ERIE COUNTY COMPTROLLER

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September 24, 2025

Erie County Legislature
92 Franklin Street 4th Floor
Buffalo, New York 14202

Re: Intergovernmental Transfer Obligations for ECMCC

Dear Honorable Members:

The Erie County Comptroller's Office has completed an analysis on Intergovernmental Transfer ("IGT") payments from Erie County to the Erie County Medical Center Corporation ("ECMCC"). These payments largely consist of federally required financial obligations called Disproportionate Share Hospital ("DSH") and Upper Payment Limit ("UPL").

PUBLIC BENEFIT CORPORATION STATUS

In 2004, the Erie County Medical Center was spun off as an operating department of Erie County government into a public benefit corporation under New York State law. The hospital paid the County $85 million to become separate. ECMCC is governed by fifteen voting directors, eight of whom are appointed by the Governor and seven of whom are appointed by the County Executive.

Erie County remains responsible for certain ECMCC operating costs such as legacy employee retiree healthcare, workers compensation costs and costs associated with Buffalo Public School #84 at the ECMCC campus. If the corporation ceases to exist, ownership of the property and operations of the hospital reverts to Erie County.

ERIE COUNTY FINANCIAL OBLIGATIONS TO ECMCC

Under various agreements and settlements of litigation by the hospital corporation against the County, including a 2010 agreement, the County is required to either provide $16.2 million to ECMCC annually as a subsidy or make IGT payments, whichever is higher.

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DSH AND UPL DEFINED

The Medicaid DSH program is designed to provide funds to certain hospitals to help offset the cost of uncompensated care provided to the uninsured. Each state has a specified Federal DSH allotment. In addition, New York State law authorizes the New York State Department of Health to make supplemental DSH medical assistance payments to public hospitals including ECMCC. For long term care facilities, DSH revenue is recognized in accordance with UPL regulations promulgated by the Centers for Medicare and Medicaid Services ("CMS").

DSH payments are money owed to the hospital for uncompensated medical expenses, typically for individuals who seek treatment without an ability to pay. DSH also covers the delta between payment rates for the underinsured, who can represent a significant portion of the patient population. These are individuals who may only have Medicaid coverage which reimburses at a significantly lower rate than the other main governmental payer, Medicare. DSH also accounts for additional funding to meet this reimbursement threshold. The UPL payments are associated with long-term nursing patients at Terrace View Long Term Care, the former Erie County Home. These IGT remittances are federally mandated for hospitals and nursing homes providing healthcare for patients who are underinsured, uninsured or indigent. Under the federal IGT process, ECMCC receives DSH and DSH payments which are 50% federal funds and 50% County funds; while the New York State Department of Health plays an administrative role in funneling County funds to ECMCC and reviewing ECMCC claims, the State does not provide any funds in the IGT process (unlike Medicaid-MMIS payments).

CREDIT MECHANISMS TO HELP ADDRESS RISING IGT COSTS

In 2017, to finance improvements to its facilities including the construction of a new emergency department, ECMCC entered an arrangement with the County and the Erie County Fiscal Stability Authority ("ECFSA"). Under the arrangement, the County agreed to utilize ECFSA to borrow for ECMCC for the improvements, as ECMCC did not have a credit rating. Because the control board has the state's underlying AAA credit rating, its borrowing for the hospital saved the corporation money in debt service expense.

This borrowing and an agreement therein between the County Administration and ECMCC developed a $17 million credit for the County which was used to help mitigate growing IGT payment expenses. Since the early 2010s, Erie County has also periodically developed other credit mechanisms with ECMCC concerning IGT payments.

In the event ECMCC should default on the 2017 loan, Erie County maintains a bond guaranty and would have to pay the debt service.

PATIENT PROTECTION AND AFFORDABLE CARE ACT

On March 3, 2010, the Patient Protection and Affordable Care Act (commonly known as the Affordable Care Act, or Obamacare) was signed into law. One of the primary goals of the Patient Protection and Affordable Care Act was to reduce medical costs by opening access to preventative services, thereby reducing the need to seek treatment in emergency rooms. In theory, uncompensated care costs to ECMC would shrink by decreasing the number of visits to emergency rooms while ensuring that every patient who does visit is insured. This would in turn lower the IGT payments made by the County.

Under the law, DSH was supposed to be phased out as more Americans received health insurance or Medicaid coverage. Repeatedly over the past decade, Congress has voted to delay the phasing out of DSH payments. Hospitals have lobbied to maintain the program to receive funding. As a result, the County's IGT obligations to ECMCC have not decreased or ended.

IGT PAYMENTS SINCE 2006

Each year, Erie County makes multiple IGT payments to ECMCC for uncompensated services provided by ECMCC. These payments have been accrued in three-to-four general ledger accounts as shown below. The County no longer records payments though the IGT general ledger account and records such expenses in the three general ledger accounts under DSH expense, UPL expense and Indigent Care Adjustment-DSH.

