Fiscal Impacts of the New York Health Act on Counties, Municipalities, and School Districts

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Executive Summary

The New York Health Act (NYHA) would establish a universal health system covering all New Yorkers, financed by a progressive tax. By eliminating private insurer profits and marketing costs, improving administrative efficiency, and leveraging stronger bargaining power to negotiate prices, the NYHA could significantly reduce overall health care spending in the state.

Public debate about single-payer health care often focuses on who pays for health care—the shift from premiums and out-of-pocket costs to progressive taxes—and the direct effect on household health spending. For most New Yorkers, this shift would mean paying less overall for health care than under the current private insurance-driven system.

There is an important and often overlooked opportunity, however, to reduce costs at the county, municipal, and school district level. Under the current system, local governments devote a substantial share of their budgets to employee health benefits and, in New York's case, the county share of Medicaid financing. These expenditures, which are major drivers of local budget growth and property tax pressure, would be replaced in local budgets with a progressive payroll tax.

This white paper analyzes the fiscal impact of the NYHA on local governments and school districts, focusing on potential savings resulting from swapping the current system of employer-sponsored health insurance costs plus the Medicaid county share for the NYHA system, using Suffolk County and one municipality and one school district in the county as an example. The results are replicated across 13 counties, 17 municipalities, and 22 school districts across all 10 economic regions of the state.

The analysis suggests that by replacing health insurance-related costs with the progressive payroll tax, **local governments could save on average of between 12 and 14%** of their total budgets**.**

Eliminating health insurance costs for local governments and school districts could translate into improvements in schools, infrastructure, and public services and/or lower property taxes for households and businesses, with potential ripple effects such as lower rents, lower consumer prices, and stronger local economic activity. At a time when working families, businesses, and local governments are facing increasing economic pressures, the New York Health Act presents an opportunity to simultaneously expand access to health care and provide measurable fiscal relief for taxpayers.

1. Introduction

New York is facing an affordability crisis, and health care costs are a major and growing expense for households, businesses, and governments across the state. Exorbitant, accelerating, and largely intractable health care costs are not only a direct drain on the budgets of households and businesses, but they also make life more expensive in less visible ways. More than 740,000 New Yorkers carry medical debt, which can create barriers to renting a home, qualifying for loans, or even securing employment.[i]

Public discussions of single-payer health care often focus on the shift from private premiums and out-of-pocket costs to progressive taxes and on how that affects household health spending. For most New Yorkers, this shift would result in lower overall health care costs.[ii]

Taxpayers also finance health insurance for public employees, however—including teachers, police officers, county officials, and municipal workers—their dependents, and for retired workers. These rapidly increasing health care costs place significant pressure on local government budgets and are a major contributor to rising property taxes. At the same time, public employees are paying increasingly more toward health care expenses or seeing their benefits erode, or both.

The NYHA creates an important but hidden opportunity for savings at the county, municipal, and school district level: significantly reducing spending on public employee health coverage and, in states like New York, the county's required share of Medicaid financing. Public employees represent a large share of the workforce in many counties, municipalities and school districts, with health benefits historically one of the fastest-growing components of compensation and local budgets.[iii]

Health care financing in the United States is widely recognized as inefficient and administratively complex. Multiple insurance plans and high overhead contribute significantly to rising costs, as does increasing consolidation among providers and insurers, which has created near-monopoly conditions in many markets. Public-sector employers—including counties, municipalities, and school districts—bear a substantial portion of these costs through employee and retiree health benefits.

The NYHA would establish a publicly financed health care plan covering all New York residents. The program would provide comprehensive coverage that includes hospital care, physician services, prescription drugs, dental, vision, hearing, and long-term care—without premiums, deductibles, copayments, or restrictive provider networks. The NYHA would reduce overall costs by eliminating insurer profits and marketing expenses, improving administrative efficiency, and strengthening the state's bargaining power to negotiate prices for services and pharmaceuticals.

Replacing current insurance costs in local budgets with a progressive payroll tax would result in:

- Removal of a significant hidden tax embedded in local property tax bills
- Greater budgetary flexibility for local governments and school districts
- Savings that can be reinvested in schools, infrastructure, and community services

2. Methods

Potential savings to county, municipal, and school district budgets were estimated by comparing current local government health insurance expenditures from the 2025 adopted budget with the projected payroll tax obligation under the NYHA. Specifically, we calculated total current health insurance spending by local governments—including employer-sponsored health insurance costs (net of employee premium contributions) and, for counties, the county share of Medicaid—and then subtracted the estimated payroll tax contribution required under the NYHA.

Identifying current health insurance costs in the local budgets

This paper calculates total current health insurance expenditures by identifying the net cost of employee, dependent, and retiree health insurance and, in the case of counties, the county share of Medicaid spending (Figure 1). All budget data were obtained from publicly available adopted budgets for the relevant fiscal year.

