

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 105 (First Edition)

SHORT TITLE: Phase Out Medicaid County Share.

SPONSOR(S): Senator Brock

	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>
<u>STATE</u> EXPENDITURES	\$0	\$107,847,636	\$236,535,564	\$389,343,087	\$568,740,868
<u>COUNTY</u> EXPENDITURES:	\$0	(\$107,847,636)	(\$236,535,564)	(\$389,343,087)	(\$568,740,868)
POSITIONS (cumulative):	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services					
EFFECTIVE DATE: When it becomes law.					

Note: The fiscal impact through SFY 2010-2011 is shown on page 3.

BILL SUMMARY:

The proposed legislation reduces the county share of the nonfederal share of Medicaid program costs by 3% each fiscal year beginning July 1, 2006, until the county share reaches 0%. Effective July 1, 2011, 100% of the nonfederal share of the Medical Assistance Program, excluding administrative costs, shall be paid by the state.

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 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 2010-11.

State Fiscal Year	County Medicaid Share of Nonfederal Share	Actual County Share No Change	Actual County Share under SB 105
2004-05	15%	5.48%	5.48%
2005-06	15%	5.49%	5.49%
2006-07	12%	5.53%	4.40%
2007-08	9%	5.56%	3.32%
2008-09	6%	5.60%	2.22%
2009-10	3%	5.64%	1.12%
2010-11	0%	5.68%	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 2010-11. This fiscal note uses the actual projection for SFY 2004-05 from the Division of Medical Assistance’s County Estimates for SFY 2004-05. 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

State Fiscal Year	Growth Rate	Projected Medicaid Budget
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 SB 105
2004-05	\$448,159,792	\$448,159,792
2005-06	\$490,327,510	\$490,327,510
2006-07	\$539,238,181	\$431,390,545
2007-08	\$591,338,909	\$354,803,345
2008-09	\$648,905,146	\$259,562,058
2009-10	\$710,926,085	\$142,185,217
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 Year	Fiscal Impact on State Expenditures	Fiscal Impact on County Expenditures
2004-05	\$0	\$0
2005-06	\$0	\$0
2006-07	\$107,847,636	(\$107,847,636)
2007-08	\$236,535,564	(\$236,535,564)
2008-09	\$389,343,087	(\$389,343,087)
2009-10	\$568,740,868	(\$568,740,868)
2010-2011	\$777,916,164	(\$777,916,164)

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

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Carol Shaw

APPROVED BY: James D. Johnson, Director
Fiscal Research Division



DATE: March 14, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices