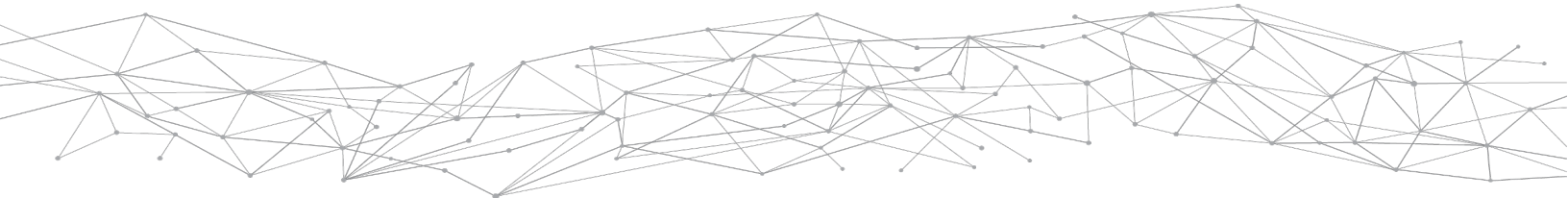
This week, Governor Hochul and the New York State Legislature reached a final agreement on the State Fiscal Year (FY) Enacted Budget, which runs from April 1, 2026 to March 31, 2027. The agreement came nearly two months into the fiscal year, making the Budget among the latest in recent New York State history. While the final financial plan has not yet been released, the Governor previously stated that the total FY 2027 Budget spending is estimated at \$268 billion.

Some of the most notable health care items in the Enacted Budget include:

- Aggregate Medicaid reimbursement increases for hospitals (\$706 million), nursing homes (\$480 million), Assisted Living Programs (\$20 million), and Federally Qualified Health Centers (\$80 million).
- Partial restorations of nursing home and hospital capital rates.
- A targeted inflationary increase for human services agencies of 2.7% (up from the Executive's proposed 1.7%).
- A restructuring of the MCO tax from the current tiered per-member month assessment to a flat 0.35% of each health plan's total premium revenue.
- A permanent Medicaid managed care carveout for school-based health centers.
- Reforms prior authorization and utilization review processes.
- Changes to the independent dispute resolution (IDR) process.
- \$1 billion in new capital funding for the Safety Net Transformation program and \$330 million in new operating support.
- \$500 million in new funding for the hospital Vital Access Provider Assurance Program (VAPAP).

Notably, the Budget does not address the approximately 450,000 New Yorkers who are expected to lose access to subsidized insurance on July 1<sup>st</sup>. The Senate has introduced a bill ([S9589](#)) intended to preserve health coverage for certain immigrants and low-income individuals who will lose coverage; however, with one week left in session it has a narrow path forward. The Governor previously indicated that the State is working with insurance plans to reduce patient cost-sharing for those shifting to marketplace plans.

The summary below provides further detail on these and other health policy highlights from the Enacted Budget. Where available, legislative sources are marked in [brackets].



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## Medicaid

### Medicaid Global Cap

The Enacted Budget extends the Medicaid Global Cap by an additional year, through FY 2028 [Health and Mental Hygiene (HMH), Part A]. The Global Cap sets a spending limit on state share Medicaid costs at the five-year rolling average of national Medicaid spending projections.

### Managed Care Savings

The Budget includes and modifies some of the Executive proposals intended to reduce expenditures within Medicaid managed care and related programs:

- Removing the guarantee of full Medicare coinsurance payments on crossover claims for psychologists, while retaining protections for ambulance services;
- Repealing the process for children under the age of 19 to apply for a Medicaid presumptive eligibility determination;
- Modifying Medicaid coverage standards for biomarker precision medical testing by removing peer-reviewed literature as an independent coverage basis and clarifying that coverage does not alter standard medical necessity review; and
- Repealing continuous eligibility for Medicaid and CHIP through age six [HMH, Part M].

The Enacted Budget omits the following Executive proposals:

- Requiring Applied Behavior Analysis (ABA) services to be recommended by a provider designated as an ABA Center of Excellence; and
- Eliminating Long Term Services and Supports (LTSS) in the Essential Plan.

### MCO Tax

The Budget directs the Department of Health (DOH), subject to Department of Budget (DOB) approval and federal approval, to seek an amendment to the managed care organization provider tax. Prior to January 1, 2027, health plans continue to pay the existing tiered per-member month fee based on Medicaid, Essential Plan, and other covered member months. Beginning January 1, 2027, the tax would instead be imposed at 0.35% of each state-regulated health plan's total premium revenue [HMH, Part Y].

