

Medicaid Budget Request

Prepared for Joint Legislative Budget Committee

September 26, 2024

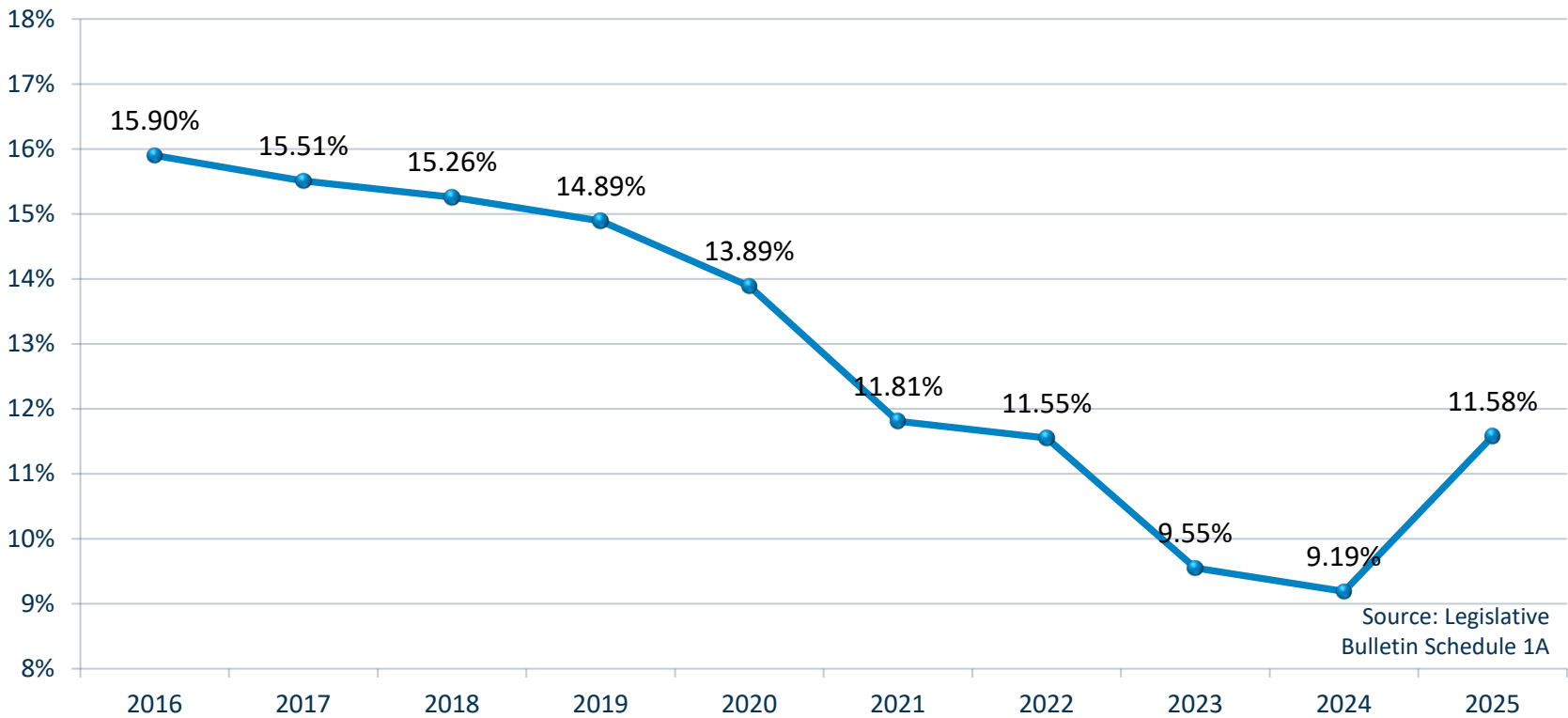


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Medicaid State Support as % of Total State Support

Medicaid's share of total state support appropriation has declined significantly.

