



**Testimony before the Joint Legislative Budget Committee**

**Topic: Exec Budget Proposals related to Mental Hygiene**

**February 4, 2026**

Good morning. My name is Lauri Cole, and I am the Executive Director of the New York State Council for Community Behavioral Healthcare (“The NYS Council”), a statewide membership association representing the interests of 175 community based mental health and addiction prevention, treatment, recovery, and harm reduction agencies that provide a broad range of essential services in local communities across New York. NYS Council members operate these services in a variety of settings including freestanding nonprofit agencies, counties, and general hospitals.

Below please find our response to various proposals in the Governor’s Executive Budget.

Please note: We feel compelled to begin with a discussion of several critical requests from the behavioral health sector that were NOT included in the executive budget proposal, as well as those proposals that are not fully funded by the Executive. For example, our top priority this year focuses on securing a carve out of most mental health and substance use disorder services from the state’s Medicaid managed care program. This is NOT included in the executive proposal despite the numerous benefits associated with implementation. A carve out would generate a minimum of \$400M/year allowing NYS to fully fund a 2.7% TII for the mental health and substance use disorder sub-sectors, we could address serious gaps in access to care that exist across the state, while also investing resources that would permit providers to recruit and retain the workforce we need and that all New

Yorkers deserve – all while increasing access to care and removing for-profit corporations that have an inherent conflict of interest and should not be ‘managing’ behavioral health services due to their profit motive.

### ***BUDGET REQUESTS NOT INCLUDED IN EXECUTIVE PROPOSAL***

#### ***ACCESS TO CARE CRISIS CONTINUES BUT CAN BE REVERSED WITH A CARVE OUT & REINVESTMENT OF \$400M TO FULLY FUND 2.7% TII AND OTHER STRATEGIC INVESTMENTS***

In 2015, NYS leaders made the decision to carve in OMH and OASAS mental health and substance use disorder services into the state’s Medicaid managed care program. This decision was made under the Cuomo Administration and must be reversed. The Executive Budget is silent on this matter. This is an unacceptable outcome given the serious conflict of interest that faces care recipients and providers under the thumb of for-profit insurers who are focused entirely on profits – not people.

It's been a decade since the carve in of our services and all impacted stakeholders, other than the middlemen (MCOs) that are profiting from this scheme, are suffering under the weight of this failed policy experiment. Despite years of focused advocacy led by our association and designed to address the tactics insurers utilize to delay or deny services, and to delay or deny payment to community-based providers.

At the present time, Medicaid members with serious mental health and/or substance use disorder conditions are waiting for months and sometimes over a year to secure services through the state’s public mental hygiene system. As a result, communities are left scrambling to address the unmet needs and negative consequences associated with vulnerable community members who are at risk or already suffering as a consequence of a serious mental health or addiction challenge. State agencies have built crisis response and crisis diversion capacity, and these are important investments however they do not replace access to ongoing recovery and treatment services. Increased rates of homelessness, incarceration, and utilization of acute services that are far more costly than community-based care, are largely

preventable when the system is geared to focus on the needs of care recipients – not shareholders.

In September 2024 and again in 2025, the NYS Council surveyed our members statewide and found that year over year there was no appreciable decrease in waiting lists for community-based outpatient services. Specifically, in 2024, 45% of all OMH mental health outpatient clinics had sizeable waiting lists, while in 2025 the rate was almost the same at 43%. And yet the state continues to pay the insurers whose responsibilities include ensuring timely access to care. New York State has experienced increasing rates of youth suicide (9.9% increase over the last 9 years according to the CDC), and sustained rates of overdose in communities of color and in other underrepresented communities, and you have a recipe for the ongoing emergency facing New Yorkers with few choices and increasingly complex needs. And yet, NYS continues to pay corporations for services that are supposed to provide care coordination and other services designed to head off these preventable crises through robust access to a broad range of services that can address a disease process before it becomes a full-blown emergency.

