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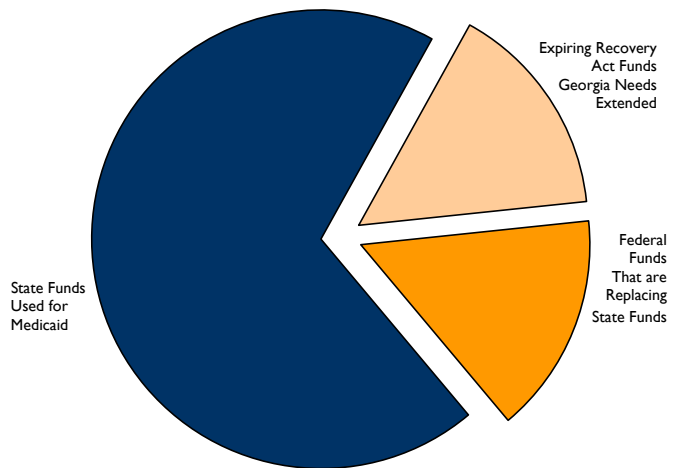
Thoughtful Analysis...Responsible Policy

## Press Statement: Georgia's New Budget Depends on Extended Federal Help, Senate Set to Take up Legislation This Week

By [Timothy Sweeney, M.P.A.](#), Senior Healthcare Analyst

Georgia is among 30 states that have built their state budget assuming that enhanced Medicaid funding will be available through next June, when our budget year ends. Georgia's budget, as recently signed by the governor, includes nearly \$750 million of these funds, also known as the enhanced FMAP. Georgia would only realize half of this amount if the enhanced funding expires on December 31, 2010, as it is currently scheduled to do.

The federal Recovery Act of 2009 enhances federal Medicaid funding to help states survive the Great Recession without making dramatic cuts to Medicaid programs that would worsen the economy. Thanks to the increased federal help granted as states' unemployment rose and Medicaid caseloads increased, Georgia has not made major cuts to Medicaid eligibility levels or to the reimbursement rates paid to providers serving Medicaid patients, which already fail to cover providers' full costs for treating patients.



Last week, the U.S. House of Representatives stripped the extended Medicaid funds out of a bill to extend a variety of Recovery Act provisions. The Senate now has the opportunity to restore this temporary extension to stabilize the states a little longer as their economies slowly recover. If Congress does not extend the enhanced FMAP, Georgia's new budget will be seriously out of balance when the new fiscal year starts July 1.

But this would be just the beginning. Georgia lawmakers are using enhanced Medicaid funding to offset spending that would otherwise have come from state sources, as the Recovery Act intends. If, instead of finding additional state revenues to replace expiring FMAP, lawmakers cut the Medicaid program to save \$375 million, the state would *also* forgo more than \$650 million in additional lost federal funds that are in the state's Medicaid base budget. In total, this \$1 billion loss would represent nearly a 15 percent reduction in Georgia's

Medicaid program (state and federal funds included).

A deficit of this magnitude requires significant new revenues or devastating cuts to provider reimbursement rates, eligibility, covered services, or all of the above. Although Georgia lawmakers have not indicated precise alternatives to finding revenues, budget proposals discussed in the recent legislative session indicate that a 20 percent across-the-board cut to reimbursement rates for healthcare providers would be needed if lawmakers do not add new revenues.

Cutting Medicaid reimbursement rates 20 percent likely would result in hospitals closing, many doctors denying service to Medicaid patients, and local economies that depend on their healthcare sector for jobs suffering throughout the state.

If Congress does extend the enhanced FMAP until next July, it serves the dual purpose of giving Georgia lawmakers time to put new state revenues in place before the federal funds expire while assuring Georgia's new budget stays balanced. Extending FMAP is crucial to Georgia's ability to weather the Great Recession while avoiding crippling cuts to the healthcare infrastructure of the state.

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**Editors and Reporters:** Interviews are welcome.

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