Medicaid state support appropriation as % of total state support appropriation

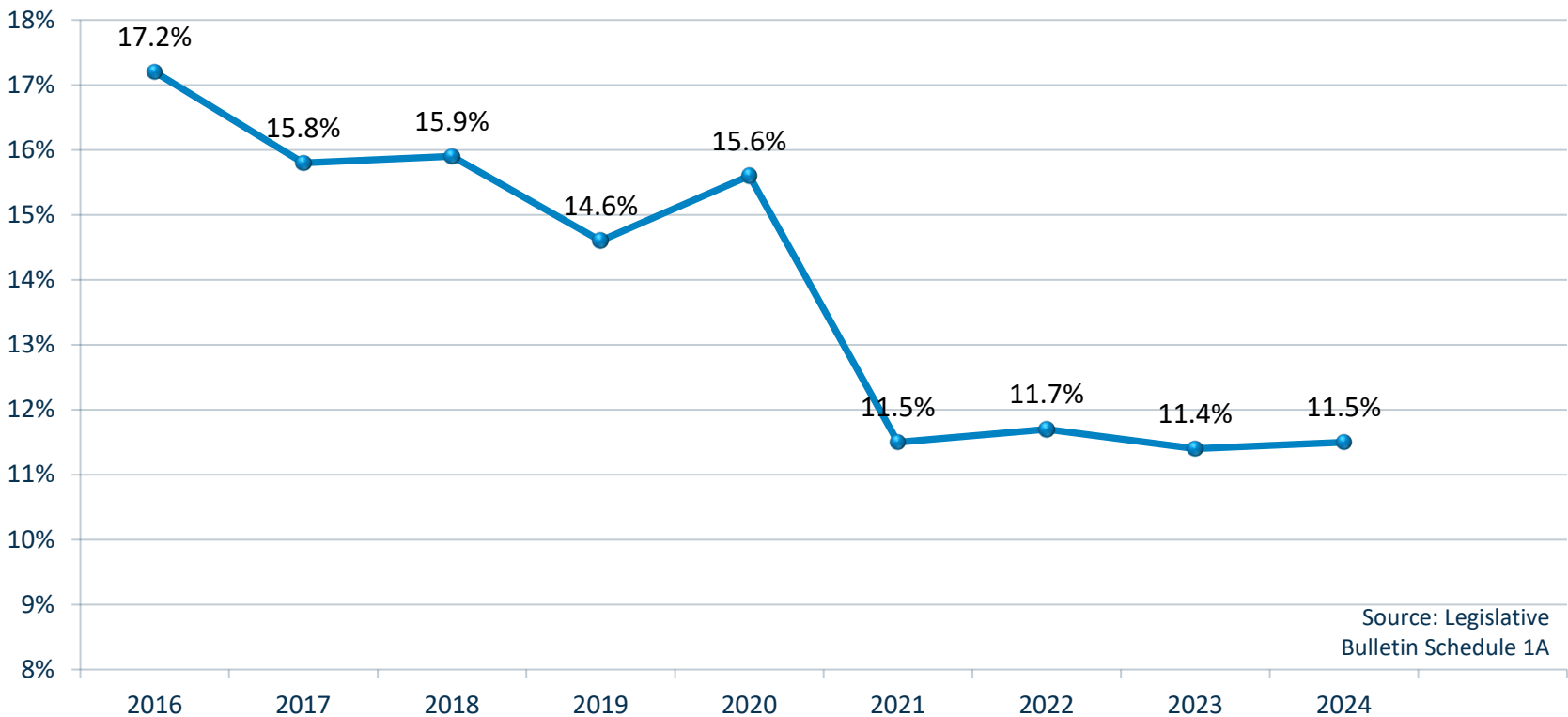


Source: Legislative Bulletin Schedule 1A

Medicaid General Funding as % of General Fund Transfers

Medicaid's general fund appropriation compared to yearly general fund transfers also has dropped significantly.

