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MEDICAID BUDGET FACTS

MEDICAID CRISIS: LAWMAKERS SHOULD FIND NEW REVENUES TO ENSURE HEALTHCARE FOR MOST VULNERABLE

HOW LAWMAKERS HAVE MAINTAINED HEALTHCARE PROGRAMS DURING THE RECESSION

Georgia's Medicaid and PeachCare programs serve approximately 1.6 million people, primarily low-income children. The majority of the spending, however, is on services for elderly and disabled Georgia citizens. Enrollment has increased by more than nine percent in the last two years, mainly attributed to increased poverty caused by the recession.

In order to maintain healthcare services for these vulnerable Georgians, Georgia lawmakers have used the following temporary funding sources *while cutting General Fund support by more than \$700 million*:

- The American Recovery and Reinvestment Act of 2009, which provides enhanced federal funding to help states maintain Medicaid programs while they are experiencing sharply declining revenues.
- One-time state funding sources such as the Tobacco Settlement.

Over the next 6 to 18 months, however, *these two temporary funds will end*, leaving Medicaid with a nearly \$1 billion deficit (when factoring projected enrollment growth).

OPTIONS TO FILL THE \$1 BILLION SHORTFALL

Lawmakers should fill this large deficit responsibly. Addressing the shortfall — \$300 million for FY 2011 alone, which begins July 1, 2010 — simply by cutting the programs, will not only harm poor Georgians, but it will cripple providers serving these patients by cutting their fees dramatically. Options include:

R E C O M M E N D A T I O N

GEORGIA NEEDS NEW REVENUE FOR THE STATE'S MEDICAID PROGRAM TO AVOID DEVASTATING CUTS TO PROVIDER REIMBURSEMENT RATES AND PATIENT ELIGIBILITY: Georgia's Medicaid program needs nearly \$1 billion for FY 2011 and FY 2012. This large shortfall in the Medicaid budget is not due to a program growing out of control, but rather is a result of the steep revenue decline the state is experiencing during the current recession.

THE SOLUTION: Increase state revenues so that we can adequately fund Medicaid and PeachCare, which are crucial to the health of Georgians across the state. Balancing the budget on the backs of Georgia's most vulnerable citizens should not be an option.

- The governor's proposed FY 2011 budget reduces General Fund costs by nearly \$30 million by cutting reimbursement rates paid to many providers. It also generates \$274 million in net new revenue by implementing a 1.6% fee on hospitals and managed care providers.
- Enacting House Bill 39, which raises the cigarette tax by \$1 per pack (it is currently the 5th lowest in the nation at 37¢). This will generate \$300-\$400 million yearly.

Even if the General Assembly passes either option, the state's Medicaid budget will be short at least \$700 million for FY 2012. Lawmakers will need to raise additional revenues in order to avoid more damaging cuts next year and in the future.

Visit www.GBPI.org for the complete report and revenue solutions.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

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