There are several reasons for waiting lists and other delays beginning with demands for services that result in our needing to recruit and retain a workforce that is trained and ready to meet demand for services. However, we are unable to recruit the workforce we need due to inadequate reimbursement rates and the sheer difficulty of the work, coupled with use of sophisticated tactics employed by Managed Care Organizations (MCOs) that are employed by NYS to gatekeep these services. Insurers will do anything to hold on to the funds the state pays them to ‘manage’ care for New Yorkers with these conditions as they delay or deny services to care recipients, and they delay or deny prompt and complete reimbursement to providers. All of this leaves already fiscally vulnerable community agencies in a position where they cannot compete in today’s challenging job market. At the present time, OMH and OASAS Programs have a job vacancy rate approaching 30% and these numbers have not changed substantially for several years. That makes the \$400M the state is paying insurers to gatekeep and block care and reimbursement, that much more insulting.

The members of this Committee need to know that over the last 4 years, and despite the fact that this body has worked with the Executive to enact COLAs for the human services sector, insurers managing mental health and substance use disorder services that are responsible for reimbursing them based on state

requirements, fail to pay the rates that reflect the COLAs you have passed year after year. In fact, many providers wait years for insurers to pay accurate rates that reflect enacted increases prioritized by the members of the Legislature.

In 2023, Attorney General Letitia James' Office conducted a secret shopper survey of both Medicaid and commercial insurance companies working in NYS, looking at the list of practitioners they said would be available to serve Medicaid and commercial beneficiaries. The Office found that provider directories published for these beneficiaries were riddled with inaccuracies. Close to 85% of the entries in the directories reviewed were in some significant way inaccurate to include providers that no longer offer care, are not accepting new clients, or don't exist.

To make matters worse, providers are often forced to hire between 3-6 additional staff to work in their back offices chasing delinquent or inaccurate payment for services rendered months and sometimes years earlier. The game is to make the provider want to give up so the insurer can pocket the savings. Meanwhile, providers are often forced to rely on agency credit lines to keep the lights on and the payroll coming.

Contrary to insurer claims that they do not have high claims denial rates, over 320 citations have been issued by NYS against MCOs, and of these close to 100 were issued for insurer inappropriate claims denials and/or failure to pay the correct rates to providers, including failure to pay COLA increases, *with no meaningful consequences to the insurer and despite state laws that require them to comply on time and in full.* **A recent study looking at external appeals of New Yorkers who dared to appeal an insurance denial for care found that in a whopping 64% of these instances, an independent medical examiner overruled the insurer decision.**

Perhaps all of this would be somewhat manageable if NYS regulators conducted robust surveillance, monitoring and enforcement of such violations, but robust enforcement does not exist in our carve in, and after 10 years of fighting for it, we do not believe New York is interested in stopping insurer tactics that are at best unethical, and more often in violation of state laws and regulations. **Our association has been offering solutions, and escalating our advocacy to secure meaningful changes to this broken policy experiment for years, however the situation is worse than ever, and we need your help to fight for increased access to care and a return of \$400M currently paid to insurers, to bolster our workforce and address care gaps. Stated differently, New York State can save**

**(at a minimum) \$400 million/year by removing for-profit insurers that focus on profits rather than people - from the equation.**

We urge New York lawmakers to protect vulnerable New Yorkers and the providers that serve them by including our proposal to carve out most mental health and substance use disorder services from the state's Medicaid managed care program. Doing so will remove insurer / middlemen, immediately increase access to care, and allow \$400M in scarce resources to be returned to OASAS and OMH (where the funds come from) to invest in service expansions, our severely underpaid workforce, and to address longstanding needs in our care delivery systems.

We urge this committee to take action to return the responsibility for reimbursement of these services to the Medicaid Fee for Service system, and to reinvest the funds currently paid to for-profit insurers whose primary motive is profit – not people – to our systems of care. Using for profit insurers to manage services is a massive conflict of interest, one New York State taxpayers can no longer afford.

The time is now to return these services to a direct reimbursement strategy between the state and providers. The NYS Fee for System DOES include strong utilization limits that prevent providers from overbilling.

Please include our carve out request in your one house bills, and pass our legislation, sponsored by Senator Brouk and Assemblywoman Simon, (S8309-A/A8055) as soon as possible.

**Addressing Anticipated Increase in # of Uninsured New Yorkers Needing Mental Health and/or Substance Use Disorder Services and Supports from the state's public mental hygiene system**

Unfortunately, Governor Hochul's executive budget proposal does not include a 'Plan B' for already fiscally challenged OMH and OASAS providers in the likely event that the numbers of uninsured New Yorkers seeking mental health and/or substance use disorder services through New York's public mental hygiene system, grows as result of the implementation of federal work requirements and other draconian federal actions.

At the present time, OMH contributes some funds to an Uncompensated Care Pool that gets some federal assistance too. OASAS provides some net deficit funds to some providers; however, neither of these resources are at all adequate to address

what may be significant increases in the numbers of uninsured New Yorkers seeking services through our systems of care. Even with the most liberal interpretation by NYS regarding the people with certain diagnoses that would be exempt from federal work requirements, the paperwork and online filings required for those we serve to remain insured, will be onerous and many will fall off the Medicaid rolls. The eligibility process that requires New Yorkers with Medicaid to prove and renew their eligibility, is moving from a yearly process to an every six 6 months process and for individuals with cognitive impairments, or those who cannot figure out what will undoubtedly be a wildly complicated process, will result in an increase in the number of New Yorkers applying for benefits, or renewing their benefits, and the resources currently available to providers that deliver care to uninsured New Yorkers has not increased in many years despite the fact that the rules associated with when a provider can access these funds, have changed and have made more providers eligible. When eligibility for access to limited resources grows without an accompanying increase in available resources, providers are left stranded and must face impossible choices in order to stay fiscally viable.

We urge this Committee and the members of the NYS Legislature to prioritize this issue and speak to your leaders about this very concerning problem that is not addressed in the Governor's budget proposal despite the numerous proposals in the same budget proposal that provide for hospitals and other institutional settings that are facing viability challenges. We agree with these proposed investments however we think it must include additional resources for the community-based agencies that are the safety net for millions of New Yorkers, many of which are likely to become uninsured. Without strategic investments in this area, providers may be forced to limit the amount of uncompensated care they can provide or worse yet, they may have to restrict care dramatically in order to keep their doors open. New York State needs a final budget deal that includes an emergency plan to contend with increased numbers of uninsured New Yorkers who want and deserve access to services regardless of the insurance card in their pocket – as well as those unlucky enough to have no insurance.

**OMH: Children's Outpatient Rates Increase**

Addressing social media exploitation and the needs of school aged youth who will benefit from initiatives such as the Governor's proposed expansion of Mental Health First Aid and school-based mental health service, is incredibly important, and we are grateful to the Governor for her continuing support and focus on expansion

of these initiatives, and more generally for her attention to the needs of New Yorkers with mental health and substance use disorder conditions. However, these initiatives cannot and do not replace the critical need for services for children and youth with high needs making the absence of continued investment in **treatment** for children, youth and families with these needs absolutely essential.

The HealthyMinds, HealthyKids Campaign, hosted by Citizen's Committee for Children, has been at this table for several years requesting an investment of \$200M to address the unique needs of service providers that focus on New York's children and youth with significant challenges. As time goes on without this increase, we observe a continuing deterioration in access to timely services that meet the actual needs of some of New York's most vulnerable children and families. Access to care continues to shrink as various services along the children's mental health continuum are harder to secure as the result of insurers dropping contracts with providers, and as services on the low acuity end of the continuum prove to be unavailable to meet current demand. When services on the less intensive end of the service delivery continuum are either ineffective, under reimbursed, or restricted in some other way, New York's children and youth suffer as they wait for care and (in many instances) develop more serious problems.

We strongly recommend an immediate investment of \$200M in the OMH Medicaid outpatient system to begin to stabilize the foundation of care and to improve access for those 3 out of 4 youth who need care but are not receiving it. Unfortunately, the SFY 2027 Executive Budget fails to adopt this recommendation. We again urge both houses to support this request. Further information is below:

Unmet needs data: <https://healthymindshealthykids.org/bh-gap-analysis/?region=New+York+State>

Rate Reform Summary:

<https://s3.amazonaws.com/media.cccnewyork.org/2024/10/HMHK-Rate-Reform-one-pager-20241017-1.pdf>

**Opioid Settlement Funds: \$35M MUST remain with OASAS** (OASAS ATL Bill)

New York's Opioid Settlement Funding is proposed to increase from \$70.4 million to \$101.98 million. Most of the \$31.58 million year-to-year increase is the result of

\$35 million that was earned through earned interest on the Opioid Settlement Fund account this year.

