

Jim Denning Senate Majority Leader

February 18, 2019

Re: Proponent on Senate Bill 2

Dear Chairwoman McGinn, Vice Chairman Billinger, and committee members:

Every fall the budget committee receives the projected Medicaid caseload report. We dread waiting to hear what the new Federal Medical Assistance Percentage (FMAP) percentage is. The FMAP determines the states share of the Medicaid costs. As an example. Assume the total Medicaid spend is \$3.6B. With a FMAP of 41% state share / 59% federal share. The SGF breakdown would look like this:

State SGF	\$1.48B
Fed Share	<u>\$2.12B</u>
Total	\$3.6B

Now assume the Medicaid spend stayed the same the following year but the FMAP changed to 43% state share / 57% federal share. The same spend would look like this:

State SGF	\$1.55B
Fed Share	<u>\$2.05B</u>
Total	\$3.6B

With the FMAP changing to state's disadvantage, the cost to the SGF is an extra \$70 million. Just the opposite can occur. In fact, it did for FY-20. The FMAP actually decreased by 2.1% which gave Governor Kelly an extra \$70 million cushion in her budget. Those who have served on SWAMS know that more than likely it could swing back next year and cost \$35-50M or more to the SGF. Below are some historic FMAP trends.

Federal Medical Assistance Pe	ercentages (FM	IAP)								
	FFY 2012	FFY 2013	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2021
State Share	43.09%	43.49%	43.09%	43.37%	44.04%	43.79%	45.26%	42.90%	40.84%	40.84%
Federal Share	56.91%	56.51%	56.91%	56.63%	55.96%	56.21%	54.74%	57.10%	59.16%	59.16%
Avg State % FFY12-19	43.3%									
FFY-19	42.9%									
FFY-20	40.8%									
Change over prior year	2.1%									
Estimated Dollar Value	\$70M									

SB2 creates the FMAP Stabilization Fund to smooth out the large swings to the SGF for the state's share of caseload expense based on FMAP changes. This is how the fund will work initially. Any positive change in FMAP would be transferred into the Stabilization fund. In future, any negative change in FMAP would be deducted from the Stabilization Fund. The outcome would be SGF would stay steady, or change minimally with changes in FMAP. Allowing for more stable budgeting process in the future.

The following example is presented below:

FMAP Federal Share State Share Total	60/40 \$2.16B <u>\$1.44B</u> \$3.6 B	59/41 \$2.12B <u>\$1.48B</u> \$3.6 B	<u>Diff</u> -\$40M +\$40M	<u>SGF</u> \$40M	
Proposed					
FMAP	60/40	59/41	<u>Diff</u>	Stabilization	<u>SGF</u>
Federal Share	\$2.16B	\$2.12B	-\$40M		
State Share	<u>\$1.44B</u>	<u>\$1.48B</u>	\$40M	\$40M	\$0.00
Total	\$3.6 B	\$3.6 B			

Seed money

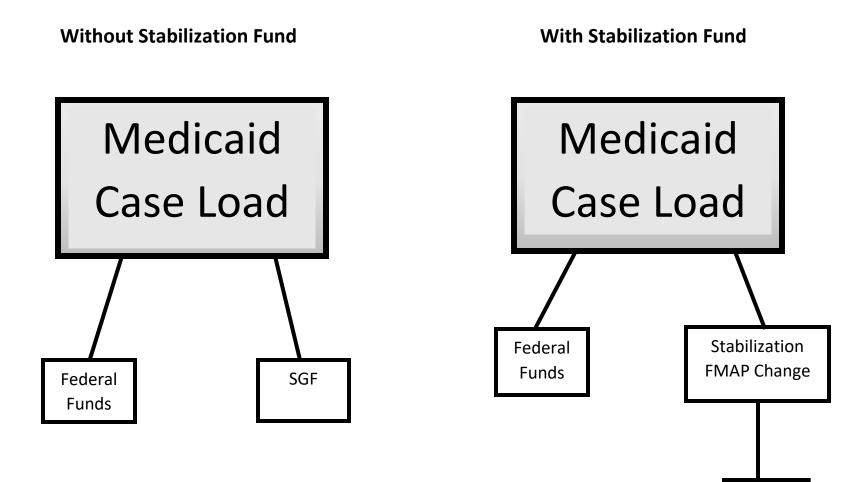
Current

AG Schmidt joined several states in a lawsuit against the Federal Government in regarding the Health Insurance Provider Fee (HIPF) charged to our Medicaid MCO's. The tax was originally implemented to help pay the cost of the ACA. Approximately \$91.8M has been paid by the state for HIPF. The AG and other states were successful in a court ruling that concluded the tax should not have been charged and the money should be returned to the state. The federal government has appealed. The AG thinks it will be resolved in our favor in calendar year 2019. Should that occur, the money would be deposited into the FMAP stabilization fund.

The seed money is not necessary for the stabilization fund to be created and for it to work. The runway would just be longer to build a balance. We would have to experience a favorable FMAP change and that difference would be transferred into the stabilization fund to get things started. The fund would have a much lower balance and not be able to absorb large negative changes in FMAP. However, it would still smooth out the large swings we have been experiencing.

Please review the flowchart attached.

I'm ready to take questions at the appropriate time.



SGF