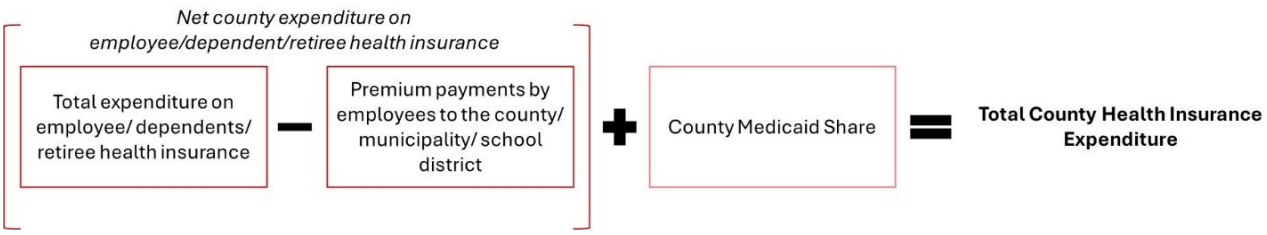
These expenditures typically appear clearly in local government budgets and are usually identifiable as a single budget line, set of budget lines, or dedicated fund. Health insurance expenditures are generally listed within the "Employee Benefits" budget category. In some jurisdictions, such as Suffolk County, health insurance spending may appear as a separate fund within the budget.

To calculate the net cost of employee health insurance, the total expenditure on employee health insurance was adjusted by subtracting employee premium contributions, rebates or claims adjustments that reduced the total cost of health insurance in the budget. These contributions are typically listed in the revenue section of the budget.

For counties, the county share of Medicaid spending was added to the total health insurance expenditure. This expenditure is typically identifiable as a single line item in the county budget but may appear under different departmental categories or labels. For example, in Suffolk County the expenditure appears as "Medicaid Cap Payment."

The combined total of these expenditures represents the locality's direct spending on health insurance. This estimate likely represents an **under-estimate** of health insurance-related expenditures by local governments, as it excludes indirect costs such as staff time required to administer employee health plans, manage benefits enrollment, negotiate with insurers, or comply with and monitor Medicaid spending.

Figure 1. Calculating Total County, Municipality, or School District Health Insurance Expenditure



Calculating the NYHA payroll obligation

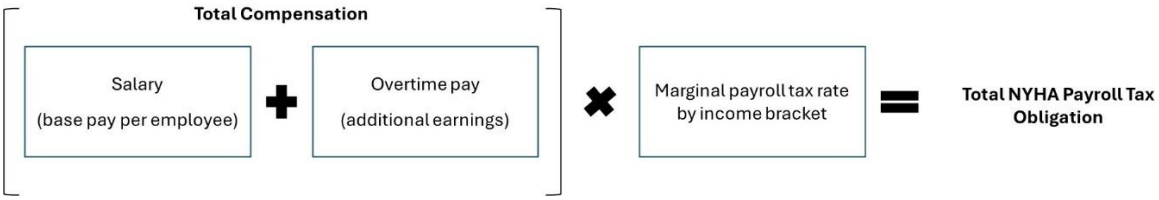
To estimate the local government or school district's payroll tax obligation under the NYHA, publicly available salary data—including base salary and overtime earnings— were obtained from SeeThroughNY, a database maintained by the Empire Center that provides individual salary information for public employees in New York State.[iv] Salary data were anonymized and used to estimate total employee compensation. The payroll tax rates proposed in Rodberg (2024)'s revenue model for the NYHA were then applied to each employee's total earnings (Table 1).[v]

Table 1. Sample Structure for New York Health Tax

Income Range	Marginal Tax Rate	Effective Tax Rate
Under 25,000	**0%**	**0%**
$25,000-$49,999	**6.4%**	**2.1%**
$50,000-$74,999	**7.8%**	**4.1%**
$75,000-$99,999	**8.5%**	**5.3%**
$100,000-$199,999	**10.0%**	**7.1%**
$200,000 and above	**11.3%**	**<9%**

The estimated individual tax obligations were aggregated across all employees to calculate the total payroll tax obligation for the county, municipality, or school district (Figure 2). For the purposes of this analysis, we assume that the local government or school district would pay 100 percent of the payroll contribution, without requiring employee cost-sharing. If employee cost-sharing were included, net public employer savings would be even larger.

Figure 2. Calculating the Total NYHA Payroll Tax Obligation



Estimating total savings to the local budget from the NYHA

Under the NYHA, current local government expenditures on employee health insurance and the county Medicaid share would be eliminated and replaced by the payroll-based contribution. The difference between these two amounts represents the estimated savings to the local budget (Figure 3).

Figure 3. Estimating Total County (Municipality, School District) Savings with the NYHA

3. Employee health insurance in local budgets

Public employee health benefits for counties, municipalities and school districts often feature robust, comprehensive coverage, frequently comparable to or exceeding private sector plans. The public employee plans typically cover medical/surgical services, mental health, substance abuse programs, and prescription drugs, often including or with options for dental and vision plans. The provider networks employees and their covered dependents can access are typically extensive. Most public employers in New York also offer coverage for retirees, including Medicare supplemental plans.