Medicaid general fund appropriation as % of yearly general fund transfers

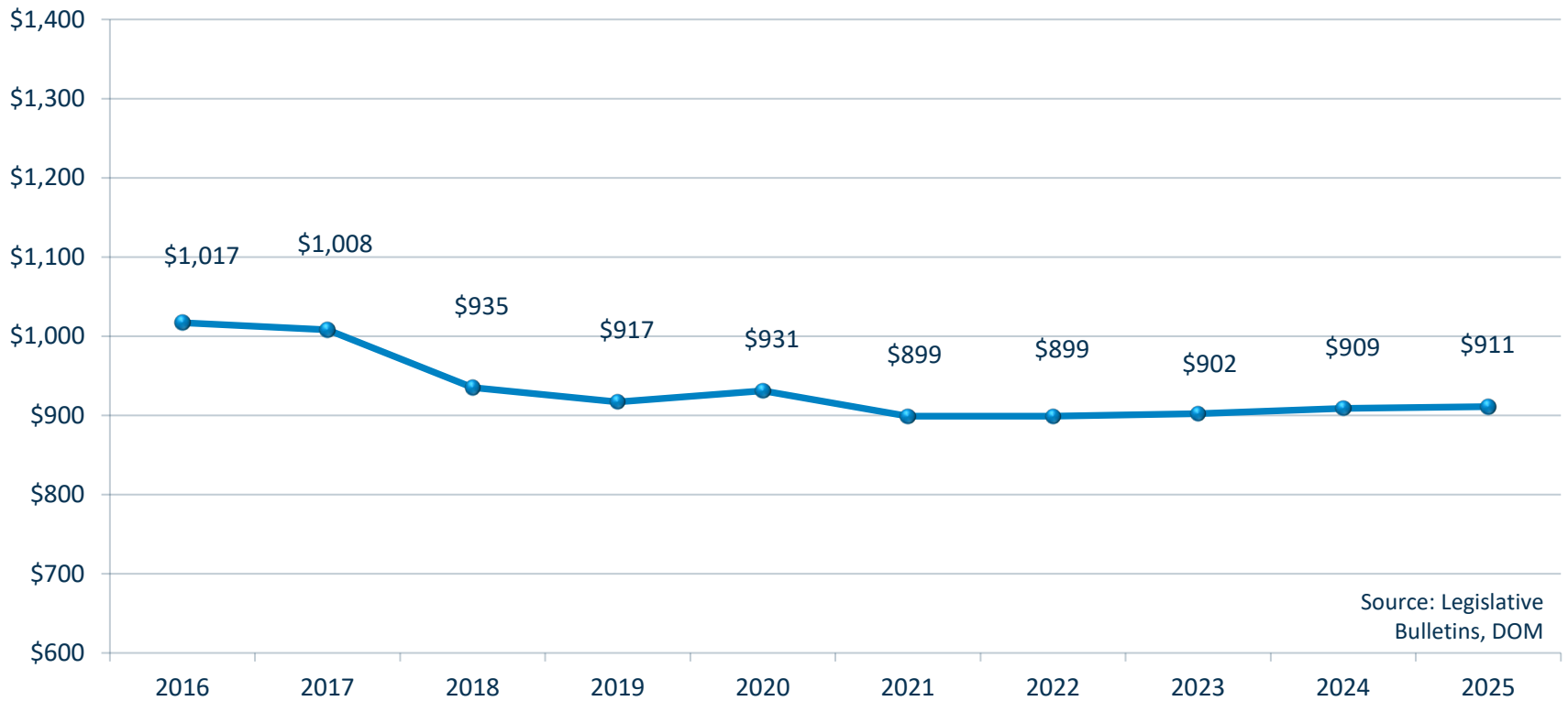


Source: Legislative Bulletin Schedule 1A

State support appropriations

Medicaid has been an outlier over past 10 years, with decreases in state support appropriations (and state support spending). FY26 state support request is \$1.071 billion.

