

Letter to State Leaders Demands Fix to Broken Medicaid Managed Care System & Offers Solution to Save State \$400M per year

Letter Urges Governor & State Leaders to remove community-based behavioral mental health and substance use services from the state's Medicaid managed care program

(Albany, NY) The New York State Council for Community Behavioral Healthcare released a [letter](#) sent to key state leaders and signed by 19 of community-based associations and advocacy organizations, representing hundreds of thousands of New Yorkers, from across the state urging New York State leaders to remove Office of Mental Health (OMH) and Office of Addiction Services and Supports (OASAS) mental health and substance use services, from the state's Medicaid managed care program. That change would restore much-needed essential services to New Yorkers fighting for access to care, and to preserve scarce resources, while also saving New York state more than \$400 million per year.

In 2015, under the Cuomo administration, the state of New York moved outpatient mental health and substance use disorder or addiction services available through the public mental hygiene system into Medicaid managed care. This decision essentially gave control of the day-to-day management of Medicaid benefits to (mostly for-profit) insurers. The impact of this decision has been disastrous for community providers and the hundreds of thousands of New Yorkers on Medicaid. This change was supposed to ease the burden, but 43% of New Yorkers seeking mental health (and substance use services) are stuck on waiting lists.

This policy has resulted in fiscally fragile safety net providers being forced to spend their limited resources on administrative and legal fees to be reimbursed for their healthcare services. Some providers are spending more than \$1 million on back-office support to:

- pursue Managed Care Organizations (MCOs)
- file complaints with regulators, upgrade billing systems
- hire attorneys to threaten legal action against MCOs for failure to pay
- reprocess claims that are paid at the wrong rate by MCOs months and sometimes years after they are required by law to do so
- manage what appears as intentionally complicated and opaque tactics in which MCOs take back payments without notifying the provider first, and where the provider is left to try and piece together why the health plan/MCO took the funds back and then pursue the insurer.

The NYS Council and the signers of the letter are calling for the state to rectify these issues, which would improve the lives of New Yorkers and save the state hundreds of millions of dollars, writing:

“Now is the time for New York State to take managed care middlemen out of the equation and move behavioral health services back to Fee for Service in Medicaid, as Senate bill 8309 / Assembly bill 8055 sponsored by Mental Health Committee Chairs Senator Brouk and Assemblymember Simon would do. This is what will truly protect and expand access for vulnerable New Yorkers with Medicaid in need of mental health and addiction care.”

“Governor Hochul has been a champion of New Yorkers with significant substance use disorder and/or mental health challenges, and making this change will build on that, while saving the state money,” said **The New York State Council for Community Behavioral Healthcare Executive Director Lauri Cole**. “We are hopeful the administration sees the value in returning this model of care to a more straightforward, more streamlined approach that is more efficient and cuts out for-profit middlemen who block access to care for more than half a million New Yorkers. This change will also provide \$400 million dollars in savings that can be used to improve mental health and substance use services and support.”

“As a statewide organization that represents parents and young people with lived experience, we call on Governor Hochul to carve behavioral health services from Medicaid Managed Care and reinvest savings directly into access to care,” said **Paige Pierce, CEO of Families Together in New York State**. “From the moment we realize our child needs help, parents act with a sense of urgency to find care only to be met with insurer indifference, and a system seemingly built to limit access. Far too many parents have lived through the agonizing experience of making countless calls seeking providers in-network or connecting to short-staffed programs with months-long waitlists. The reality is that instead of simply providing care, staff are forced to spend precious time chasing delayed payments and appealing denied claims.”

“New York State's transition of children's behavioral health services to Medicaid Managed Care has failed too many families,” said **Alice Bufkin, Associate Executive Director of Data and Policy at Citizens' Committee for Children of New York**. “Rather than enhancing families' access, we have seen more and more families suffer on waitlists for mental health services and too many children end up in hospitals or congregate care under the managed care system. Meanwhile, hundreds of millions in taxpayer funds are going towards for-profit companies rather than towards the services families desperately need.”

The time is now for New York to carve OMH and OASAS services out of Medicaid managed care."

"It is time for New York State to carve OMH and OASAS community-based behavioral mental health and substance use services out of Medicaid Managed Care and back into fee-for-service," said **Mental Health Association in New York State (MHANYS) CEO Glenn Liebman**. "Removing these services from Medicaid Managed Care would generate upwards of \$400 million for the community-based system that is under tremendous stress amidst the mental health crisis and providers facing workforce challenges, including 20%-30% vacancy rate and a 25% annual turnover on average, as well as rising operational and programmatic costs. The track record of the managed care companies is quite clear with over 300 citations issued by state regulators against the managed care companies since 2019 and survey data from providers confirming protracted delays in being reimbursed and staff time and resources spent on administrative red tape. New Yorkers and their families deserve better. Now is not the time to perpetuate the status quo." (Glenn Liebman)