These benefits can be complex, however. Suffolk County's Employee Medical Health Plan (EMHP) has a 229-page benefit booklet for employees describing coverage and how to access it.[vi] There are also substantial administrative demands managing employee health benefits. Suffolk County's EMHP is overseen by the Labor Management Committee, a joint group made up of representatives appointed by the County Executive, which meets monthly to address policy issues, review claims disputes, monitor provider performance, and consider plan administrative changes.[vii]

Employee, dependent and retiree benefits make up a significant share of county, municipality, and school district budgets. In 2025, expenditure on Suffolk County's EMHP was $559,462,024 (after subtracting employee contributions and insurance rebates) or 14 percent of the total county budget (see Figure 4). This is the third largest expenditure in the Suffolk county budget after public safety and economic assistance.[viii] Furthermore, the costs of local government employee health plans have been increasing rapidly, often at rates that exceed inflation. In Suffolk County, the rate of growth of expenditures of the EMHP reached double digits in two of the past three years (see Figure 5).

At the same time that local government health insurance expenditures are increasing, employees are facing greater financial contributions. Suffolk county employees had to start contributing to their health plan for the first time in 2019 (starting at 2% of employee salaries and gradually increasing to 2.5%). They also faced new copayments for services and new provider network restrictions at that time.[ix] A 2024 agreement between the county and the employee union capped member contributions to health care and rolled back some of the copayments and provider network restrictions.[x] The management of EMHP was transferred to a third-party administrator, which promised a savings of $100 million over 5 years. Nevertheless, the 2025 EMHP budget saw an increase of 13.6 percent over the previous year's budget.[xi]

Figure 4. Employee health insurance in the Suffolk County budget (2025)

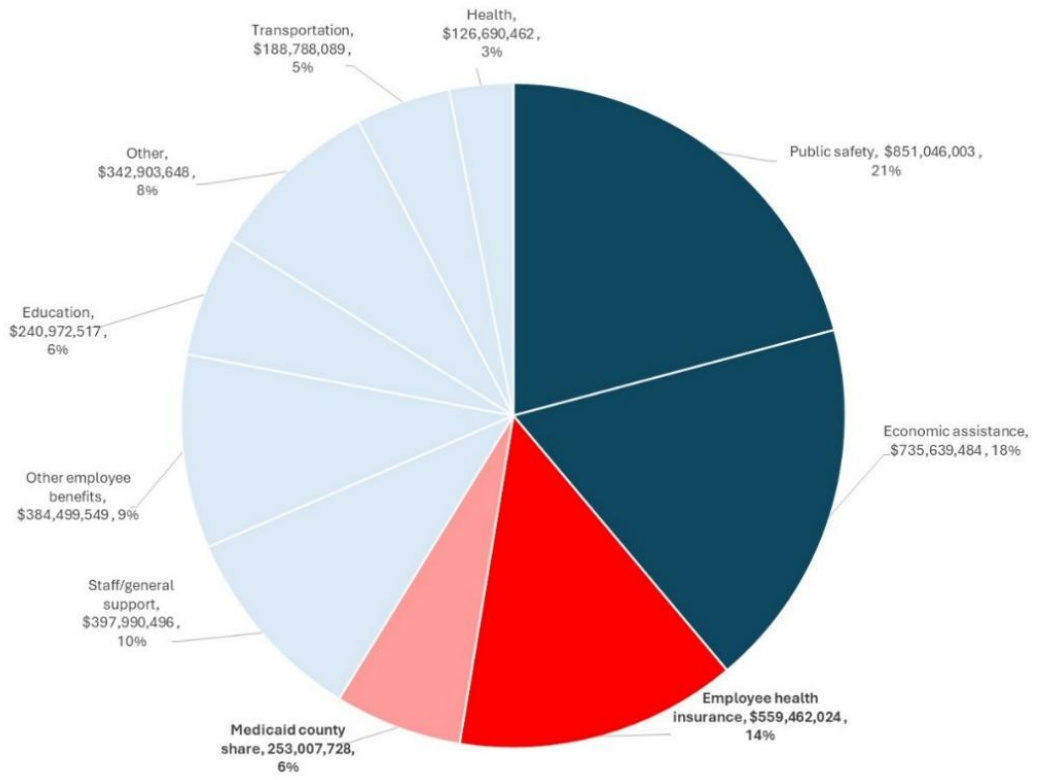
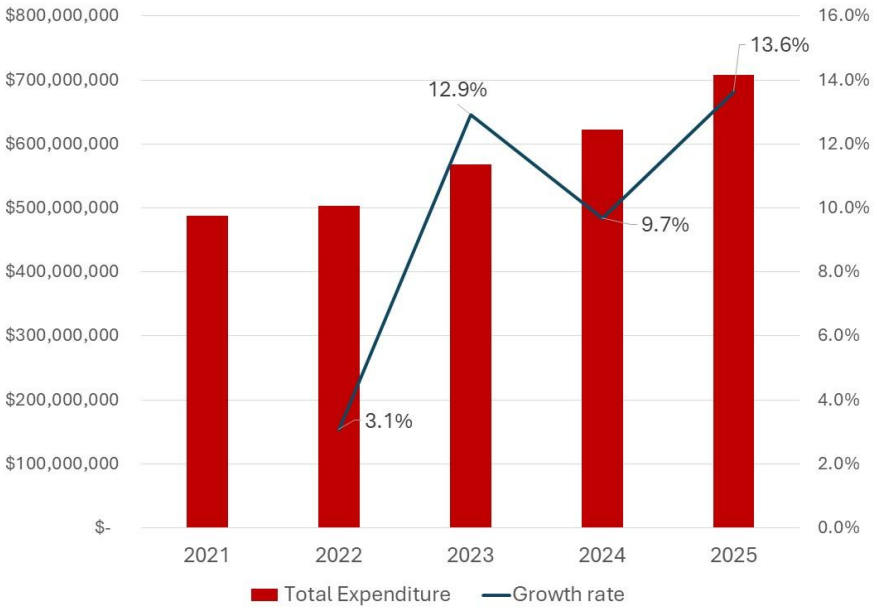