### Aggregate Medicaid Rate Increase for Hospitals and Nursing Homes

The Budget includes aggregate Medicaid payment increases of up to \$706 million for hospital services, \$480 million for nursing home services, \$20 million for assisted living program services, and \$80 million for Federally Qualified Health Centers (FQHCs). These increases are to be funded

by the Healthcare Stability Fund and are contingent on fund balances and federal financial participation [HMH, Part O].

## **Inpatient Capital Add-on Reduction**

The Budget partially restores inpatient Medicaid capital reimbursement for general hospitals by reducing the capital add-on payment reduction from 20% to 10% effective April 1, 2026. The change also applies to related capital reconciliation adjustments and recoupments [HMH, Part O].

## **Coverage for Noncitizens Over Age 65**

The Budget transitions Medicaid coverage for noncitizens over age 65 from managed care to fee-for-service, effective January 1, 2027 [HMH, Part X].

## **School-Based Health Center Carveout**

The Enacted Budget makes permanent the carveout of school-based health centers from Medicaid Managed Care [HMH, Part Z].

## **Exclusion of Medicaid Services from IDR Process**

The Budget includes the Governor's proposal to remove the Medicaid program from being subject to the independent dispute resolution (IDR) process for surprise out-of-network bills. The Budget also includes a separate methodology for disputes involving the health benefits program for state employees (NYSHIP), revises procedural rules for IDR fees, extends the decision timeline from 30 to 45 business days, and requires the Department of Financial Services (DFS) to report on dispute outcomes [HMH, Part BB]. The State anticipates \$28.5 million in savings in FY 2027 from the Medicaid exclusion [Budget Scorecard].

# **Health Insurance**

## **Prior Authorization and Continuity of Care**

The Budget includes the Governor's proposed reforms to health insurance prior authorization and utilization review processes. The provisions expand the annual health insurance consumer guide issued by DFS to include detailed, plan-specific data on prior authorization and utilization review activity, including but not limited to:

- The number of prior authorization requests;
- Approval and denial rates;
- Appeal and reversal rates; and
- CPT codes most frequently subject to prior authorization.

Plans are subject to the new requirements beginning September 1, 2027. The Budget additionally limits prior authorization review for chronic conditions to no more than once per year following an approved outpatient course of treatment and requires plans to increase transparency around prescription drug formularies. The continuity-of-care period for new enrollees whose provider is out-of-network is extended from 60 days to 90 days and protections for pregnant individuals are expanded [Transportation, Economic Development, and Environmental Conservation (TED), Part HH].

## Hospitals

### Funding for Financially Distressed Hospitals

The Budget includes \$500 million in funding for FY 2027 for financially distressed hospitals through the hospital VAPAP [Budget Scorecard].

### Omitted Proposals

The Budget omits the following Executive proposals:

- Codifying the federal “Acute Hospital Care at Home” demonstration program in state law, which would have permitted general hospitals to provide acute care in patient homes; and
- Extending the timeframe of the “cooling off” period, in which managed care plans and hospitals must continue to operate under an existing contract following its termination, from two months to 120 days.

## Long Term Care

### Nursing Home Capital Reduction

The capital add-on component of skilled nursing facility (SNF) rates was decreased by 5% in FY 2021 and an additional 10% in FY 2025. This Budget includes the Executive Proposal to sunset the additional 10% reduction enacted in FY 2025, leaving only the 5% rate reduction in effect [HMH, Part L].

### Personal Care Administrative Reimbursement

The Budget will limit the personal care fee-for-service administrative reimbursement rate at 15% of total costs and normalize the direct care component of rates. The State anticipates \$7.5 million in savings in FY 2027 from this initiative [Budget Scorecard].

### Reinvesting Nursing Home VAPAP Funds

The Budget will reduce the Nursing Home Vital Access Provider Assurance Program (VAPAP) pool, resulting in \$20 million in state savings in FY 2027 [Budget Scorecard].

## Omitted Proposals

The Enacted Budget does not include the Executive proposals to:

- Amend the premium structure for the Medicaid Buy-In program for Working People with Disabilities (MBI-WPD); and
- Eliminate the Adult Home Advocacy and Adult Home Resident Council programs.

## Workforce

### Temporary Staffing Agencies

The Budget includes, with modifications, the Executive proposal to strengthen oversight of temporary health care staffing agencies, expanded to explicitly include subcontracting and vendor management arrangements in which agencies “connect” individuals who are not its employees with health care entities. The provision revises reporting and record-keeping requirements and authorizes DOH to establish and enforce limits on agency profits. Agencies are prohibited from requiring individuals to pay fees or other compensation for placement or connection with a health care entity [HMH, Part J].