State support appropriation (in millions), FY15-25

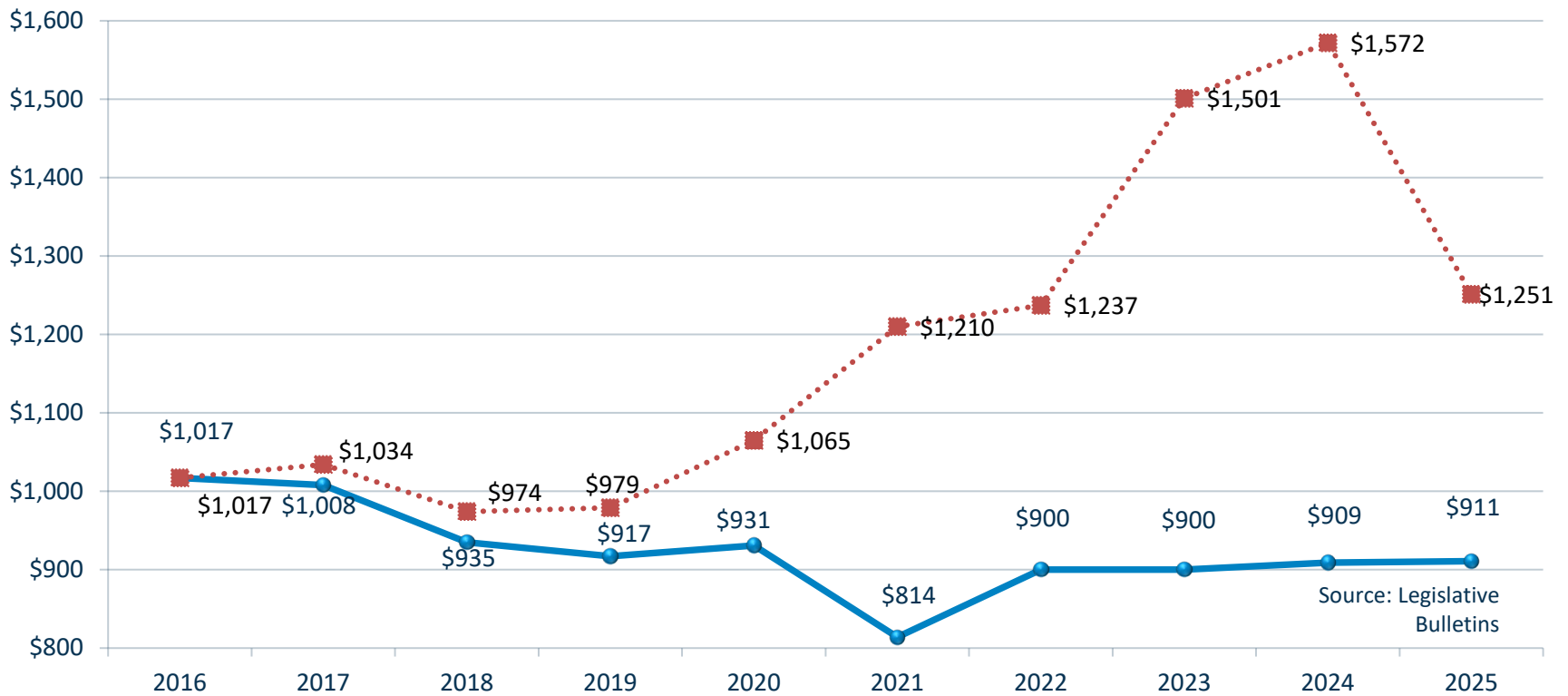


Source: Legislative Bulletins, DOM

Medicaid's smaller footprint on state support of appropriations

“Savings” from 2016 high-water benchmark would exceed \$2.5 billion this year.