Figure 5. Suffolk County Employee Medical Health Plan Expenditure (2021-2026)



4. The Mandated Medicaid County Share

Medicaid is a joint federal–state program that provides health coverage to individuals with low incomes and others who meet specific eligibility criteria. In New York, Medicaid is financed through a shared arrangement in which the federal government covers a minimum of 50 percent of certain state Medicaid expenditures, while the remaining costs are divided between the state and counties. New York counties and New York City collectively contribute a capped amount to the state's Medicaid program, currently about $7.6 billion annually, representing the largest local share of Medicaid financing in the nation. In 2025, Suffolk County's Medicaid contribution totaled $253,007,728, accounting for 6.2 percent of the county's total budget (Figure 5). Approximately 24 percent of Suffolk County residents were enrolled in Medicaid that year.

With the NYHA, all Medicaid-eligible residents would be covered under the same state-wide health plan financed by the same progressive payroll tax revenue (plus federal contributions for Medicaid, Medicare, and other programs). The separate county financing stream would be eliminated with this responsibility removed from county budgets.

5. The Estimated Fiscal Impact of the NY Health Act: The Case of Suffolk County

Suffolk County is a large county stretching 86 miles from the middle of Long Island to the eastern tip. Its annual county budget of $4.1 billion in 2025 served a population of about 1.5 million. There are 10 towns, 33 incorporated villages, and 69 school districts in the county.[xii,xiii] The county, municipalities and school districts obtain revenue from multiple sources including property taxes, sales tax revenue, and other revenue-generating activities (such as permits), plus state and federal aid. The property tax revenue operates under an annual cap on increases set by the State of New York, which regulates how the funds are allocated among the taxing authorities: the county receives 10.65% of collected property taxes, towns and villages receive 19.02%, and school districts receive 69.55%.[xiv]

We extended the analysis of potential savings for Suffolk County and one town (Islip with a population of 339,170), and one school district within that town (the Brentwood School District serving a population of 93,870). The analysis of potential savings from the NYHA for these localities is presented in Table 2.

Estimate of Suffolk County's NYHA payroll tax obligation

The salary data for Suffolk County show that the county has 8,782 employees with wages (including overtime payments) subject to the NYHA payroll tax, namely $25,000 per year or greater. Applying the marginal tax rates from Table 1 to each employee and summing for all employees yields a total NYHA payroll tax obligation for the county of $67,457,201. Islip town has 710 employees that meet the salary threshold and an estimated NYHA payroll tax obligation for the town of $2,586,795. The Brentwood School District has 2,530 employees that meet the salary threshold and an estimated NYHA payroll tax obligation for the school district of $16,116,387.

