

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 132 (First Edition)

SHORT TITLE: Medicaid Ref. Study/County Share Phase Out.

SPONSOR(S): Representative Nye

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
STATE EXPENDITURES:	\$103,049,727	\$198,510,871	\$311,102,842	\$443,893,972	\$598,623,237
COUNTY EXPENDITURES:	(\$103,049,727)	(\$198,510,871)	(\$311,102,842)	(\$443,893,972)	(\$598,623,237)
POSITIONS (cumulative):	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Health an Human Services – Division of Medical Assistance					
EFFECTIVE DATE: July 1, 2005					

Note: The fiscal impact through SFY 2010-2011 is shown on page 4.

BILL SUMMARY:

The proposed legislation reduces the county share of the nonfederal share of Medicaid program costs by 2.5% each fiscal year beginning July 1, 2005, until the county share reaches 0%. In any fiscal year in which the county share results in an amount higher than the county share amount paid for the 2004-05 fiscal year after the reduction in percentage of the county share, the county share shall be the amount paid for the 2004-05 fiscal year. Beginning July 1, 2010, the nonfederal share of the Medicaid program shall be paid by the State. The proposed legislation provides that counties where the number of Medicaid-eligible individuals in a given fiscal year exceeds 25% of the county population, the county's share shall be two-thirds of the reduced share for that fiscal year, or the county share for the 2004-05 fiscal year, whichever is less.

ASSUMPTIONS AND METHODOLOGY:

Background

The Federal Financial Participation (FFP) Rate determines the federal share of the Medicaid program. The rate is based on the relationship between each state's per capita personal income and that of the nation as a whole. The FFP is calculated annually and the rate changes each year.

Under state law, county governments pay 15% on the nonfederal share of the North Carolina Medicaid program. During the past five years, the actual share of the total Medicaid Program for county governments has ranged from 5.25% to 5.75%.

Assumptions

1. **County Share:** This analysis assumes that the county portion of the nonfederal share of Medicaid will be reduced 2.5% a year for all 100 counties to achieve the goal established in the legislation. The actual county share assuming no change in the county portion of the nonfederal share is based on projections of the Federal Financial Participation Rate from the Division of Medical Assistance. The actual county share for all 100 counties under the proposed legislation is reduced by about .9% per year as the county Medicaid share of the nonfederal share is reduced by 2.5% a year until the actual county share reaches zero in SFY 2010-11.

State Fiscal Year	County Medicaid Share Of Nonfederal Share	Actual County Share No Change	Actual County Share under HB 132
2004-05	15.00%	5.48%	5.48%
2005-06	12.50%	5.49%	4.58%
2006-07	10.00%	5.53%	3.69%
2007-08	7.50%	5.56%	2.78%
2008-09	5.00%	5.60%	1.87%
2009-10	2.50%	5.64%	0.94%
2010-11	0.00%	5.68%	0.00%

2. **Targeted Reductions for Counties Where the Medicaid Population Exceeds 25% of the County Population:** This analysis uses a three year average to determine which counties have Medicaid populations that exceed 25% of the county population (SFY 2002 through SFY 2004). In addition, the fiscal note assumes that the group of counties with Medicaid eligibles 25%+ of the county population will not change during the six-year period. The counties eligible for targeted reductions under the proposed legislation are listed in the following table:

The estimated Medicaid expenditures for SFY 2004-05 for these twenty counties are 15.66% of the total Medicaid expenditures while estimated Medicaid expenditures for SFY 2004-05 for the other eighty counties are 84.34% of the total Medicaid expenditures. The analysis

assumers that the share of total Medicaid expenditures for the two groups of counties does not change during the six-year phase out of the county share proposed under this legislation. Under the proposed legislation, the county share for the twenty counties with Medicaid population that exceed 25% of the county population be two-thirds of the reduced share.

3. **Projected Medicaid Budget:** In order to determine the fiscal impact of the proposed legislation, the total Medicaid Budget must be projected through SFY 2010-11. This fiscal note uses the actual projection for SFY 2004-05 from the Division of Medical Assistance. The projection for SFYs 2005-06 through 2010-2011 is based on national growth rates for Medicaid that was developed by the Office of the Actuary for the Centers for Medicare/Medicaid.

State Fiscal Year	Growth Rate	Projected Medicaid Budget
2004-05	Actual	\$8,172,133,335
2005-06	9.2%	\$8,923,969,602
2006-07	9.2%	\$9,744,974,805
2007-08	9.1%	\$10,631,767,512
2008-09	9.0%	\$11,588,626,589
2009-10	8.8%	\$12,608,425,728
2010-11	8.7%	\$13,705,358,767

3. **Estimated County Expenditures:** Using the projections for the total Medicaid budget, county expenditures for the Medicaid program can be estimated. The chart below shows estimated county expenditures assuming no change in the county share and estimated county expenditures under the proposed legislation.

State Fiscal Year	Estimated County Expenditures No Change	Estimated County Expenditures Under HB 132
2004-05	\$448,159,792	\$448,159,792
2005-06	\$490,327,510	\$387,277,783
2006-07	\$539,238,181	\$340,727,310
2007-08	\$591,338,909	\$280,236,067
2008-09	\$648,905,146	\$205,011,174
2009-10	\$710,926,085	\$112,302,847
2010-2011	\$777,916,164	\$0

4. **Fiscal Impact on State and Local Expenditures for Medicaid:** The following chart shows the fiscal impact of the proposed legislation on state and local expenditures for the Medicaid Program.

State Fiscal	Fiscal Impact on State	Fiscal Impact on County
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Year	Expenditures	Expenditures
2004-05	\$0	\$0
2005-06	\$103,049,727	(\$103,049,727)
2006-07	\$198,510,871	(\$198,510,871)
2007-08	\$311,102,842	(\$311,102,842)
2008-09	\$443,893,972	(\$443,893,972)
2009-10	\$598,623,237	(\$598,623,237)
2010-2011	\$777,916,164	(\$777,916,164)

5. **Capping the County Share:** The legislation assumes that in any fiscal year in which the county share results in an amount higher than the county share amount paid for the 2004-05 fiscal year after the reduction in percentage of the county share, the county share shall be the amount paid for the 2004-05 fiscal year. When the county share is being phased out over five years, the capping language does not affect the estimated county share because the estimated county share for SFYs 2005-06 through 2010-2011 is always lower than the estimated county share for SFY 2004-05.

SOURCES OF DATA:

Department of Health and Human Services – Division of Medical Assistance

TECHNICAL CONSIDERATIONS: None

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