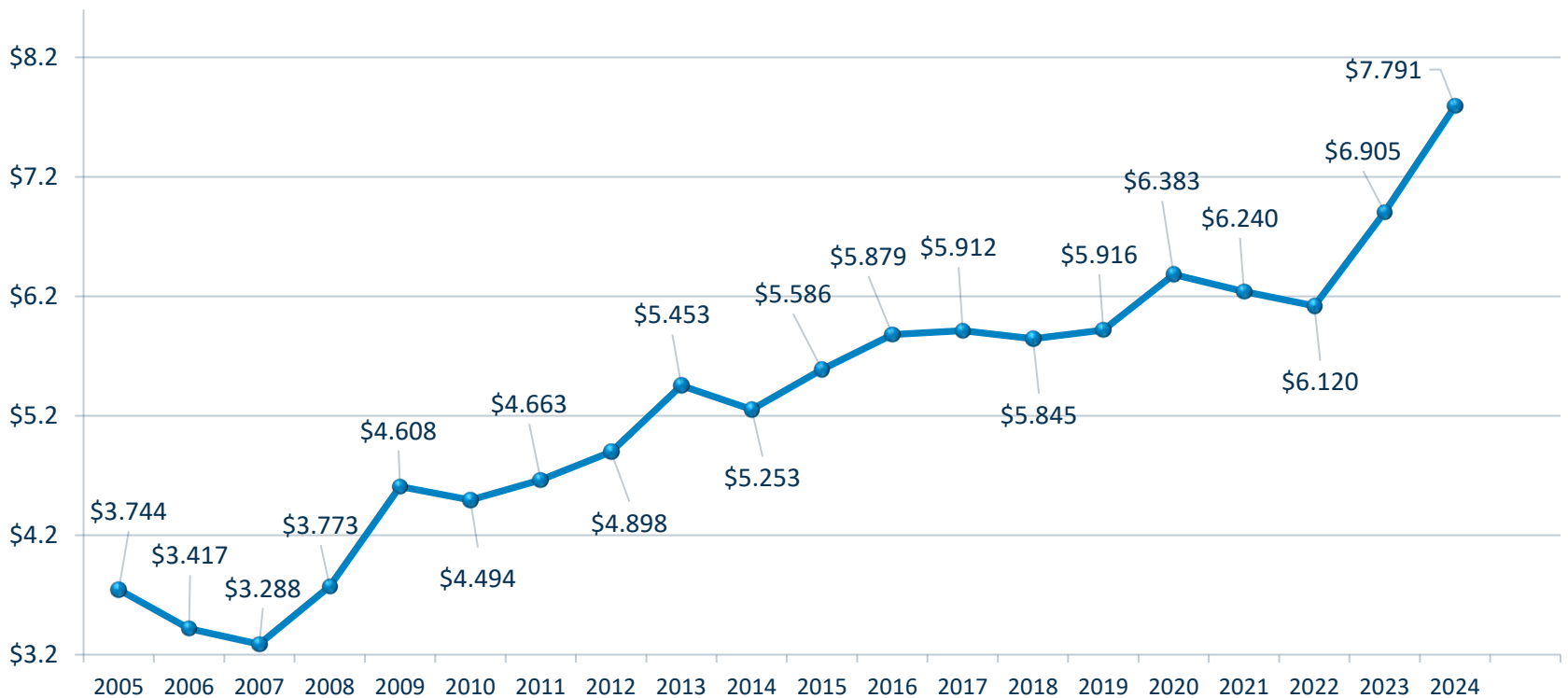
Total state support spending compared to 15.9% year-over-year state support share



Total Medicaid Spending

Gross increase in directed and supplemental payments propelled projected total spending to \$7.8 billion in FY24.

