

Health Care Transformation Fund (HCTF)

Pursuant to Part FFF of Chapter 59 of the Laws of 2018, the Health Care Transformation Fund (HCTF) was created to account for receipts associated with health care asset sales and conversions. Moneys in the HCTF are to be made available for transfer to any other fund of the State, as directed by the Director of the Budget, to support health care delivery, including for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. Future proceeds related to asset sales and conversions may be directed to flow through the HCTF, subject to regulatory approvals.

| HEALTH CARE TRANSFORMATION FUND PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018 (millions of dollars) | | | | | |
|---|---------------------|---------------------|--------------------|------------------|------------------|
| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| | Current | Proposed | Projected | Projected | Projected |
| Opening Balance | 315 | 0 | 0 | 0 | 0 |
| Receipts | <u>138</u> | <u>248</u> | <u>68</u> | <u>0</u> | <u>0</u> |
| Fidelis Payment | 50 | 50 | 0 | 0 | 0 |
| Centene Payment | 68 | 68 | 68 | 0 | 0 |
| CVS Payment | 13 | 13 | 0 | 0 | 0 |
| Cigna Payment | 7 | 7 | 0 | 0 | 0 |
| Affinity Payment | 0 | 110 | 0 | 0 | 0 |
| Planned Uses | <u>(453)</u> | <u>(248)</u> | <u>(68)</u> | <u>0</u> | <u>0</u> |
| Housing Rental Subsidies | (272) | (118) | (68) | 0 | 0 |
| State-Only Payments | (160) | (110) | 0 | 0 | 0 |
| Capital Projects | (21) | (20) | 0 | 0 | 0 |
| Closing Balance | 0 | 0 | 0 | 0 | 0 |

Fidelis - Centene Asset Sale

In September 2017, Fidelis Care (a nonprofit insurer associated with the Catholic Diocese of New York) agreed to sell a substantial portion of its assets to Centene Corporation, a for-profit health insurer based in St. Louis, Missouri, in order to facilitate Centene's entry into the New York's health insurance marketplace. Consistent with previous transactions of similar nature in New York, the transaction was subject to regulatory approval by DOH, DFS and the Office of the Attorney General (OAG). The transaction included an agreement that the companies would contribute an estimated \$2 billion over five years beginning in FY 2019.

Direct payments are expected to offset State costs for health care transformation activities, including enhancing access to affordable quality health care and health care-related services for the poor, disabled, disadvantaged, elderly and/or underserved people of the State, and/or to assist populations with any unmet health care-related needs including, but not limited to, those associated with the social determinants of health.

Following completion of all regulatory approvals, the initial \$1 billion direct payment from Fidelis Care was deposited into the HCTF in July 2018, followed by a second round of payments totaling \$468 million at the end of FY 2020.

In December 2020, the State received Centene's \$68 million contribution for FY 2021, with the remaining \$50 million contribution from Fidelis expected to be received prior to FY 2022. Future deposits into the HCTF from Centene and Fidelis include a total of \$118 million in FY 2022, \$68 million and \$50 million, respectively, and \$68 million in FY 2023 from Centene, at which time the conversion will be complete, and all State commitments fulfilled. The HCTF does not include increased insurance tax receipts from Centene or higher Medicaid provider rates paid to Centene, which are reflected in the General Fund and represent a component of the estimated \$2 billion contribution over five years.

CVS - Aetna Acquisition

In November 2018, DFS approved an application by CVS Health Corp. and CVS Pharmacy Inc. to acquire Aetna Health Insurance Company, a New York domestic stock accident and health insurance company. The acquisition was subject to several conditions, including enhanced consumer and health insurance rate protections, privacy controls, cybersecurity compliance, and a \$40 million obligation to New York State over three years. In December 2020, the State received the second of three planned installments, which totaled approximately \$13 million. One remaining installment, commensurate with amounts collected in FY 2020 and FY 2021, is planned for collection in FY 2022, at which time the obligations will be paid in full.

Cigna Health and Life Insurance Company (Cigna) - Express Scripts

In December 2018, DFS approved the request by Cigna Corporation, a health services organization, to acquire Express Scripts, a subsidiary pharmacy benefit management organization of Medco Containment Insurance Company of New York. Pursuant to the DFS approved terms, the combined entity is expected to contribute a total of \$20 million to New York through FY 2022 and will implement an enhanced care model that will reduce the cost of care and coverage gaps related to diabetes care, cardiology care and opioid abuse. Additional conditions include adherence to New York's cyber-security regulations and consumer protections related to insurance premiums and drug prices. In February 2020, the State received the first of three annual installments totaling approximately \$7 million.

Affinity - Molina Healthcare

In late September 2020, Affinity Health, a not for profit health plan providing Medicaid, EP and CHP services, finalized agreements on the sale of its' assets to Molina Healthcare. In the terms of the agreement, Affinity will make a voluntary commitment to the State from the proceeds of liquidation. At the completion of the acquisition, the State estimates a one-time collection estimated at \$110 million, which will be used in FY 2022 to offset the cost of State only payments funded from the Global Cap.

DOB expects to transfer HCTF funds from the above transactions to the General Fund to offset State costs for health care transformation activities.