Gov. Brian Kemp proposed a 2021 budget of $3.15 billion in state general funds for the Department of Community Health. Although Gov. Kemp instructed agencies to reduce their budgets by 4 percent for amended fiscal year (AFY) 2020 and 6 percent for fiscal year (FY) 2021, Medicaid spending was excluded from the cuts because it is an enrollment-driven program. Therefore, the Department of Community Health was able to request an increase in their budget for Medicaid expenses. Overall the agency’s budget increased by $196.5 million from the 2020 fiscal year, mostly to offset a decrease in the federal matching rate for Medicaid and account for growth in Medicaid expenses.

The agency will receive $8 billion in federal funding in the 2021 fiscal year that begins July 1, 2020. The proposed state budget also allots a total of $650 million from a tobacco industry legal settlement, nursing home provider fees and hospital provider fees, a $30 million increase in those funds compared to the 2020 budget year. The budget includes another $3.74 billion from the State Health Benefit Plan, which manages health insurance coverage for state employees, retirees and their dependents.

By the Numbers

The majority of the agency’s budget is spent on Medicaid and PeachCare, Georgia’s name for the federal Children’s Health Insurance Program. These two programs provide more than 2 million Georgians with the ability to see a health care provider. Medicaid pays for critical health services including about three-quarters of all nursing home care and half of all births in the state.

The department’s budget also includes the State Health Benefit Plan, the Indigent Trust Fund, the Board of Dentistry, the Board of Pharmacy Boards, Health Care Access and Improvement, Healthcare Facility Regulation and administration.
Amended FY 2020 Highlights

The AFY 2020 budget, which started on July 1, 2019 and ends June 30, 2020, proposes a total reduction of $12.7 million in state general funds. Highlights include:

- A $23 million increase to fund the state match for federal disproportionate share hospital payments for private hospitals. Non-profit and public hospitals can use intergovernmental transfers from their hospital authorities to provide the matching funds, but private hospitals do not have this option, so the state provides the match for private hospitals.

- A $38.5 million reduction to reflect lower-than-expected baseline expense growth for Medicaid and PeachCare. Projected Medicaid growth spending for the elderly, blind and people with disabilities increased by $65.3 million and decreased for low-income Medicaid enrollees by $109.6 million. PeachCare growth spending increased by $5.7 million.

- A $2.5 million reduction from transferring funds to the Department of Human Services to administer the Right from the Start Medical Assistance Group, which is a group of eligibility specialists focused on enrolling pregnant women and children in Medicaid.

- Language included in the budget to reflect a name change from the Georgia Board for Physician Workforce to the Georgia Board of Health Care Workforce, as directed in Senate Bill 207 that passed in 2019. A total reduction of $3.3 million is proposed for the Georgia Board of Health Care Workforce, including:
  - $1.2 million in cuts to the Morehouse School of Medicine operating grant and a $961,000 reduction to Mercer School of Medicine grant.
  - A $630,000 reduction in funding for programs to support rural health care providers, including a reduction in loan repayment awards.

- $150,000 in cuts intended to fund one medical director position with the Georgia Composite Medical Board.

FY 2021 Budget Highlights

Ninety-five percent of state funds and 93 percent of federal funds in the proposed 2021 department budget are allocated to Medicaid and PeachCare. The governor’s proposed 2021 budget includes adjustments for projected baseline expenditure growth, higher Medicare-related costs and an increase to offset a decline in the federal matching rate.
Changes to Medicaid and PeachCare

- $76.4 million to offset the decrease of the Federal Medical Assistance Percentage (FMAP), or the share of Medicaid and PeachCare the federal government agrees to pay each year.
  - For the Medicaid program, the federal matching rate decreased from 67.30 percent to 67.03 percent for the 2021 fiscal year. This percentage adjusts each year based on a formula that considers each state’s average per capita income compared to the national average. The formula assumes that states with higher per capita incomes can contribute more state funds. Because Georgia’s average income went up, the federal match declined slightly and the state must increase funds. Under this new rate, Georgia will receive $2.03 in federal money for each $1 the state spends.
  - For PeachCare, the federal matching rate decreased from 88.61 percent to 76.92 percent because of a scheduled decline in the enhanced federal match. Under the Affordable Care Act, states received a temporary boost in the rate until it decreased by 50 percent for federal fiscal year 2020 and was phased out completely in 2021. Additional state funds were needed in the state’s 2021 budget to account for the phasing out of this enhanced rate.

