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FISCAL IMPACT REPORT

SPONSOR: Hurt DATE TYPED: 03/14/03 HB _____

SHORT TITLE: Limit Medical Assistance Rate SB 576/aSF#1

ANALYST: Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From
Human Services Department

SUMMARY

Synopsis of Senate Floor Amendment # 1

Senate Floor Amendment # 1 changes the base year from FY03 to FY04 with the appropriations then limited for FY05 and FY06.

Synopsis of Original Bill

Senate Bill 576 would limit the appropriation to the Human Services Department for Medicaid in Fiscal Years 2004, 2005 and 2006 to not exceed the percent of the total state appropriation that Medicaid received in Fiscal Year 2003.

Significant Issues

Senate Bill 576 attempts to set a fiscal limit on the Medicaid program proportional to the percentage of total state funds used in FY03 for that purpose. If adopted, the absolute Medicaid expenditure would increase or decrease dependent on the total state revenues.

The bill does not define total state expenditure, that is, whether this includes tobacco funds, county taxes, interagency funds and other revenues that make up the Medicaid revenues or only

general fund. Also, the total Medicaid expenditure for FY03 is not yet known which makes it impossible to determine the appropriation for FY04.

Since Medicaid is an entitlement program, limiting the total appropriation in advance would require constant changes in benefits and/or eligibility during the fiscal year to ensure the appropriation is not exceeded. It does not appear possible to make such changes in a timely fashion since many would involve federal approval and prior contractual obligations.

The parameters that define the Medicaid revenue requirement are not proportional to or a function of the state revenue growth. While such a proposal may be a common sense approach to limiting Medicaid growth, it would be very difficult to accomplish.

FISCAL IMPLICATIONS

Senate Bill 576 would make Medicaid expenditures more predictable.

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