

## OPTION:

## Establish Copayments for the Early Intervention Program

Savings: \$19 million annually

The Early Intervention program (EI) provides developmentally disabled children age 3 or younger with services through nonprofit agencies that contract with the state Department of Health. Eligibility does not depend on family income. With about 32,250 children participating at a time and a total cost of \$233.3 million, the program accounted for 15 percent of the total city Department of Health and Mental Hygiene budget in 2015.

EI is funded from a mix of private, city, state, and federal sources. For children with private health insurance, payment from the insurer is sought first, but relatively few such claims are paid; just \$10 million came from private insurance in 2010. Medicaid pays the full cost for enrolled children, with \$245 million coming from this source in 2010. The remaining costs are split approximately equally between the city and the state. In recent years, the city successfully increased the share of the program paid by Medicaid. As a result, the net cost of EI to New York City decreased from \$129 million in 2005 to \$116 million in 2010.

Under this option, the city would seek to further reduce these costs through the establishment of a 20 percent copayment for unreimbursed service costs to families that have private health insurance and incomes above 200 percent of the federal poverty level. In addition to raising revenue directly from the estimated 33 percent of EI families that fall into this category, this could increase payments from private insurers by giving participants an incentive to assist providers in submitting claims. The burden of cost-sharing would also reduce the number of families participating in EI; it is assumed here that one-fifth of affected families would leave the program. Institution of this copayment requirement would require approval from the state Legislature; state savings would be somewhat greater than city savings because Medicaid spending on EI services would decrease. (Note that this savings estimate only includes EI services in New York City; there would be additional savings for the state and for counties elsewhere in the state if adopted statewide.)

**PROPOSERS MIGHT ARGUE** that establishing copayments could alleviate some of the strain the EI program places on the city budget without reducing the range of service provision. In particular, they might note that since the current structure gives participating families no incentive to provide insurance information to the city or to providers, public funds are paying for EI services for many children with private health coverage. Instituting copayments would provide these families with the incentive to seek payments from their insurers for EI services. Finally, they might note that cost-sharing is used in many other states.

**OPPOSERS MIGHT ARGUE** that the institution of a 20 percent copayment for EI services could lead to interruptions in service provision for children of families that, to reduce their out-of-pocket expenses, opt to move their children to less expensive service providers or out of EI altogether. They might further note that it is most efficient to seek savings in programs where the city pays a large share of costs; since the city pays for only a quarter of EI services, savings here do relatively little for the city budget. Opponents might also argue that the creation of a copayment may be more expensive for the city in the long run, as children who do not receive EI services could require more costly services later in life.

## OPTION:

**Pay-As-You-Throw**

Savings: \$337 million annually

Under a so-called “pay-as-you-throw” (PAYT) program, households would be charged for waste disposal based on the amount of waste they throw away other than recyclable material in separate containers—in much the same way that they are charged for water, electricity, and other utilities. The city would continue to bear the cost of collection, recycling, and other sanitation department services funded by city taxes.

PAYT programs are currently in place in cities such as San Francisco and Seattle, and more than 7,000 communities across the country—and the de Blasio Administration is reportedly seeking a consultant to consider it here. PAYT programs, also called unit-based or variable-rate pricing, provide a direct economic incentive for residents to reduce waste: If a household throws away less, it pays less. Experience in other parts of the country suggests that PAYT programs may achieve reductions of up to 35 percent in the amount of waste put out for collection. There are a variety of different forms of PAYT programs using bags, tags, or cans in order to measure the amount of waste put out by a resident. Residents purchase either specially embossed bags or stickers to put on bags or containers put out for collection.

Based on sanitation department projections of annual refuse tonnage and waste disposal costs, each residential unit would pay an average of \$97 a year for waste disposal in order to cover the cost of waste export, achieving a savings of \$337 million. A 15 percent reduction in waste would bring the average cost per household down to \$82 and a 30 percent reduction would further lower the average cost to \$68 per residential unit.

Alternatively, implementation could begin with Class 1 residential properties (one-, two-, and three-family homes) where administration challenges would be fewer than in large, multifamily buildings. This would provide an opportunity to test the system while achieving estimated savings of \$106 million, assuming no decline in the amount of waste thrown away.

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**PROponents MIGHT ARGUE** that by making the end-user more cost-conscious, the amount of waste requiring disposal will decrease, and the amount of material recycled would likely increase. They may also point to the city’s implementation of metered billing for water and sewer services as evidence that similar programs have been successfully implemented. To ease the cost burden on lower-income residents, about 10 percent of cities with PAYT programs have implemented subsidy programs, which partially defray the cost while keeping some incentive to reduce waste. They might also argue that illegal dumping in other localities with PAYT programs has mostly been commercial, not residential, and that any needed increase in enforcement would pay for itself through the savings achieved.

**OPponents MIGHT ARGUE** that pay-as-you-throw is inequitable, creating a system that would shift more of the cost burden toward low-income residents. Many also wonder about the feasibility of implementing PAYT in New York City. Roughly two-thirds of New York City residents live in multifamily buildings with more than three units. In such buildings, waste is more commonly collected in communal bins, which could make it more difficult to administer a PAYT system, as well as lessen the incentive for waste reduction. Increased illegal dumping is another concern, which might require increases in enforcement, offsetting some of the savings.