- $89.6 million in state general funds and $194.8 million in federal funds for projected growth in Medicaid spending based on medical inflation, utilization, drug costs and general spending trends.

- $38.9 million in state general funds and $79.3 million in federal funds for the Health Insurance Tax created under the Affordable Care Act. This tax was enacted to help pay for the health insurance marketplaces, but it was suspended each year from 2014 to 2019. It is scheduled to be back in effect for 2020, unless there is congressional action. Medicaid managed care plans will increase their costs because they will be subject to the reinstated tax, and this would increase costs to the state.

- $24.1 million in state general funds and $38.5 million in federal funds for premium payments and prescription drug coverage for elderly Georgians who are enrolled in both Medicaid and Medicare.
Other Highlights of Proposed FY 2021 Budget

- The 2020 and 2021 budgets estimate the State Health Benefit Plan will spend $3.74 billion. The State Health Benefit Plan offers health insurance to Georgia’s active and retired state employees, teachers and other public school employees.
  - About 667,000 Georgians receive health coverage through this plan. The program is paid for through employee and employer contributions.
  - The plan is expected to have a deficit of about $314.6 million in 2021, but there are about $700 million in reserve funds that are expected to cover a potential deficit.¹

- The remaining six department programs include the Indigent Trust Fund, the Board of Dentistry, the Board of Pharmacy Boards, Health Care Access and Improvement, Healthcare Facility Regulation and administration. These programs are set to receive a combined $106 million in state general funds, a $1 million increase from 2020.
  - Most of the state increase is to offset the loss of federal funds and transferring funds from the low-income Medicaid program for enrollment-based growth.
  - The 2021 budget includes $399.6 million for the Indigent Care Trust Fund. The funding is used to support rural and other health care providers that serve people who do not have health insurance and are not eligible for other health coverage. Hospitals and nursing homes pay fees into the fund that are matched with federal dollars at the Medicaid matching rate.

- The department budget also contains administratively attached agencies, including the Georgia Board of Health Care Workforce, Georgia Composite Medical Board and Georgia Drug and Narcotics Agency. Spending for these agencies totals $85.6 million, a decrease of $2.4 million from 2020.
  - Most of this decline is from reductions within the Georgia Board of Health Care Workforce. The agency collects data to determine health provider workforce needs in underserved areas and provides support to medical schools and health care providers through grants and loan repayment awards.
  - Although the agency was able to propose an additional $2.5 million to fund 133 new primary care residency slots, they had to make cuts in other areas.
such as reducing operating grants to Morehouse School of Medicine by $1.7 million and to Mercer School of Medicine by $1.4 million.

- The agency’s program for health care providers in rural areas was cut by $630,000, including reducing loan repayment awards and eliminating assistance with malpractice insurance premiums.
- These reductions are expected to make it more difficult for the state to continue its progress in building enough health care workforce capacity, especially in rural areas.

Governor’s Proposed Medicaid 1115 Waiver

Governor Kemp and the Department of Community Health submitted a proposal for a Medicaid 1115 waiver on December 23, 2019. This waiver would partially expand Medicaid coverage for Georgia adults making below the poverty line and who are able to document 80 hours of work per month. Although there are more than 400,000 uninsured adults with incomes below the poverty line ($12,000 a year for an individual) and most of them are employed, the state expects only about 50,000 people to get coverage through the waiver. The enrollment for this waiver would open July 1, 2021 (the beginning of fiscal year 2022), meaning that no money is appropriated for the waiver in the 2021 fiscal year.

Endnotes

1 Presentation from Lisa Walker, Chief Financial Officer for the Georgia Department of Community Health – at the agency’s board meeting on August 22, 2019.