Table 2. Estimate of total savings to County, Islip Town, and the Brentwood School District budget from the NYHA (2025)

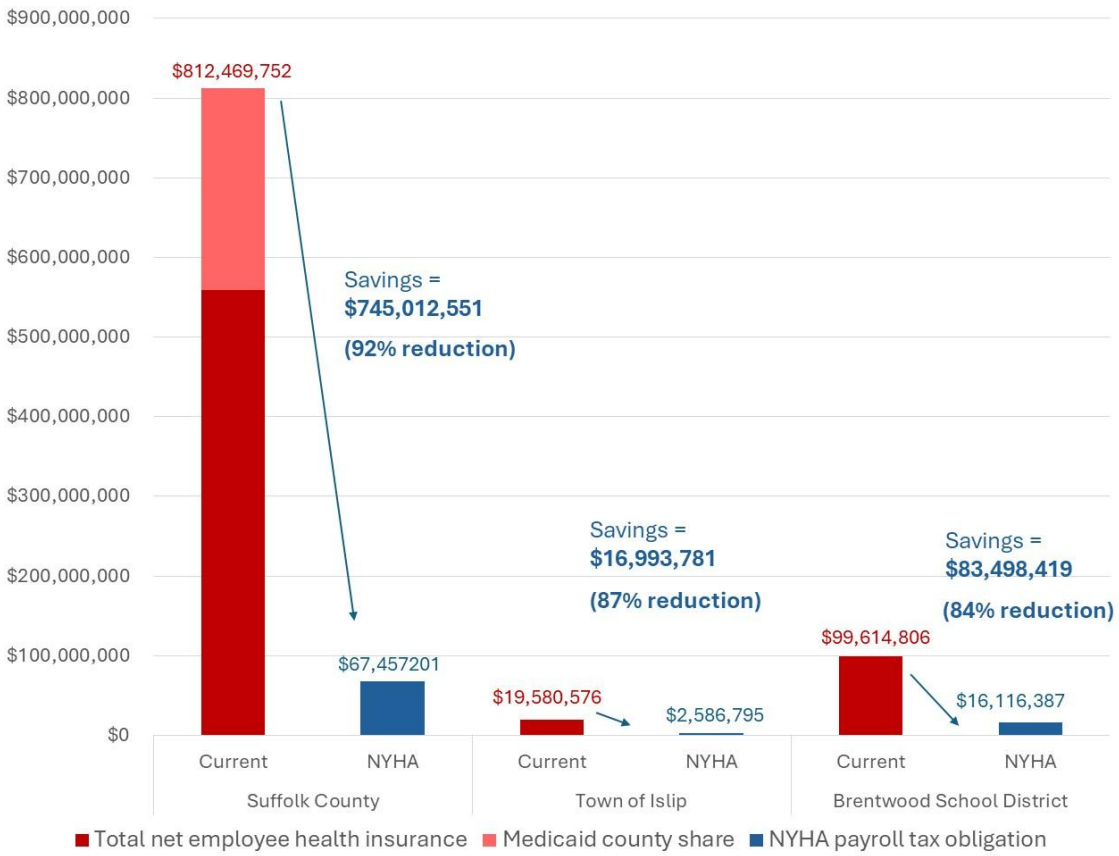
Locality	Total budget	Employee health insurance			Medicaid county share	Total health insurance expenditure	NYHA payroll tax obligation	Estimated Savings		
		Employee health insurance expenditure	Employee contributions, rebates, etc.	Total net employee health insurance				$	% of budget	Per person
Suffolk County	$4,080,509,468	$ 707,573,871	($151,128,290)	$559,462,024	$253,007,728	$812,469,752	$67,457,201	$745,012,551	18.3%	$497
Islip Town	$117,723,231	$22,064,576	($2,484,000)	$19,580,576	n/a	$19,580,576	$2,586,795	$16,993,781	13.7%	$50
Brentwood School District	$688,525,221	$99,614,806	n/a	$99,614,806	n/a	$99,614,806	$16,116,387	$83,498,419	12.1%	$890

Estimating total savings to the local budget from the NYHA

The estimated total savings to the local budgets are over $745 million for Suffolk County, $17 million for the Town of Islip, and $83 million for the Brentwood School District. This represents more than an 80 percent reduction in health insurance costs across these three localities, with a 92 percent cost reduction in Suffolk County (Figure 6). This translates into a savings of 18.3 percent of the total budget in Suffolk County, 13.7 percent of the Town of Islip budget, and 12.1 percent of the Brentwood School District budget. In dollar terms, the savings average $497, $50, and $890 per person. Adding up the potential savings across these three local levels, residents of the Brentwood School District could see an average **property tax savings of $1,437 per person.**

This estimated savings represents a significant share of the property tax revenue of these localities. In fact, Suffolk County received $741 million in property tax revenue in 2025 from its 10.65 percent share, which is roughly equal to what the county would save from the NYHA. For the Town of Islip, the savings represent 36 percent of its share of property tax revenue.