### Omitted Proposals

The Enacted Budget omits the remaining Executive proposals related to workforce, including:

- Expanding scope of practice for physician assistants, medical assistants, certified medication aides, and qualified health care providers; and
- Transferring licensing and oversight of physicians, physician assistants, and specialist assistants from the State Education Department (SED) to the Department of Health (DOH).

## Investor-Backed Health Care Transactions

The Enacted Budget omits the Executive proposal to build on the requirements for material transactions implemented in the 2023-24 Enacted NYS Budget.

## Behavioral Health

### Targeted Inflationary Increase

The Budget includes the customary one-time “Targeted Inflationary Increase” at a rate of 2.7 percent (up from 1.7 percent as proposed by the Executive) for eligible mental hygiene and other human services programs for FY 2027. Eligible programs include those funded, licensed, or certified by OMH, OASAS, OPWDD, OCFS, OTDA, and SOFA [HMH, Part P].

## **Gambling Addiction Insurance Coverage**

The Budget includes the Executive proposal amending various provisions of the insurance law to replace “substance use disorder” with “substance-related and addictive disorder” to ensure that patients with gambling disorders receive the same insurance coverage and protections as individuals with substance use disorders [HMH, Part R].

## **APG Rates**

The Budget includes the Executive proposal to extend the requirement that behavioral health services be reimbursed at Ambulatory Patient Group (APG) rates through FY 2031 [HMH, Part U].

## **Omitted Proposals**

The Budget omits the Executive Proposal that would have authorized the Office of Mental Health (OMH) and Office of Addiction Services and Supports (OASAS) to issue a joint license to providers who deliver both mental health and addiction services.

## **Emergency Services**

### **Cardiac Emergencies**

The Budget includes the Executive proposal to update New York’s automated external defibrillator (AED) law to:

- Modernize definitions in line with technological advancements;
- Revise training, registration, and reporting requirements;
- Remove the requirement that providers enter into collaborative agreements with an emergency health care provider prior to purchasing and operating an AED; and
- Centralize oversight within DOH, including statewide registration of AED locations.

The final Budget also includes a new provision requiring DOH to establish and maintain a public database of AED locations and types [HMH, Part G].

## **Omitted Proposals**

The Budget does **not** include the Governor’s proposals to:

- Authorize EMS practitioners to administer immunizations pursuant to non-patient-specific regimens prescribed or ordered by a physician or nurse practitioner; and
- Extend the authorization of existing community-based paramedicine programs and authorize DOH to expand the programs by allowing new applicants to apply to participate and existing participants to modify their current operations.

## State Agencies

### Department of Health (DOH)

The Budget allocates \$147.2 billion in All Funds appropriations for the Department of Health (DOH), representing a 12% increase from FY 2026, which includes:

- Aid to Localities: \$142.1 billion [AtL 887]
- Capital Projects: \$1.42 billion [Capital 456]
- State Operations: \$3.69 billion [State Ops 401]

This includes the previously mentioned \$1 billion in capital funding for the Safety Net Transformation Program [Capital Projects 459].

### Office of Mental Health (OMH)

The Executive Budget allocates \$6.3 billion in All Funds appropriations for the Office of Mental Health (OMH), representing a 6.3% increase from FY 2025, which includes:

- Aid to Localities: \$3.49 billion [AtL 1267]
- Capital Projects: \$0.444 billion [Capital 563]
- State Operations: \$2.40 billion [State Ops 626]

### Office of Addiction Services and Supports (OASAS)

The Executive Budget allocates \$1.36 billion in All Funds appropriations for the Office of Addiction Services and Supports (OASAS), representing an 8% increase from FY 2026, which includes:

- Aid to Localities: \$1.05 billion [AtL 1232]
- Capital Projects: \$0.093 billion [Capital 538]
- State Operations: \$0.199 billion [State Ops 616]

### Office for People with Developmental Disabilities (OPWDD)

The Executive Budget allocates \$10.39 billion in All Funds appropriations for the Office for People with Developmental Disabilities (OPWDD), which includes:

- Aid to Localities: \$7.88 billion [AtL 1316]

- Capital Projects: \$0.143 billion [Capital 610]
- State Operations: \$2.37 billion [State Ops 640]

## Other

- \$30 million in funding for the Statewide Health Information Network for New York (SHIN-NY), \$2.5 million of which must be used for modernizing health reporting systems [Capital 461]

## Other Health Care Provisions

### New York City Public Health Reimbursement

The Budget includes the Executive proposal to increase New York City's minimum reimbursement rate for eligible public health services from 20% to 36%, consistent with other municipalities. As proposed by the Governor, the Budget also eliminates the State's interception of NYC sales tax revenues used to fund the Distressed Provider Assistance Account [HMH, Part T].