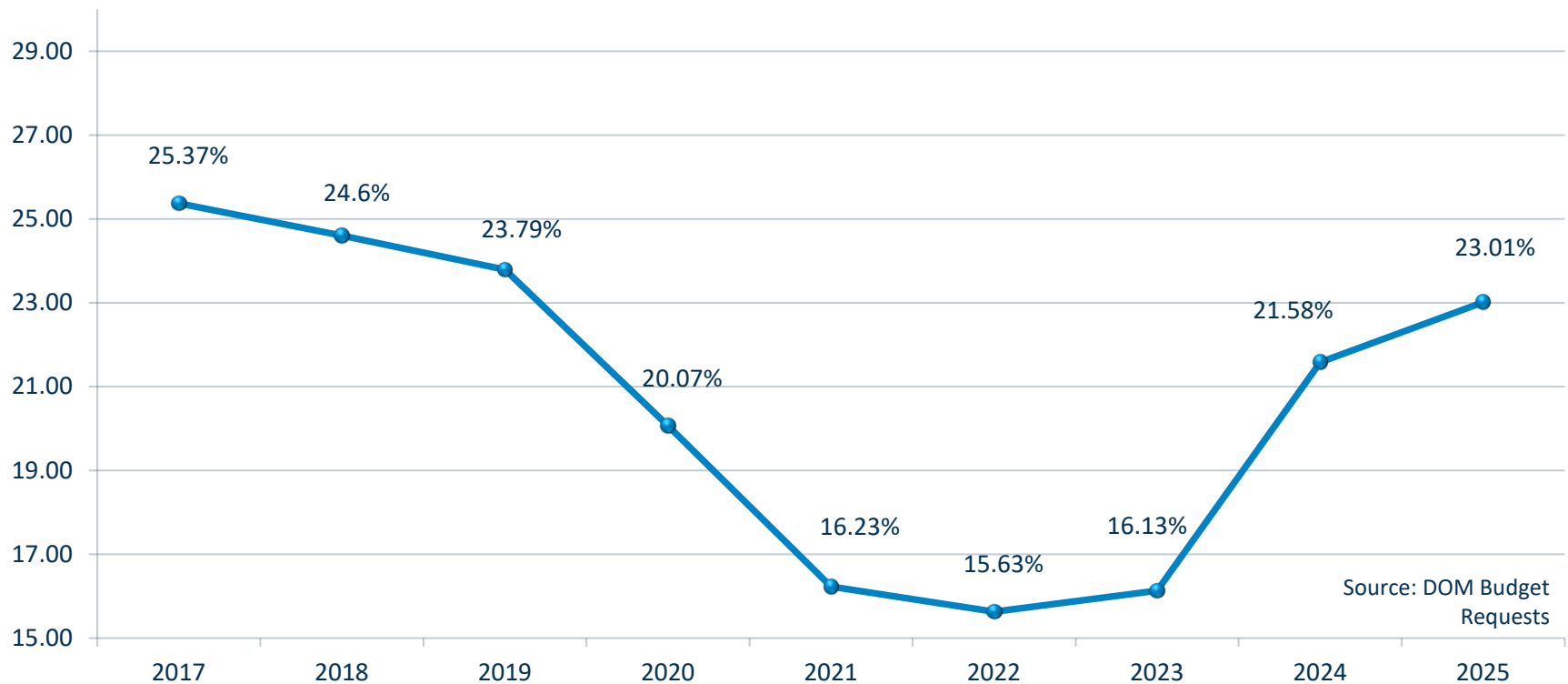
Total Medicaid expenditures (in billions) FY12-24



42% increase in non-federal share burden for medical expenses

Significant decline in federal share largely due to the end of the PHE 6.2% FMAP increase

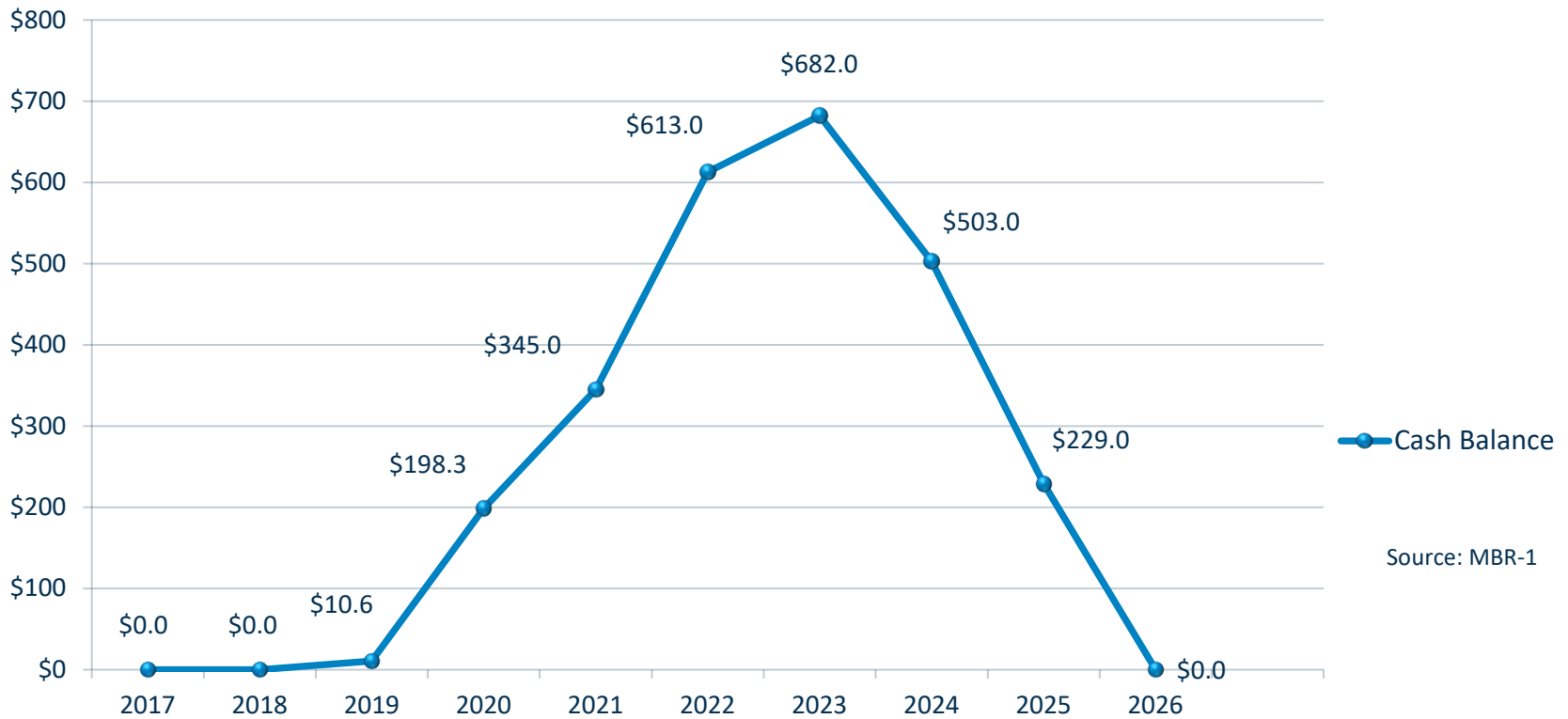
Non-federal (state) share of medical assistance expenses (FY16 to FY25)