The amount of IGT paid to ECMCC through the various accounts has exceeded $16.2 million every year since 2009, despite the increase in the number of individuals covered by some form of health insurance in Erie County.

Expense	2006	2007	2008	2009
IGT EXPENSE	1,261,343.00			
UPL EXPENSE				8,007,970.50
DSH EXPENSE	5,787,964.00	8,874,289.50	8,289,569.00	13,024,021.00

Expense	2010	2011	2012	2013
IGT EXPENSE				
UPL EXPENSE	8,007,970.00	6,034,557.00	6,567,455.50	6,268,015.00
DSH EXPENSE	15,791,983.50	34,396,728.50	12,315,564.00	15,350,773.75

Expense	2014	2015	2016
IGT EXPENSE			
UPL EXPENSE	15,224,488.00	10,084,170.00	12,968,602.50
DSH EXPENSE	20,697,415.00	23,079,673.50	27,100,570.00

Starting in 2017, the County also began to make payments to the benefit of ECMCC through a mechanism called the Indigent Care Adjustment ("ICA").

The ICA relates to payments made to public hospitals such as ECMCC through the State to help cover the costs of providing care to uninsured or low-income patients. These adjustments come from the State Health Department's indigent care pool, which is funded by the federal government and, also, in our case, Erie County. Payments are allocated based on the amount of uncompensated care ECMCC provides.

Expense	2017	2018	2019	2020
IGT EXPENSE				
UPL EXPENSE	13,877,512.00	15,289,128.16	2,627,010.25	3,660,122.25
DSH EXPENSE	29,189,152.00	7,422,570.00	42,830,942.00	61,375,582.80
INDIGENT CARE ADJUSTMENT-DSH	7,351,885.00	4,845,103.00	6,311,134.00	5,255,637.01

Expense	2021	2022	2023	2024
IGT EXPENSE				
UPL EXPENSE	5,288,328.13	1,613,861.15	5,911,208.58	6,862,860.64
DSH EXPENSE	29,385,895.23	9,637,959.61	50,573,845.00	94,398,348.00
INDIGENT CARE ADJUSTMENT-DSH	5,147,915.60	5,580,344.30	6,214,824.00	10,479,656.00

Below are the expenses for IGT payments in 2025 so far:

Expense	2025
IGT EXPENSE	
UPL EXPENSE	
DSH EXPENSE	40,246,368.50
INDIGENT CARE ADJUSTMENT-DSH	7,586,106.00

The County's relationship with ECMCC concerning IGT payments, the amounts to be paid, potential credits and timing of payments is managed by the Division of Budget and Management.

FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP)

The amount of federal payments to a State for health services depends on two factors. The first is the actual amount spent that qualifies as matchable under Medicaid. The second is the Federal Medical Assistance Percentage ("FMAP").

FMAP is computed by using a formula that takes into account the average per capita income for each State relative to the national average. The multiplier is based on the FMAP. For every dollar the state spends on Medicaid, the federal government matches at a rate that varies year-to-year.

Generally determined annually, the FMAP formula is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). FMAP rates have a statutory minimum of 50% and a statutory maximum of 83%. For federal fiscal year 2025, regular FMAP rates range from 50.00% (in 10 states) to 76.9% (Mississippi). New York's FMAP rate is 50%.

The FMAP rate is used to reimburse states for the federal share of most Medicaid expenditures. Because New York state's FMAP is 50%, despite the large cost of New York's Medicaid program, by percentage, the state receives a lower federal contribution than many other states.

Separate from the regular FMAP rate, the enhanced FMAP ("eFMAP") rate is provided for both services and administration under the State Children's Health Insurance Program ("CHIP"), subject to the availability of funds from a state's federal allotment for CHIP. The E-FMAP rate is calculated by reducing the state share under the regular FMAP rate by 30%.

The Affordable Care Act established highly enhanced FMAPs for the cost of services to low-income adults with incomes up to 138% of the Federal Poverty Level who were not currently covered by health insurance. The enhanced FMAP percentage resulted in a lower County share of the total Medicaid cost, as noted by the County's Medicaid Inspector General in his 2022 and 2021 analysis reports. eFMAP benefits to states (and to Erie County by extension) were increased during the Covid pandemic, aiding in Medicaid cost growth.

Below are FMAP benefits revenues to the County since 2009. You will notice that little revenue has been inured to the benefit of the County in recent years.