"The National Alliance on Mental Illness of New York State (NAMI NYS) urges elected officials to remove managed care middlemen from Medicaid behavioral health services. Returning these services to Fee-for-Service will reduce administrative costs and curb excessive claim denials. Equitable access to mental health and substance use care depends on true parity, affordability, and a well-supported workforce. We stand ready to work with Governor Hochul, the Office of Mental Health, and legislative leaders to ensure the behavioral health system receives the support it urgently needs and deserves." **James Norton, Government & Community Affairs Manager, NAMI NYS.**

"Friends of Recovery–New York has been truly grateful for Governor Hochul's commitment to the behavioral health community and New York's most vulnerable. Our statewide network sees every day that recovery is possible when people have equitable access to non-punitive, person-centered services. Returning these services to Fee-for-Service Medicaid, as proposed in S.8309 (Brouk) / A.8055 (Simon), would stabilize the provider network and save the state over \$400 million annually, savings made even more critical amid broad federal funding cuts, including HR 1, and could instead directly support vulnerable New Yorkers rather than subsidize for-profit insurance bureaucracy."

Dr. Angelia Smith-Wilson, Executive Director, Friends of Recovery- New York.

"The Therapeutic Community Association of NY (TCA-NY) represents thousands of residential treatments beds across New York State, spanning dozens of nonprofit agencies. We urge the Hochul administration to include an executive proposal in the upcoming SFY27

budget that would allow for improved access to care and better service delivery to Medicaid members with significant substance use disorder challenges. Across New York, access to care - to include residential care for those New Yorkers who need it - should be available on demand, and the path to secure these services must be free of barriers such as third parties that all too often put barriers in the way and/or delay reimbursement to providers providing this essential care.” **Seep Varma, President, Therapeutic Communities Association of NY**

“The current managed care structure creates unnecessary barriers for community-based providers and the people they serve. Removing community-based behavioral mental health and substance use services from the State’s Medicaid managed care program will streamline reimbursement, stabilize the workforce, and strengthen the critical connection between housing and treatment that supports long-term recovery.” **Laura Isabelle, LCSW, Director of Policy, Association for Community Living (ACL)**

“Behavioral health services in New York State are at an inflection point. The members of our consortium serve thousands of New Yorkers each day. We implore Governor Hochul and state lawmakers to take measures that save taxpayer dollars while easing the burden on providers and (most importantly) increasing access to care for New Yorkers with Medicaid insurance.” – **Ed Cichon, Public Policy Chair, Western New York Chemical Dependency Consortium**

“When people receive timely care, recovery from substance use disorders and many mental health conditions is not only possible but expected. Medicaid Managed Care (MMC) was meant to reduce costs and improve care coordination but instead diverts clinician time and drives up service costs through unnecessary administrative complexity. The resulting delays in access push people into preventable crises, homelessness, or higher-cost levels of care. The harm ripples across families and entire communities. InUnity Alliance urges the State to remove community-based mental health and addiction services from MMC and reinvest the savings into the behavioral health prevention, treatment, and recovery services.” - **Sarah DuVall, MPH, Chief Research and Policy Officer, InUnity Alliance**

Allegra Schorr, President of The Coalition of Medication Assisted Treatment Providers and Advocates (COMPA) said, “After a decade, Medicaid Managed Care has failed New Yorkers who need behavioral health treatment. It has become an expensive intermediary—adding costs to the state, imposing crushing administrative burdens on providers, and routinely denying payment for care that was properly delivered. These failures undermine

access to life-saving treatment and make it harder for programs to recruit and retain staff. Moving behavioral health services back to Medicaid Fee-For-Service would save hundreds of millions of dollars while expanding access to care. The Legislature must end this failed experiment and put patients—not insurance bureaucracy—first by passing S.8309 / A.8055.”

“The New York State Psychiatric Association (NYSPA) supports the return of OASAS and OMH behavioral health (mental health and substance use disorder) outpatient services back into Medicaid fee-for-service,” said **Rachel A. Fernbach, Esq., NYSPA Executive Director and General Counsel.** “The carve-in of these services into Medicaid managed care has proven detrimental to the ability of New Yorkers to secure the mental health and substance use disorder care they need in a timely fashion. Since 2019, over 300 citations have been issued by state regulators against Medicaid managed care companies for serious violations, including failing to pay the required rates and inappropriate claim denials. Now is the time for New York State to transition these services back into fee-for-service as we continue to contend with a mental health crisis and looming changes as a result of federal action that will impact the entire health and mental health systems.”

For a full copy of the letter, [**click here**](#).

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The New York State Council for Community Behavioral Healthcare (“The Council”) is an outcome-oriented statewide, non-profit, 501(c)(3) membership organization composed of 175 community-based organizations that provide recovery-focused mental health and/or substance abuse/chemical dependence and addiction treatment programs and services for New Yorkers in need. The NYS Council provides our members with top quality government relations services and advocacy leadership that have resulted in many critical “wins” for providers and consumers over the past decade. We deliver timely and accurate information and analysis on local, state, and federal budget and policy issues. Our members’ services are available in a variety of community settings including freestanding agencies, behavioral health divisions of general hospitals, and county mental hygiene programs.