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FISCAL IMPACT REPORT

SPONSOR Keller **ORIGINAL DATE** 10/19/09
LAST UPDATED _____ **HB** _____
SHORT TITLE No Medicaid and Developmental Disability Cuts **SB** 4
ANALYST Chabot

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 4 holds harmless from any funding or program cuts for individuals enrolled in Medicaid or the developmental disabilities Medicaid waiver. The bill contains an emergency clause.

FISCAL IMPLICATIONS

This bill would restrict \$601 million from the general fund for Medicaid match and \$69.1 million from the general fund for the developmental disabilities Medicaid waiver program from reduction in solvency bills.

SIGNIFICANT ISSUES

The exact number of individuals affected by this legislation would be determined on enactment. Currently 516,560 individuals (including the state coverage initiative) are enrolled in Medicaid and 3,878 individuals on the developmental disabilities Medicaid waiver.

In order to have a 6 percent reserve level, the appropriated expenditures need to be reduced by \$653 million out of a total general fund appropriation of the \$5.471 billion appropriation. This amounts to almost 12 percent of the existing appropriations.

HSD's latest Medicaid projection for FY2010 indicates an over-expenditure of about \$211 million, resulting in a general fund shortfall of \$42.9 million. Any reductions required as the result of the special session will increase this shortfall. The projection indicates that these expenditures will be pushed forward into FY11, compounding an already difficult problem due to the ending of the enhanced FMAP rate under the federal stimulus bill. Requiring the state to "hold harmless" portions of the Medicaid budget may significantly increase general funds needs in the future.

There are generally three ways to reduce Medicaid expenditures – benefit cuts, provider rate reductions, and enrollment/eligibility changes. If this bill is enacted and general fund reductions to Medicaid are made, HSD may be forced to reduce other parts of the Medicaid budget, e.g., provider rates, to reduce expenditures to hold harmless client benefits.

TECHNICAL ISSUES

Medicaid is an entitlement program and all eligibles can apply. Benefits would be the same for those individuals. In addition, since this bill holds harmless funding cuts, efforts at cost containment that result in revenue savings would not be allowed.

ALTERNATIVES

One alternative would be to restrict cuts by a specified amount rather than the number of clients to be determined on enactment of the bill.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Funding for Medicaid would be subject to any deductions determined by the statutes enacted.

POSSIBLE QUESTIONS

1. Why is a stand-alone bill on this subject needed?
2. Could these provisions be included in any solvency bill passed by the Legislature?

GAC/svb