The executive budget proposal includes \$35M in the OASAS section of the ATL bill that is labeled as “**Reserved for Allocation**”. We implore the members of this Committee to remain vigilant regarding appropriation of these funds to ensure every penny goes to OASAS.

New York State is not where it needs to be in terms of eliminating the Opioid Crisis that, while showing some promising reductions overall in overdose rates in certain communities and for majority populations, is still bearing down on communities of color and those that belong to other marginalized, underrepresented communities. New York State should not and must not take its foot off the accelerator when it comes to the needs of ALL New Yorkers with these life-threatening conditions.

The OASAS budget and its service delivery system is not adequately funded by New York State, and Opioid Settlement Funds **MUST** not be utilized to supplant existing investments by the state. Instead, New York State leaders should lean in and capitalize on what it has learned (to date) from any decreases in overdose rates across the state. However, Opioid Settlement Funds should not be used to substitute for state investment in the New Yorkers who are currently suffering, as well as those that are going to need services in the near future.

In addition, community-based providers **MUST** have the resources they need to recruit and retain culturally competent staff who can meet the unique needs of ALL of the New Yorkers seeking their services. At the present time, culturally competent care is an aspiration rather than a reality in all cases. Strategic investments not associated with Opioid Settlement Funds should be increased by New York State.

### **Gambling Addiction Insurance Coverage** (Part R, Article VII/HMH)

The bill would amend Insurance Law to ensure coverage and protection for gambling disorder treatment by amending references in Insurance law to “substance use disorder” to “substance-related and addictive disorder.” These amendments would align the insurance law with the Mental Hygiene Law and recent changes to the Diagnostic and Statistical Manual of Mental Disorders (DSM-5) and ensure that patients with gambling disorders receive the same coverage and

protections as substance use disorders, preventing unnecessary delays or denials for treatment.

OMH and OASAS will also develop a new “Co-Occurring Capable” designation for agencies that have various levels of expertise serving New Yorkers with these conditions. This will enhance transparency for consumers making decisions about where to seek services, based on their unique needs.

It must be noted that NYS anticipates significant revenues related to the expansion of gaming opportunities across New York State. The NYS Council urges the members of the NYS Legislature to remain vigilant as these funds come into New York, and grow.

We urge all lawmakers to direct resources from the growth of gambling opportunities available to New Yorkers, to OASAS for purposes of prevention, outreach and education as well as treatment and recovery services for New Yorkers that find themselves in crisis as result of a gambling problem.

### **Integrating Behavioral Health Services: Long Overdue**

(HMH, Article VII, Part Q)

It is our understanding that NYS previously codified law that speaks directly and provides the state agencies (OMH, OASAS, DoH & OPWDD) with the authority to permit eligible agencies to provide integrated services, however, if our ‘read’ is incorrect, the NYS Council (again) vigorously supports this executive budget proposal.

To be clear, statutes that we believe authorize the state agencies to approve the provision of integrated OMH, OASAS, OPWDD, and/or DOH services under a single license are: OMH-Mental Hygiene Law §31.02 (f); OASAS-MHL §32.05 (b) (ii); OPWDD-MHL section §16.03 (g); and DOH-Public Health Law §2807.21 (e). These sections are located in the articles that authorize the four agencies to license providers. ***However, to our knowledge the implementing regulations for these sections were never promulgated.***

We urge all lawmakers to expeditiously review standing law and, if our interpretation is correct, **move immediately to promulgate regulations** to complete the process that will finally allow New Yorkers with co-occurring mental health and

substance use disorder conditions, to receive the wholistic care they need and deserve. Doing so will immediately improve consumer choice, care recipient health and behavioral health outcomes, and it will undoubtedly save New York State taxpayers scarce resources that currently enable fragmented care to continue. The failure to permit providers to offer comprehensive services under one roof results in the need for more costly interventions (hospital care, ER), and is widely understood to result in spending to address homelessness, increased rates of incarceration, etc.

