

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 55 (2nd Edition)

SHORT TITLE: Medicaid County Share

SPONSOR(S): Senator Forrester

| | FISCAL IMPACT | | | | |
|---|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2003-04</u> | <u>FY 2004-05</u> | <u>FY 2005-06</u> | <u>FY 2006-07</u> | <u>FY 2007-08</u> |
| <u>STATE</u> | | | | | |
| EXPENDITURES: | \$0 | \$0 | \$109,617,343 | \$240,781,707 | \$395,914,099 |
| <u>COUNTY</u> | | | | | |
| EXPENDITURES: | \$0 | \$0 | (\$109,617,343) | (\$240,781,707) | (\$395,914,099) |
| POSITIONS: | 0 | 0 | 0 | 0 | 0 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: | | | | | |
| Department of Health and Human Services | | | | | |
| EFFECTIVE DATE: January 1, 2004 | | | | | |

Note: The fiscal impact through SFY 2009-2010 is shown on page 3.

BILL SUMMARY:

The proposed legislation authorizes a phase-out of the nonfederal share of the Medicaid Assistance Program borne by counties beginning July 1, 2005, with full phase out by July 1, 2009. County administrative costs are not included in the phase-out. As the county share is phased-out, the State will began paying the county share.

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 5.5 5% to 5.75%.

Assumptions

1. **County Share:** This analysis assumes that the county portion of the nonfederal share of Medicaid will be reduced 3% a year 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 under the proposed legislation is reduced by about 1.1 % per year as the county Medicaid share of the nonfederal share is reduced by 3% a year until the actual county share reaches zero in SFY 2009-10.

| State Fiscal Year | County Medicaid Share Of Nonfederal Share | Actual County Share No Change | Actual County Share under SB 55 |
|--------------------------|--|--------------------------------------|--|
| 2003-04 | 15% | 5.58% | 5.58% |
| 2004-05 | 15% | 5.57% | 5.57% |
| 2005-06 | 12% | 5.63% | 4.50% |
| 2006-07 | 9% | 5.68% | 3.41% |
| 2007-08 | 6% | 5.72% | 2.29% |
| 2008-09 | 3% | 5.75% | 1.15% |
| 2009-10 | 0% | 5.79% | 0.00% |

2. **Projected Medicaid Budget:** In order to determine the fiscal impact of the proposed legislation, the total Medicaid Budget must be projected through SFY 2009-10. This fiscal note uses actual projections for SFYs 2003-04 and 2004-05 from the Medicaid Forecast from the Division of Medical Assistance. The projection for SFYs 2005-06 through 2009-2010 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 |
|--------------------------|--------------------|----------------------------------|
| 2003-04 | Actual | \$7,760,658,004 |
| 2004-05 | Actual | \$8,937,907,800 |
| 2005-06 | 8.9% | \$9,733,381,594 |
| 2006-07 | 8.9% | \$10,599,652,556 |
| 2007-08 | 8.9% | \$11,543,021,634 |
| 2008-09 | 8.6% | \$12,535,721,494 |
| 2009-10 | 8.6% | \$13,613,793,543 |

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 SB 55 |
|--------------------------|--|--|
| 2003-04 | \$433,277,536 | \$433,277,536 |
| 2004-05 | \$498,064,912 | \$498,064,912 |
| 2005-06 | \$548,086,717 | \$438,469,374 |
| 2006-07 | \$601,954,268 | \$361,172,561 |
| 2007-08 | \$659,856,831 | \$263,942,732 |
| 2008-09 | \$721,305,414 | \$144,261,082 |
| 2009-10 | \$788,442,853 | \$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 Year | Fiscal Impact on State Expenditures | Fiscal Impact on County Expenditures |
|--------------------------|--|---|
| 2003-04 | \$0 | \$0 |
| 2004-05 | \$0 | \$0 |
| 2005-06 | \$109,617,343 | (\$109,617,343) |
| 2006-07 | \$240,781,707 | (\$240,781,707) |
| 2007-08 | \$395,914,099 | (\$395,914,099) |
| 2008-09 | \$577,044,331 | (\$577,044,331) |
| 2009-10 | \$788,442,853 | (\$788,442,853) |

SOURCES OF DATA: Department of Health and Human Services
Division of Medical Assistance

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DATE: April 22, 2003



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