

## **Carve OMH and OASAS Behavioral Health Services Out of Medicaid Managed Care**

*Families Together in New York State (FTNYS) is a statewide family run organization that represents, supports and advocates for youth and family voice in policy and systems change to ensure an equitable and inclusive journey that fosters belonging, wellness, and empowerment for all.*

**October 7th, 2025-** On behalf of our network of families and young people desperate for robust access, **FTNYS urges Governor Huchul to carve out Behavioral Health from Medicaid Managed Care and reinvest those savings back into the system as part of this FY 2026 State Budget** as described by S8309/A8055 sponsored by Mental Health Committee Chairs Senator Brouk and Assemblymember Simon.

New York's behavioral health system is at a breaking point. While the need for care grows, community-based providers are drowning in administrative demands from Medicaid Managed Care Organizations (MCOs) while hundreds of millions of dollars are siphoned out of the system to support profits. Families who should be receiving timely services instead face disruptions, denials, and retraumatization caused by paperwork disputes and insurer gatekeeping.

This fall, we sent a letter alongside many other behavioral health provider associations calling for inclusion of proposed language in the FY 2026 Executive Budget that would remove most outpatient mental health and substance use disorder services from the state's Medicaid managed care program, returning responsibility for reimbursement of these claims to the state's Medicaid Fee for Service (FFS) system.

Now is the time. Why? By removing managed care plans from the equation, NY can:

- 1) remove unnecessary barriers to care;
- 2) simplify and streamline the reimbursement process; and
- 3) return scarce resources to the OASAS and OMH systems of care to address workforce shortages and address gaps in services. (estimates are at \$400M/year in savings for NYS)

In previous [communications](#), we explain how most MCO's operate out of compliance with parity laws, deny claims, delay payments, and syphon hundreds of millions of dollars intended for direct behavioral health services for individuals and families in need.

**The Impact on Families:** Families are not shielded from these inefficiencies; they live with the consequences.

- **Interrupted Care:** Services are delayed or denied while providers chase paperwork. *“If you ask us, we know what the treatment plan is,”* one parent explained. *“The problem isn’t the plan — it’s the delays while providers fight with the MCO.”*
- **Stress and Retraumatization:** Families experience worsening symptoms and retraumatization during service gaps.
- **Escalating Costs:** When outpatient care is delayed or denied, conditions deteriorate and families end up in emergency rooms or psychiatric hospitals — the most expensive parts of the system. **As one advocate summed it up:** *“Families get stuck in limbo. The care is supposed to be there, but it gets held up in a paperwork fight between the agency and the MCO. Meanwhile, people’s conditions get worse.”*

In our own deep conversations with providers who serve children and families, they report that MCOs regularly invent new ways to deny claims and delay payments, from questioning the frequency, scope, and duration of services to demanding resubmission of treatment plans. *“MCOs just want to deny claims,”* one provider explained. *“They ask us to justify every service, submit plans over and over, and still deny them. It’s exhausting, and it’s not about care.”*

We propose that Governor Hochul reverse a Cuomo-era policy decision that subjects vulnerable New Yorkers and the care they need and deserve, to mostly for-profit insurers. Savings from reduced administrative overhead and MCO profits should be reinvested directly into community-based mental health services, expanding access and stabilizing programs.

### **Administrative Burdens Over Care**

**Duplicative Documentation:** Under the current system, providers are forced to complete excessive and duplicative paperwork. For example, agencies must write both progress notes and separate memos for the same encounter. As one staff member shared: *“We write everything in the notes, and then they make us do separate memos anyway. The stress of memo’ing is out of control.”*

**Punitive Audits:** Providers are penalized with 0% compliance scores for minor omissions, even when services were delivered appropriately. One leader described: *“Doing our Corrective Action Plan now, we’re cross-checking regulations line by line. If one thing is missing, they give us a 0%. The amount of items we have to review during audits makes me want to cry.”*

**Workforce Strain:** This level of administrative oversight demoralizes staff and drives turnover. Agencies already struggling to hire cannot retain workers when the job is consumed by audits and memos rather than clinical care. *“The way the MCOs audit us is so prohibitive,”* another provider said. *“It feels designed to make us fail.”*

**The Fiscal Case:** Redirect wasted resources to care; the managed care system is fiscally inefficient.

Due to profits and overhead, a share of every Medicaid behavioral health dollar is siphoned away to insurer profits and administrative costs. Given the state no longer has the option of taxing MCOs to optimize federal dollars, there is even less rationale for the state to maintain

a contract that further drains resources from the public system. Other state systems — notably OPWDD — remain carved out of managed care and operate without these inefficiencies. By eliminating managed care’s overhead and profit-taking, New York can redirect hundreds of millions into direct care, workforce stabilization, and expanded access.

As one provider asked: *“Why should Medicaid dollars be going to MCO profits instead of back into programs and the workforce? We’re doing more with less every year.”*

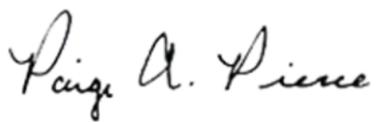
**New York State should move behavioral health services out of Medicaid Managed Care and into a fee-for-service. This shift will:**

- Eliminate unnecessary administrative gatekeeping.
- Restore provider capacity to focus on care instead of compliance minutiae.
- Ensure families receive timely services based on clinical need, not insurer approval.
- Reinvest savings from managed care profits and overhead into community-based services.
- Align behavioral health with OPWDD and other systems already carved out of managed care.

The current managed care model undermines providers, families, and the state’s commitment to timely access to care. Providers are *“hammered”* by audits, memos, and denials, while families wait in crisis for care that has already been prescribed. Carving behavioral health services out of Medicaid Managed Care is both a fiscal efficiency strategy and a moral imperative. Redirecting funds away from insurer profits and back into the community mental health system will strengthen the workforce, stabilize services, and ensure New Yorkers receive the care they need when they need it.

For all these reasons and on behalf of our network of families and young people desperate for robust access, **FTNYS urges the Governor Huchul to carve out Behavioral Health from Medicaid Managed Care and reinvest those savings back into the system as part of this FY 2026 State Budget.**

Sincerely,

A handwritten signature in cursive script that reads "Paige A. Pierce".

Paige Pierce, CEO  
Families Together in New York State