### **Certified Community Behavioral Health Clinic Funding: Ensuring Access to Care for Uninsured New Yorkers**

In 2017, New York was one of eight states selected to participate in a federal demonstration program that opened the door to federal funding and the implementation of a new model of care for New Yorkers with significant mental health and/or substance use disorder challenges. The model is a game changing policy reform designed to remove siloes, enhancing client outcomes, reducing hospitalizations and opening up access to care.

However, the rates paid to participating providers do not cover costs associated with serving New Yorkers with no insurance (Indigent Care), or those with commercial insurance.

In 2022, Governor Hochul and the members of the NYS Legislature expanded the number of agencies participating in this evidence-based model of care from 13 to 39 agencies. The final enacted budget also included the implementation of an **Indigent Care Pool** from which these providers could seek some (limited) funds for services provided to these New Yorkers. The SFY27 Executive Budget appropriates \$22.5M to continue to fund the CCBHC Indigent Care Pool – a critical component in light of coming Work Requirements that will likely result in increased numbers of New Yorkers with mental health and/or substance use disorder challenges who have no insurance.

Unfortunately, the Executive Budget does not seek to further expand the number of agencies that can participate in this Programs, and it also does not increase the amount available in the Indigent Care Pool for these agencies despite the fact that we anticipate greater need for these resources as more New Yorkers find themselves uninsured. Having said this, we appreciate the investment NYS has made in the CCBHC Program to this point, we are sure to re-visit the topic of further

expansion of the Program in future budget requests, we fully support continued funding for this Program, and for the Indigent Care Pool (discussed above) however we caution lawmakers that, without further strategic investments in this Pool, providers will have access to decreased resources as the number of agencies relying on these resources increases due to coming federal changes.

**OASAS: Public Health Education and Prevention Campaigns** (Aid To Localities, OASAS)

The NYS Council welcomes a proposed executive budget proposal making an investment of \$24M in the OASAS budget for purposes of funding public education and prevention campaigns focusing on the health effects associated with the use/misuse of cannabis.

The proposal also supports expansion of SUD treatment for New Yorkers (and especially young people) who may be misusing cannabis with negative consequences that often impacts individuals, family and their communities. There is substantial research and corresponding evidence to support the harmful effects on brain development that are associated with cannabis use by young people, and the Governor is certainly on the right track with this proposed investment.

**OMH and OASAS: Supportive Housing Programs** (Budget Briefing Book)

This proposal invests \$71M to increase rates for OMH and OASAS housing programs to help ensure that residential providers have sufficient resources to maintain housing capacity for these populations, to support recovery, and to avoid more costly emergency visits and inpatient care. The New York State Council vigorously supports this important proposal, and urges increased investment for New Yorkers in need of safe and affordable housing, and the providers that serve them.

The NYS Council vigorously supports the following additional proposals in the OMH agency budget proposal:

*OMH: Proposes to retain \$18 million for community mental health loan repayment*

*OMH: Proposes \$83 million for Safe Options Support teams, Critical Time Intervention Teams and CPEPs; (+\$3M)*

*OMH: Maintains \$2.8 million for Intensive and Sustained Engagement Teams (INSET PROGRAM)*

*OMH: Maintains \$8 million for the Joseph P Dwyer Veteran Peer to Peer Program*

*OMH: Maintains \$74 that has been recouped from Medicaid managed care organizations (MCOs) that failed to meet a required (contractual) target for how much of the funds they receive from the state MUST be spent on actual services for Medicaid members with mental health and substance use disorder conditions.*

*OMH: Adds \$1.8 million for 9-8-8 for a total of \$91.8 million; this appropriation appears to focus on LGBTQ+ call-line support*

*OMH: Adds \$1 million for a First Responder Behavioral Health Center of Excellence in*

*OMH: Adds \$26 million for youth initiatives such as Mental Health First Aid, Evidence Based Practices and new Youth Safe Spaces.*