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Medicaid 340B carve-out in New York could hurt vulnerable Long Islanders, advocates say



Peter A. Grisafi, president and CEO of Damian Family Care Centers, at the company's Lake Ronkonkoma facility. Credit: Newsday/John Paraskevas

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Updated March 13, 2023 5:14 pm

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A looming change to the Medicaid managed care system is under fire, with local hospital and community healthcare center officials, clinicians and health care advocates fearful of the impact on New Yorkers.

While the state Department of Health said the move will result in millions in savings with no impact on

service, health care advocates said the change to the pharmacy benefit system, slated for April 1, will cause more harm than good, especially for so-called safety net facilities serving the most vulnerable populations in Nassau and Suffolk.

Previously implemented in four states, including California, the change, known as the 340B “carve-out,” would shift the Medicaid pharmacy benefit to a fee-for-service model. In layman’s terms, the state will forego millions in federal reimbursements now passed along to hospitals, clinics and centers in exchange for cheaper prescription prices — with the promise the state will make up the funding difference with money saved by the move.

The state Department of Health's Medicaid director, Amir Bassiri, said the change will “cut out the middleman” and trim waste.

WHAT TO KNOW

- **A change to the Medicaid managed care system**, known as the 340B carve-out, is set to take effect on April 1 in New York
- **The state Department of Health** says the move will result in significant savings and trim waste, with no impact on service
- **But advocates** say the change could cost health care providers millions of dollars and impact access to care for the state's most vulnerable residents

“It allows us to go to the big drug companies and say, ‘We want bigger discounts, we’re the State of New York,’” Bassiri said.

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“This is very much blind to the patient,” he said, adding that “100%” of FDA-approved drugs will remain covered.

But local hospital and health care officials and advocates said the impact will be dramatic because the federal reimbursements being forfeited now fund a wide range of services needed for “whole-patient” care: not just doctors, nurses and outreach workers, but also

childcare and transportation services, community healthcare improvement projects and programs to benefit the elderly, homeless and other at-risk populations, such as those impacted by HIV/AIDS.

Peter A. Grisafi, president and CEO of Damian Family Care Centers, a not-for-profit that operates 14 community centers in New York, including the Ronkonkoma Health Center in Lake Ronkonkoma, said while state officials have told providers they will be reimbursed, the state has not detailed how that will happen or when.

“The Medicaid commissioner is claiming the state will reap a lot of money in savings — and that the state will make sure everyone is made whole,” Grisafi said. “But they haven’t disclosed how that’s going to happen.”

He added, “Other states have tried this and it’s failed miserably. As far as we’re concerned, right now it’s a lot of smoke and mirrors.”

Detractors say though the proposed change has been in the works for years, the state still has not clearly defined how it will replace the funds lost in the carve-out.

Bassiri acknowledges the road to reimbursement still isn’t clear but disagrees that the impact will be significant, noting the number of uninsured people is much lower than it was when the 340B program was created in 1992.

“I think a lot of what’s happened is about putting your trust in the state,” Bassiri said of the controversy. “Is the devil you know effectively better than the devil you don’t?”

'A safety net for people who most need one'

Implementation of the carve-out means the state will mandate one approved formula per prescription instead of more than a dozen now in use. That means millions of people across New York will need to seek authorization or re-authorization for prescriptions, while in many cases patients treated with complex prescription formulas needed for diabetes, HIV and other illnesses will be forced off medications and onto new ones, said Danielle A. Sestito, senior director of pharmacy services at Northwell Health, the second-largest provider of care for Medicaid patients in New York.

“The state may think it’s ‘No harm, no foul.’ But for them to say the patient is blind to what happens here is just not true ... We do feel this is going to disrupt patients; that’s the bottom line,” Sestito said.

Like many other hospitals, clinics and healthcare centers in Nassau and Suffolk, North Shore University Hospital-Northwell in Manhasset gets reimbursed with so-called Ryan White funds from the 340B program — money dedicated for HIV/AIDS care programs that helps offset the ever-escalating costs of drug treatments not for just HIV/AIDS, but also for other specialized healthcare needs, said Dr. Joseph McGowan, medical director for the HIV service line program at North Shore.

“We’ll be losing millions of dollars, tens of millions of dollars, in New York State that will never be recouped,” McGowan said. “From the state point of view you think you’re going to be saving. But that money? It’s in the wind, lost ... Just for Long Island what you’ll see is millions just sucked right out of the system.”

A spokesman for the Greater New York Hospital Association, Brian Conway, said the association’s opposition to the carve-out isn’t just “because it would limit hospital reimbursement for 340B drugs.”

He said it “would damage hospital finances.” And, he said: “For financially struggling safety net hospitals, it could even impact access to care.”

Most, if not all, hospitals would be “adversely impacted,” Conway said.

On Long Island, that means not just the healthcare giants – Long Island Jewish, Nassau University Medical Center and others – but agencies like the Visiting Nurse Service and so-called federally qualified healthcare centers like the Ronkonkoma Health Center that figure to be hit hard by the loss of funds.

“At the end of the day who does it affect?” Grisafi said. “It affects people who are disproportionately vulnerable ... patients who aren’t insured or who have inadequate insurance. This funding allows for health care that is a safety net for people who most need one.”

Repeal sought

A bill seeking repeal of the carve-out currently is in committee in the State Legislature. But it’s unclear what action, if any, could take place before the April 1 implementation date – and advocates fear by then it’ll be too late.

“Once you dismantle this you can’t just put it back together again,” McGowan said. “You end up losing a stream of money you cannot tap into any other way ... It’s shockingly ill-informed and reckless.”

Grisafi said health care advocates who have argued against implementation of the carve-out have been pushing since 2020 for some other path to savings.

“We’ve proposed alternative methods to achieve what New York State is trying to achieve here,” he said. “We just want something everyone can agree on. Something that works.”



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