Spenddown of cash balance delaying budget hike

Using \$503M cash balance in FY25 & FY26 reduces immediate negative impact of FMAP decline and inflationary pressures

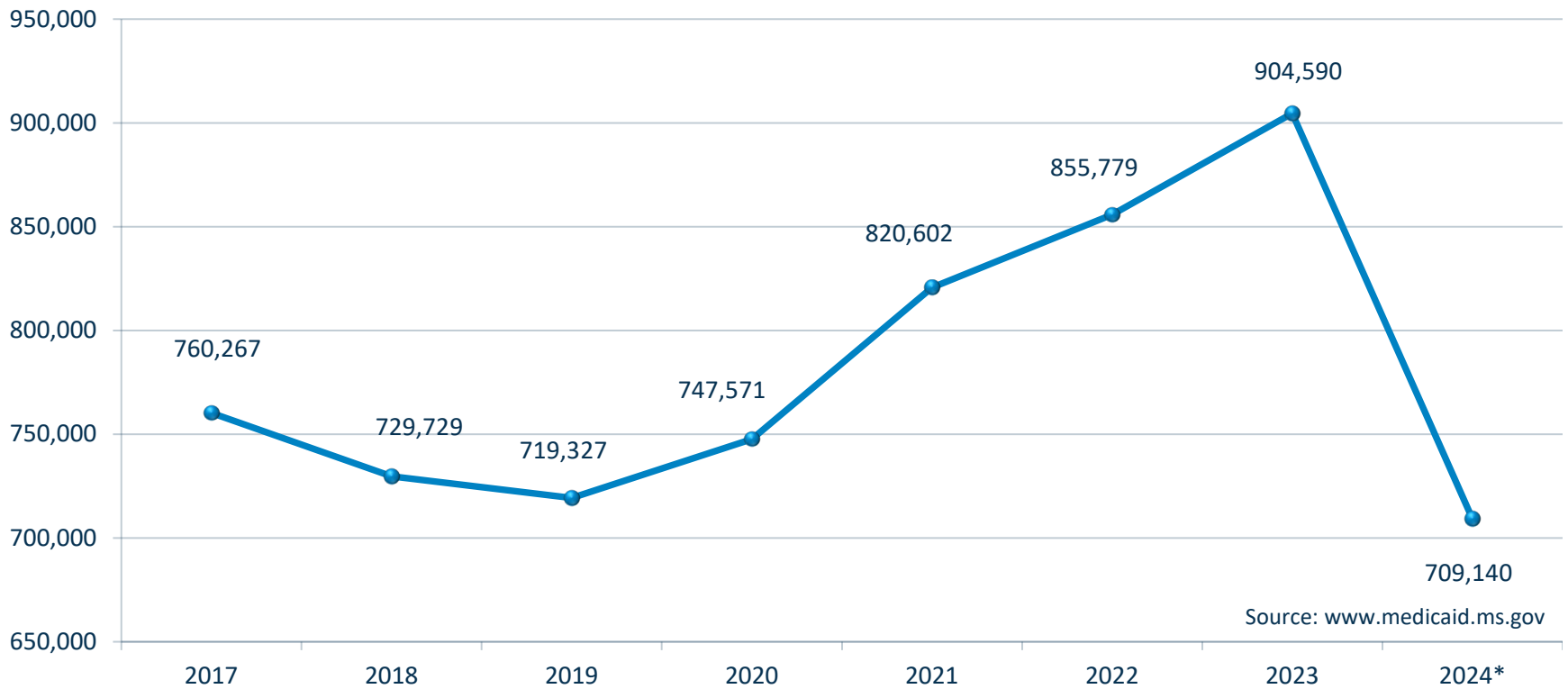
DOM cash balance, June 30 of fiscal year end (in millions)



