House of Representatives

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MOTOR VEHICLES
RULES
WAYS & MEANS

November 23, 2019

Ryan Loke
c/o The Office of the Governor
206 Washington Street
Suite 115, State Capitol
Atlanta, Georgia 30334

Lavinia Luca
c/o Board of Community Health
Post Office Box 1966
Atlanta, Georgia 30301-1966

Dear Governor Kemp,

Please accept this letter as a formal comment on Georgia's proposal to waive federal rules under the Affordable Care Act (ACA) and the Medicaid program. Almost exactly four years ago to the day, a constituent emailed me after reading a local newspaper article in which I talked about the need for Medicaid Expansion. I am enclosing that email (dated 11/12/2015) and asking you to please take time to read it. This young woman lays out the stakes so honestly and cogently. Four years later, I am still haunted by the piercing moral questions posed in her letter, and I am troubled every day that we continue to exclude almost 600,000 Georgians from healthcare coverage because of our state's refusal to expand Medicaid.

I am also enclosing a copy of the January 18, 2019 Fiscal Note for Medicaid Expansion (the "Fiscal Note") and requesting that the Fiscal Note be made a part of the official public comment record. Georgia could accept the ACA's Medicaid expansion and allow all residents earning under 138% of the federal poverty line to qualify for Medicaid coverage. Doing so would extend coverage to between 487,000 and 598,000 residents at a net state cost of $188 million to $213 million, according to the Fiscal Note.

By contrast, the proposed 1115 waiver would extend Medicaid coverage to residents with earnings below the poverty line only if they meet a burdensome work requirement and pay premiums. There would be no exceptions to the work requirement, meaning people who cannot work due to a disability, serious illness, or caregiving responsibilities could not get coverage. While the state estimates over 408,000 non-elderly uninsured adult Georgians with incomes below the poverty line are uninsured, your own estimate projects that only about 50,000 Georgians will eventually enroll in Medicaid through the proposed 1115 waiver, due to its burdensome requirements. Why would we choose to leave over half a million of our fellow Georgians uncovered when our federal tax dollars are paying for Medicaid Expansion in 36 other states?

Combined, the state estimates that it will spend about $322 million – or about $215 million excluding costs covered by user fees – to extend coverage to just under 80,000 Georgians under the 1332 and 1115 waivers. For the same spend, we could cover 600,000 Georgians through Medicaid Expansion. In addition to its far greater benefits for low-income Georgians, Medicaid expansion would also do more to reduce uncompensated care. States that expanded Medicaid saw larger coverage gains and a decrease in uncompensated care costs of 55 percent on average, compared to a decline of only 18 percent in states that did not expand Medicaid.[1] This experience serves as a critical lesson for Georgia, where seven rural hospitals have closed since 2010. [2] Upon the waivers' release, stakeholders warned that the proposals would fall short in addressing the problem of uncompensated care. The 1115 waiver "does not significantly move the needle for the rural and safety net hospitals who care for the state's uninsured patients," according to the Georgia Hospital Association.[3] The sad reality is that more hospitals will close because of this severe case of myopia.

Georgia has the opportunity to expand coverage to hundreds of thousands of people that would result in significant benefits to the state's residents, including fewer premature deaths and improved access to care and financial security for people gaining coverage.[4,5] My constituent asked four years ago if I thought "the state will ever see the light?" In this season of Thanksgiving and with the advent of Christmas upon us, I am hopeful that we will. Today we have 600,000 constituents who would literally be healthier and have higher quality of life simply by living in any one of the 36 states that have expanded Medicaid as opposed to Georgia. And we have the power to remedy that untenable reality.

Very truly yours,

Bob Trammell
House Democratic Leader

Encls.

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[1] Matt Broaddus, "ACA Medicaid Expansion Drove Large Drop in Uncompensated Care," Center on Budget and Policy Priorities, November 6, 2019, https://www.cbpp.org/blog/aca-medicaid-expansion-drove-large-drop-in-uncompensated-care

[2] Georgia Department of Community Health Waiver Project, "Georgia Environmental Scan Report," July 8, 2019, https://medicaid.georgia.gov/document/publication/georgia-environmental-scan-report-posted-71819/download

[3] Jim Galloway et al, "The Jolt: The quandary an impeachment trial poses for Johnny Isakson – or his replacement," *Atlanta Journal-Constitution*, November 5, 2019, https://www.ajc.com/blog/politics/the-jolt-the-quandary-impeachment-trial-poses-for-johnny-isakson-his-replacement/sNIwCchpsBAhwwMeLKy2aM/