Figure 6. Estimated Health Care Savings for Suffolk County with the NYHA

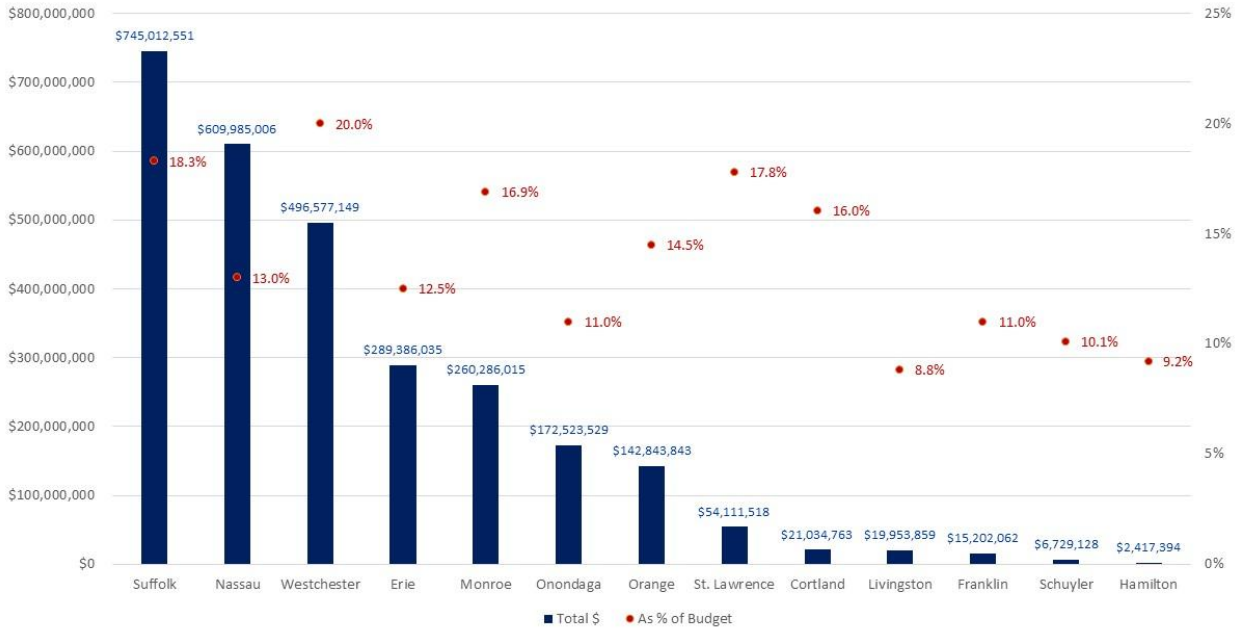


6. The Pattern Holds Across New York State

Using the same methodology applied to Suffolk County, we conducted analyses across 12 additional counties and New York City, as well as 17 municipalities and 22 school districts representing each of the ten regions in New York state. In every case, the results showed similar proportional savings under the New York Health Act.

Our findings indicate an estimated 90–95 percent reduction in health insurance costs at the county level, regardless of the population size and geographic characteristics of the county, with savings representing an average of 13.8 percent of county budgets (Figure 7). New York City would save $13.6 billion, or 12.1 percent of its annual budget.

Figure 7. Estimated Health Care Savings with the NYHA Across 13 Counties



Our findings indicate an estimated 80–85 percent reduction in health insurance costs at the municipality level, with savings representing an average of 13.8 percent of town budgets (Figure 8), with similar results for school districts (Figure 9).