Medicaid and CHIP enrollment

Enrollment peaked at 904K in June 2023. Enrollment is nearly down 200K after unwinding, but overall enrollment bounced back slightly in August.

Medicaid and CHIP enrollment, June 2017-June 2023; August 31, 2024*



Summary



FY19-FY25: An era of good finances. Steady legislative support during PHE mitigates impact of lower federal match. FY25 is \$106M below FY16 peak. Est. \$229M cash balance by year end.



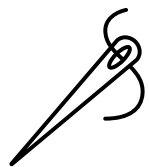
FY26: Initial state support request is above FY25 but is substantially lower than outyear projections from last winter.



FY27 and Beyond: With cash balance running out in SFY26, larger state support appropriation requests are coming.



Enrollment, acuity, federal regulatory agenda, and 2024 Presidential Election are major question marks.



Medicaid funding demands continue to require a delicate balancing act, trying on one hand to maintain positive momentum in the Medicaid program while minimizing spillover effects.

Appendix 1: Funding Source Breakdown of Medicaid Expenditures

Medicaid is jointly funded through federal and state sources.

		Comments	FY26 Request
Federal Share (\$6.5B)		<ul style="list-style-type: none"> FMAP (78.42%) – regular medical expenses eFMAP (84.55%) – SCHIP expenses; breast and cervical cancer 50% - general administration; program integrity 75% - QIO expenses; PASRR; EQRO; IT M&O 90% - family planning expenses; IT DDI 100% - Indian Health Services 	<ul style="list-style-type: none"> \$6.5 billion
Non-Federal Share (\$2.0B)	General Funds	<ul style="list-style-type: none"> Historically used to cover most of the non-federal share cost Funds Medicare Part D contribution, or “clawback” (100% state) 	<ul style="list-style-type: none"> \$1.008 billion
	State Support Special	<ul style="list-style-type: none"> Healthcare expendable fund Capital expense fund and BCF rarely used in recent times 	<ul style="list-style-type: none"> \$63 million
	Other State Agency	<ul style="list-style-type: none"> Non-federal share contributions of agency-administered programs DMH, MDRS, DOH, and MDOC among participants 	<ul style="list-style-type: none"> \$105 million
	Provider Taxes & IGTs	<ul style="list-style-type: none"> Taxes and IGTs to draw down supplemental payments Some taxes also used to help finance part of total non-federal share 	<ul style="list-style-type: none"> \$615 million
	Carryforward	<ul style="list-style-type: none"> Remaining cash balance that can be applied to non-federal share 	<ul style="list-style-type: none"> \$229 million
	Drug Rebates	<ul style="list-style-type: none"> Pharmacy drug rebates 	