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Georgia Budget and Policy Institute

HEALTHCARE

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MEDICAID CRISIS: GEORGIA IS DEPENDING ON CONGRESS TO APPROVE ADDITIONAL MEDICAID FUNDING

GEORGIA'S NEW BUDGET DEPENDS ON EXTENDED FEDERAL HELP

The federal Recovery Act of 2009 enhances federal Medicaid funding to help states survive the Great Recession without making dramatic cuts to Medicaid programs and thus worsen the economy. Federal Medicaid funding is also known as FMAP.

Thanks to the increased federal help granted as states' unemployment rose and Medicaid case loads increased, Georgia has not made major cuts to Medicaid eligibility levels or to the reimbursement rates paid to healthcare providers serving Medicaid patients. Rates already fail to cover provider's full costs for treating patients.

Enhanced FMAP funding is set to expire December 31, 2010, which is in the middle of Georgia's fiscal year 2011. Georgia is among 30 states that have built their budget assuming that this enhanced funding will be available the entire year.

Georgia's budget, as recently signed by the governor, includes nearly \$750 million from enhanced FMAP. Georgia would realize only half of this if the funding is not extended, leaving a hole of at least \$375 million.

EXTENDING MEDICAID FUNDING IS CRUCIAL TO GEORGIA'S FINANCIAL OUTLOOK

The pie chart shows the financial loss to Georgia's Medicaid budget that will result if the U.S. Congress does not extend enhanced FMAP until next July. The two slices of federal funds represent about 30 percent of what the overall state contribution to Medicaid would need to be in FY 2011 without the enhanced federal funding.

- Without the federal extension, Georgia would need to find hundreds of millions in new revenues or significant new budget cuts this year;

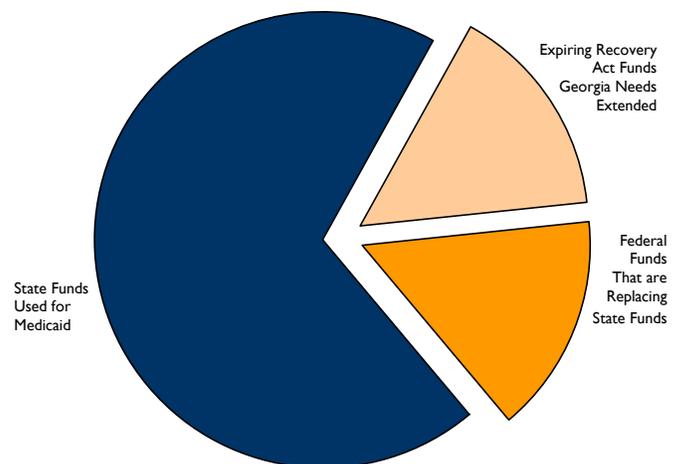
RECOMMENDATIONS

Georgia's budget assumes that the U.S. Congress will extend enhanced federal Medicaid funding for an additional six months. Without it, the governor may order devastating budget cuts that would force the state to lose \$1 billion.

EXTENDING THE ENHANCED FEDERAL MATCHING RATE FOR MEDICAID WOULD GIVE GEORGIA

lawmakers time to find new state revenues for inevitable deficits when federal funds expire, thereby avoiding significant cuts to provider reimbursement rates and/or patient eligibility.

GEORGIA COULD LOSE 15% OF ITS MEDICAID FUNDING, \$1 BILLION

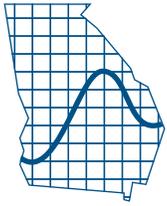


- Without extended federal funding, Georgia will be short \$375 million.
- If lawmakers cut Medicaid, Georgia would lose another \$650 million in other federal funds.

This graph does not include \$4.7 billion in federal funds that are in the base Medicaid budget funds.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

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- If the state does not find new revenues, the remaining option is significant cuts to provider reimbursement rates, which could seriously harm Georgia's already fragile economy.

Although a portion of the enhanced federal funding will be available to Georgia regardless of whether Congress extends the enhanced funding, Georgia will be short \$375 million in new state funding if the extension is not enacted.

CONGRESS CAN SOLVE GEORGIA'S MEDICAID BUDGET CRISIS

The U.S. Congress is currently considering legislation to extend a variety of tax provisions passed in the Recovery Act, as well as unemployment insurance benefits.

The House of Representatives recently stripped the Medicaid funding out of this bill. Now the Senate has the opportunity to restore this funding for the states.

If, instead of finding additional state revenue, the state cuts the Medicaid program to save \$375 million:

- The state would also forgo more than \$650 million in additional federal funds that are part of the Medicaid base budget, for a total loss of \$1 billion;
- Such a loss would represent nearly a 15 percent reduction in Georgia's Medicaid program (state and

federal funds included);

- Generating this amount of savings in Georgia's Medicaid budget would require devastating cuts to provider reimbursement rates, eligibility, covered services, or all of the above.

GEORGIA LOSES WITHOUT EXTENDED MEDICAID ASSISTANCE

A deficit of this magnitude requires significant new revenues or devastating cuts to provider reimbursement rates, patient eligibility, covered services, or all of the above. Any of these cuts jeopardizes \$650 million in federal funds that come to Georgia.

Although Georgia lawmakers have not released precise alternatives to finding revenues should the funds expire Dec. 31, budget proposals discussed in the recent legislative session indicate that an across-the-board cut to reimbursement rates of at least 20 percent for healthcare providers would be needed if lawmakers do not add new revenues. Cutting reimbursement rates likely would result in:

- Hospitals closing;
- Doctors and other healthcare providers denying service to Medicaid patients;
- Further trouble for local economies across the state that depend on their healthcare sector for jobs.

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