Figure 8. Estimated Health Care Savings with the NYHA Across 17 Municipalities

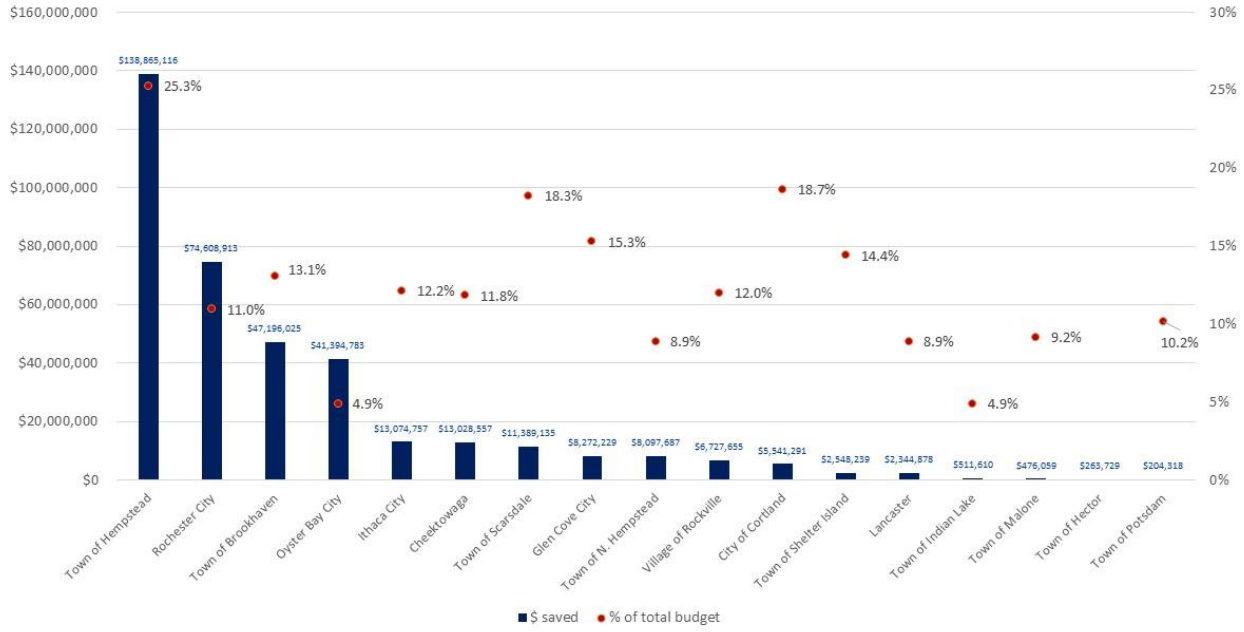
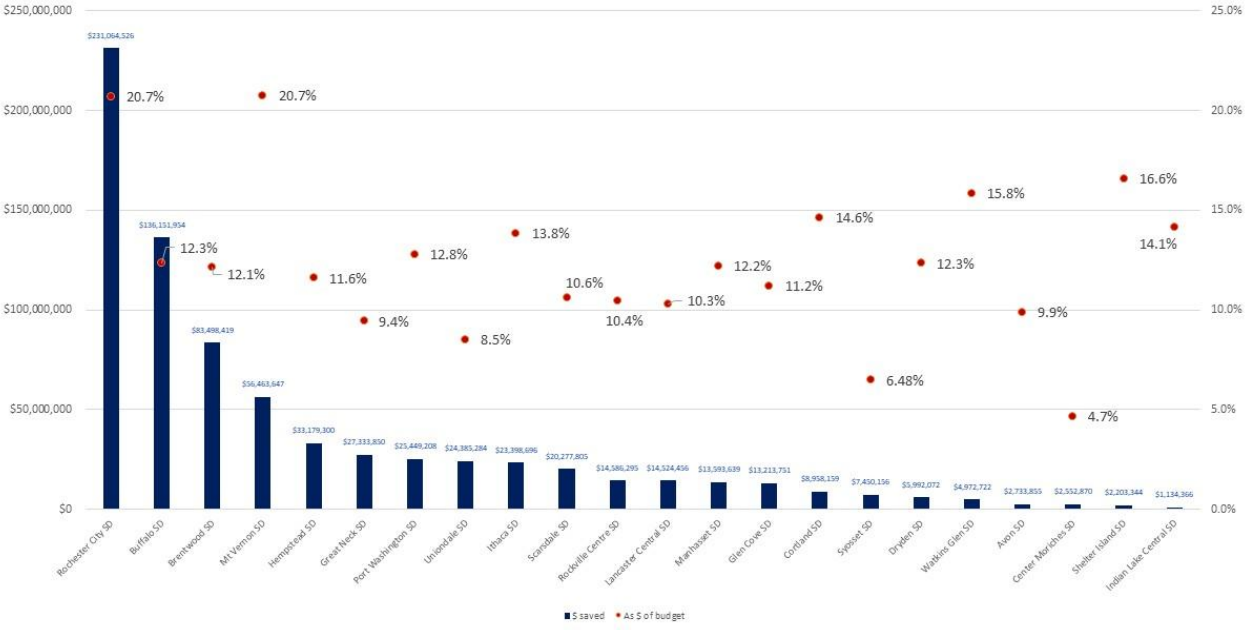


Figure 9. Estimated Health Care Savings with the NYHA Across 22 School Districts



These findings demonstrate that the New York Health Act would not only expand coverage, but would also significantly reduce financial burdens on local governments and school systems across the state.

7. Discussion

The substantial savings estimated for local governments and school districts reflect a distributional dimension of the broader fiscal impact of the NYHA. Independent analysis projects that the Act would generate aggregate net savings of $16.8 billion per year across New York State.[xv] Local governments and school districts stand to capture a disproportionate share of those savings for three reasons. First, the health coverage they provide employees is often more generous — and therefore more expensive — than most private sector plans. Second, unlike most private employers, they are typically responsible for providing health insurance to retirees. Third, the vast majority of public employees earn less than $300,000 per year — the salary level at which the NYHA payroll tax obligation first equals the average cost of an employer-sponsored family health insurance plan ($27,000).[xvi] Below that threshold, the payroll tax costs the employer less than the insurance it replaces. Because public sector workforces are concentrated well below that threshold, health insurance consumes a far larger share of their total compensation spending than it does for the average private employer, and the savings from replacing that expenditure with a modest progressive payroll tax are correspondingly large.

Benefits of the NYHA for Public Employees

Under the NYHA, public employees would receive health coverage that is more comprehensive than current public employer-sponsored plans through the counties, towns, and school districts, while both they and their employers would face far fewer of the many financial and administrative complexities associated with the current system. Public-sector employees in New York have often negotiated relatively strong health benefits compared with the private sector, but these benefits are increasingly subject to pressures as local governments seek to control costs. A universal system would stabilize health coverage for public employees and make budget forecasting more predictable for employers, while reducing the financial burden placed on both workers and their employers.

