

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 57 (First Edition)

SHORT TITLE: Phase Out Medicaid County Share.

SPONSOR(S): Representatives Howard, Yongue, Carney, and Almond

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
(In Millions)	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
EXPENDITURES					
County Impact	(\$103.4)	(\$226.4)	(\$371.4)	(\$536.8)	(\$744.5)
State Impact	\$103.4	\$226.4	\$371.4	\$536.8	\$744.5
POSITIONS (cumulative):	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Division of Medical Assistance, Department of Health and Human Services and Counties					
EFFECTIVE DATE: July 1, 2007					

BILL SUMMARY:

The proposed legislation authorizes a phase-out of the nonfederal share of the Medicaid Assistance Program borne by counties beginning July 1, 2007 with full phase out by July 1, 2011. County administrative costs are not included in the phase-out. The proposed legislation also requires that no county pay more for the Medicaid county share than what was paid in FY 2005-06. 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 5.36% to 5.66%.

Assumptions

1. **County Share of Medicaid:** 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 2011-12.

State Fiscal Year	County Medicaid Share Of Nonfederal Share	Actual County Share No Change	Actual County Share under HB 57
2006-07	15%	5.36%	5.36%
2007-08	12%	5.37%	4.30%
2008-09	9%	5.42%	3.25%
2009-10	6%	5.46%	2.18%
2010-11	3%	5.50%	1.1%
2011-12	0%	5.54%	0%

2. **Projections of County Expenditures for Medicaid:** Using the forecast model from the Division of Medical Assistance, this analysis projects the following county expenditures for Medicaid:

State Fiscal Year	Projected Medicaid County Share
2007-08	\$517,000,000
2008-09	\$566,000,000
2009-10	\$619,000,000
2010-11	\$671,000,000
2011-12	\$744,500,000

3. **Projections of County and State Expenditures for Medicaid under the Proposed Legislation:** The following chart shows the increase in State expenditures and the reduction in county expenditures that would result from the proposed legislation.

State Fiscal Year	Reduction in County Expenditures for Medicaid	Increase in State Expenditures for Medicaid
2007-08	(\$103,400,000)	\$103,400,000
2008-09	(\$226,400,000)	\$226,400,000
2009-10	(\$371,400,000)	\$371,400,000
2010-11	(\$536,800,000)	\$536,800,000
2011-12	(\$744,500,000)	\$744,500,000

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

TECHNICAL CONSIDERATIONS: None

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