## Extenders

The Budget extends the authority for various existing provisions, such as:

- The authorization for the statewide Medicaid managed care program is extended through FY 2029 [HMH, Part B, Sections 1-2].
- The statutory authority for integrated Medicaid service delivery models and related demonstrations is extended through FY 2029 [HMH, Part B, Section 3].
- The use of Office of Professional Medical Conduct (OPMC) funds for the Physician Profile website is extended through FY 2029 [HMH, Part B, Section 4].
- The authorization for the Statewide Health Information Network (SHIN-NY) and the Statewide Planning and Research Cooperative System (SPARCS) is extended through FY 2029 [HMH, Part B, Section 5].
- The statutory authority related to pharmacy reimbursement and prescription drug coverage under the Elder Law program is extended through FY 2029 [HMH, Part B, Section 6].
- The nursing home "Medicare Maximization" framework is continued through February 1, 2029 [HMH, Part B, Sections 7-9].
- The authority for DOH to negotiate supplemental rebates for certain drug classes is extended through FY 2029 and a related statutory sunset is extended through FY 2032 [HMH, Part B, Sections 10-11].
- The statutory authority for statewide hospital quality and sole community pools that support Medicaid financing arrangements, including the New York City Health + Hospitals UPL conversion, is extended through FY 2029 at an estimated value of \$250M. [HMH, Part B, Section 12].

- The authorization of services for nonresidents in adult homes, residences for adults, and enriched housing programs is extended through July 2029 [HMH, Part B, Section 13].
- The exemption from electronic prescribing for low-volume prescribers is extended through May 2029 [HMH, Part B, Section 14].
- The distribution methodologies for the voluntary indigent care pool and Disproportionate Share Hospital (DSH) fund are extended through December 2029 [HMH, Part B, Section 15].
- The regulatory flexibility for certain Delivery System Reform Incentive Payment (DSRIP) program promising practices is extended through FY 2028 [HMH, Part B, Section 16].
- Flexibilities for pharmacist-directed lab and testing flexibilities are extended through July 1, 2030 [HMH, Part B, Section 17].
- The Collaborative Drug Therapy Management (CDTM) demonstration is extended through July 1, 2030 [HMH, Part B, Section 18].
- The authorization for physician assistants to issue non-patient specific orders for routine Covid-19 and influenza testing is extended through July 1, 2030 [HMH, Part B, Section 19].
- The telehealth payment parity law is extended through FY 2028 [HMH, Part B, Section 20].
- The Statewide Medicaid integrity and efficiency initiative to support audit recoveries, efficiencies, and other cost avoidance measures is extended through FY 2028 [HMH, Part B, Section 21].
- The authority for the NY State of Health customer service contract is extended until August 19, 2027 [HMH, Part B, Section 22].
- The Medicaid managed care carve-out for Nursing Home Diversion and Transition (NHTD) waiver services is extended through January 1, 2028 [HMH, Part B, Section 23].
- The Health Care Reform Act (HCRA) programs are extended through FY 2029, consistent with the State's standard practice of reauthorizing HCRA in three-year increments [HMH, Part C].
- The Empire Clinical Research Investigator Program (ECRIP) is extended through FY 2029 [HMH, Part C, Section 10].
- The Physician Excess Medical Malpractice Program is extended through June 20, 2027 [HMH, Part D].
- Payments for the NYS Medical Indemnity Fund are extended through June 1, 2027 [HMH, Part I].
- The OPWDD care demonstration program is extended through FY 2028 [HMH, Part W].
- The current reimbursement methodology for pediatric facilities for medically fragile children is extended through FY 2029 [HMH, Part AA].

## Omitted Proposals

The Enacted Budget does **not** include the following Executive proposals:

- Changing the Physician Excess Medical Malpractice program's premium payment structure to require practitioners to contribute 50% of the cost; and

- Implementing a rate reform for the Medical Indemnity Fund (MIF) that would set reimbursement rates at 100% of the Medicare rate for qualifying health care costs.

The Budget also omits the Governor's proposals to discontinue the following policies and programs:

- The operating assistance sub-program for enriched housing in Adult Care Facilities;
- The Enhanced Quality of Adult Living (EQUAL) program, which offers incentive payments to operators of Adult Homes and Enriched Housing Program based on their safety net populations;
- The Empire Clinical Research Investigator Program (ECRIP);
- The Tick-Borne Disease Institute; and
- The requirement for DOH to audit the number of working hours for hospital residents.