Revenue	2009	2010	2011	2012
Fed Medical Assistance Percentage (FMAP) Increase	(41,023,201.56)	(44,815,094.45)	(16,405,925.26)	858,945.81

Revenue	2013	2014	2015	2016
Fed Medical Assistance Percentage (FMAP) Increase	(215,620.00)			(1,869,949.05)

Revenue	2017	2018	2019	2020

Fed Medical Assistance Percentage (FMAP) Increase				

Revenue	2021	2022	2023	2024
Fed Medical Assistance Percentage (FMAP) Increase	(1,360,738.00)	(640,002.00)	(625,186.00)	(685,763.00)

Below is the revenue for FMAP revenue in 2025 so far.

Revenue	2025
Fed Medical Assistance Percentage (FMAP) Increase	(5,157.00)

2025 eFMAP REFUND

In June 2024, the County received a refund from the State Department of Health for Covid-era eFMAP funds. The refund totaled $5,271,730 and was allocated into three segments: DSH 2020 eFMAP refund, UPL 2020 eFMAP refund, and an Indigent Care Adjustment (ICA) 2020 Q1-Q3 eFMAP refund. This was a one-time, extraordinary action.

TEMPORARY FEDERAL ADJUSTMENTS IN DSH

During periods of economic uncertainty, Congress may provide temporary enhancements to the Medicaid FMAP and the State Children's Health Insurance Program enhanced FMAP. These FMAP increases effectively reduce total DSH spending as federal spending remains capped while state (or County in our case) contributions to DSH spending decreases.

Since 2009, there have been several federal provisions that adjusted federal DSH allotments when Congress provides a temporary FMAP increase:

In February 2009, Congress enacted the American Recovery and Reinvestment Act ("ARRA"), providing a flat 6.2% FMAP increase. ARRA excluded DSH payments from this increase and separately increased DSH allotments for federal fiscal years 2009 and 2010.

The Families First Coronavirus Response Act provided a temporary enhancement to the Medicaid federal match from January 1, 2020 until the end of the Covid-19 public health emergency, which lowered the total amount of DSH available to providers.

The American Rescue Plan Act of 2021 ("ARPA") changed the basis of DSH allotments from the federal funding to total funding and continued the enhanced federal match for DSH payments. This ensured that total DSH funding would not decline during the public health emergency.

BUDGETING FOR IGT

Budgeting for IGT is very challenging. The County Administration works closely through its Division of Budget and Management with ECMCC and the State to address projected claims and payments and the timing of payments.

IGT payments are made to ECMCC via a process through the Medicaid Financial Management unit of the New York State Department of Health. Once the US Department of Health and Human Services, Centers for Medicaid and Medicare Services ("CMS") approves of a claim for ECMCC, the federal agency will distribute the federal share of funds to the State. The State then contacts the Erie County Comptroller's Office and the Budget Director to notify us that they will debit a County bank account on a specific date. We are required to ensure funds are in the account. We do not wire or ACH funds to the State.

Functionally, the State rarely gives the County more than a 2–3-week advance warning of the payments. In addition, it is common for such payments to be required to be made 2-3 years after the medical service occurred at ECMCC, as the state and federal claim review process is cumbersome and lagging.

As a result of this clunky process, the Division of Budget and Management has established a relationship with ECMCC's chief financial officer that affects the timing of the payments. The County often makes payments of budgeted IGT funds outside of the current fiscal year; for instance, instead of making payments in late December, we often make payments in late January annually. ECMCC has cooperated and agreed to these timings, as has New York State.

POTENTIAL EFFECTS ON ERIE COUNTY UNDER IGT DUE TO THE "ONE BIG BEAUTIFUL BILL ACT OF 2025"

The federal budget bill known as the "One Big Beautiful Bill" has significant negative repercussions to New York State and Erie County for federal Medicaid-MMIS revenues. This document does not examine Medicaid expenses.

Through Medicaid cuts and potential implications from that to ECMCC, the bill also may impact IGT and drive indigent and uninsured costs higher. That directly affects the County because the State does not pay for IGT and the payments are 50% County and 50% federal. There is also a concern that IGT payments themselves, separate from Medicaid eligibility, may be reduced or ended by the federal government.

In March 2025, the County Executive stated that "If that intergovernmental transfer payment related to Medicaid is eliminated, ECMC is immediately bankrupt and most public hospitals across the United States, where research is done, are in the same boat." According to ECMCC, in early 2025, about 41% of its patients at the hospital have Medicaid, while about 83% of the residents at Terrace View Long-Term Care Facility are covered by Medicaid.

CONCLUSION

- IGT payments to the benefit of ECMCC continue to be a major cost driver in the County's annual budget and occasionally create budgetary issues.
- ECMCC frequently has cash flow issues associated with the timing of federal and state approvals of IGT claims and payments.
- The County frequently has little advance warning from the State on when County share IGT payments must be made.
- Federal budgetary legislation may create new problems associated with Medicaid, FMAP and IGT payments to the hospital.