For public employees, the transition to the NYHA would provide several important improvements:

- **Elimination of all existing cost-sharing (premiums, deductibles, and copayments, etc.)**, reducing out-of-pocket costs for care.
- **Expanded benefits**, including prescriptions and comprehensive dental, vision, hearing. and long-term care coverage
- **Universal provider access**, eliminating restrictive insurance networks
- **Continuity of coverage**, regardless of employment status or job changes
- **Reduced uncertainty** — employees would no longer face the annual burden of selecting among plans or predicting their future health care needs
- **Less administrative complexity --** public employees and retirees would no longer need to navigate multiple insurance plans, benefit structures, and provider networks.

Broader Economic Implications

Beyond its impact on health coverage and reduced household expenditure on health care for most New Yorkers, this analysis shows that the NYHA would have broader economic implications for households, businesses, and local governments across the state. By replacing employer-sponsored insurance with a universal system financed through progressive taxes, the NYHA would shift health care financing away from premiums and out-of-pocket payments toward a more predictable and equitable funding structure. The fiscal savings identified in Suffolk County and the local governments analyzed in this paper illustrate how these broader economic effects could materialize at the local level.

For households, the NYHA would eliminate many of the direct costs associated with health care under the current system. Residents would no longer face monthly insurance premiums, ongoing prescription costs, the unpredictable need to pay deductibles and copayments, surprise medical bills, or medical debt. In addition to these direct savings, households could benefit from indirect reductions in the cost of living if local governments reduce property taxes or businesses pass through lower operating costs in the form of lower prices or higher wages. Beyond the financial benefits, improved access to care is associated with better health outcomes, greater productivity, and stronger communities.[xvii]

Local governments would experience immediate fiscal relief by eliminating one of the most volatile and rapidly increasing components of their budgets. Removing these obligations could free up substantial resources. Governments could choose to reduce property tax burdens, invest in public services and infrastructure, increase salaries for public employees, or strengthen fiscal reserves. The reduction in health insurance-related expenditures would also make local budgets more predictable and less exposed to health care inflation, improving long-term fiscal planning.

Small businesses are among the most disadvantaged participants in the current health financing system. Many small firms cannot afford to provide health insurance for employees due to cost, while others struggle to provide health insurance for themselves and employees due to rising premiums, weak negotiating power against large insurance companies, and administrative complexity. From a staff recruitment and retention perspective, businesses that cannot provide health benefits face a persistent competitive disadvantage in recruiting and retaining talent.

Under the NYHA, employers would no longer need to purchase or administer health insurance plans. Instead, they would contribute through a predictable payroll-based tax and avoid a significant staff recruitment and retention challenge. This change could reduce financial uncertainty, simplify business operations, and remove a significant barrier to entrepreneurship.

Large employers would also benefit from the elimination of health plan administration and negotiations with insurers. Compensation decisions could become more transparent because employee benefits would no longer fluctuate with insurance market conditions. Large employers may also benefit substantially from potential property tax relief.

8. Conclusion

The NYHA offers a potential pathway to both expand health coverage and reduce the overall cost of health care in New York State. While most discussions of the legislation focus on its effects on household health spending, this analysis highlights an important and often overlooked fiscal dimension: the impact on local government and school district finances. By reducing the cost of financing health coverage for public employees and Medicaid at the local level, the NYHA could function as a powerful tool for improving affordability across the state.

In addition to fiscal benefits, the NYHA would significantly improve health coverage for residents, including public employees. The NYHA would ensure that every New Yorker — including the public employees who serve our communities — has access to comprehensive, high-quality health care.

The analysis presented in this paper suggests that replacing local government financing of employee health insurance and, in the case of counties, the Medicaid county share with the financing structure proposed under the NYHA could generate substantial fiscal savings for local governments. In the case of Suffolk County, the Town of Islip, and the Brentwood School District, estimated savings exceed **80 percent of current health insurance expenditures**. These savings are replicated across the ten economic regions of the state, representing an average savings of **12–14% of total local budgets**. The implications extend beyond local budgets. Similar savings could likely be realized in the state budget by restructuring the financing of health coverage for state employees, retirees, and dependents.

These savings could have meaningful implications for taxpayers and local economies. By removing a large, rapidly growing, and unpredictable expense from local budgets, the NYHA could reduce pressure on property taxes or allow local governments to reinvest resources in public services such as education, infrastructure, and community development. The reduction in local health spending if translated into lower property taxes for households and businesses could potentially contribute to lowering rents, reducing operating costs for businesses, and fostering stronger local economic activity.

At a time when working families, businesses, and local governments are facing increasing economic pressures, the New York Health Act presents a potential opportunity to simultaneously expand access to health care and provide measurable fiscal relief for taxpayers.

Acknowledgments

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