[4] Matt Broaddus and Aviva Aron-Dine, "Medicaid Expansion Has Saved at Least 19,000 Lives, New Research Finds," Center on Budget and Policy Priorities, November 6, 2019, https://www.cbpp.org/research/health/medicaid-expansion-has-saved-at-least-19000-lives-new-research-finds

[5] Center on Budget and Policy Priorities, "Chart Book: The Far-Reaching Benefits of the Affordable Care Act's Medicaid Expansion," Updated November 6, 2019, https://www.cbpp.org/research/health/chart-book-the-far-reaching-benefits-of-the-affordable-care-acts-medicaid

Article about health care

[redacted]

Thu 11/12/2015 12:27 AM

@@Archive

To:Trammell, Bob <Bob.Trammell@house.ga.gov>;

Sent from my iPhone
I enjoyed reading your article about Georgia needing Medicaid expansion.. You're the first representative in Georgia who has a conscience. (Btw apologies if my grammar is wonky , my phone likes to do its own idea of editing and its late.. But I was so surprised to see someone championing a cause near and dear to me.
I am so frustrated on this state. I am single[redacted] with no children.[redacted] and until recently worked part time (no health insurance) but because my health has gotten worse. I wound up having to leave.
I see a[redacted] but honestly I don't get to pay him I just keep working up essentially a tab with the hospital he works through. I can't see a regular doctor for health care because then I'd have to self pay and I just can't afford it. So anything not related to[redacted] I never get to check.
[redacted] It's old and there is no patient assistance it runs me 200.00 a month and has had months they've had shortages. I've been getting it at the same pharmacy for 3 hrs now but even occasionally they don't receive their order. It has gone up about 3'times in 5 yrs or so. It's my lifeline without it I can't function at all.
The[redacted] it runs about 6 or 7000 a month (no typo) I use to get it through a coupon program for 35 dollars. It ended in February. At first I did without then[redacted] and I have to go through a patient advocacy foundation to see if they can help which ironically without any ins and such on my end they can't and then they will[redacted] I have called them time and time again and left voicemail they are swamped and I'm still waiting.[redacted] they can't do anything till they hear back from them. It has been maddening to say the least.
I know I've rambled and told you a sob story you may not be interested in.. But this is the upsetting part. I have worked and worked since I was 16 it's been full and part time but until now I have always had a job. I never wanted to apply for[redacted] because I didn't want to live on minimum wage my whole life. I pay taxes albeit not much but I pay sales tax too. I try my best to be productive and it is maddening and heartbreaking and well a piss off thinking my taxes could be paying for some murderer doing life to have healthcare (albeit not necessarily top notch) but still considered for a prisoner a basic right. Why is this? Why is a prisoner considered a more valuable life than mine? Should I rob a bank and then obtain[redacted]? It's just not right.
I can't tell you how much it meant to see someone at least semi dancing in the same corner of opinion I am here. It sickens me how many people in this state think poverty makes you subhuman somehow. I just wanted to commend you and ask if you think the state will ever see the light?
Thank you for taking the time to read this and any feedback would make my day :) -[redacted]
Sorry again for the typos I can barely proofread on this fine phone screen.

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

January 18, 2019

Honorable Bob Trammell
State Representative
609-F Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 46 0015)

Dear Representative Trammell:

The bill authorizes appropriations for the purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid under the federal Patient Protection and Affordable Care Act. The bill expands Medicaid to persons earning up to 138 percent of the federal poverty level (FPL).

The fiscal note analysis assumes that newly eligible Medicaid member coverage will be effective July 1, 2019 and will take two years to reach full enrollment. It also assumes that newly eligible Medicaid members will be placed into the Department of Community Health's (DCH) Georgia Families Care Management Organization (CMO) program.[1]

In state fiscal year 2022 (once the program has reached full enrollment), net costs to the state are expected to be $188.4 million to $213.2 million (**Exhibit 1**). This includes additional state spending on newly enrolled Medicaid members, partly offset by additional state revenue and costs savings in state agencies that fund healthcare with state dollars.

- *New Spending* – In state fiscal year 2022, total state spending on the newly enrolled resulting from the bill is estimated at $272.5 million to $340.4 million. This equates to $560 to $569 per new enrollee.

- *Additional Revenue* – Georgia State University's Fiscal Research Center (FRC) estimates that $45.5 million to $59.2 million in additional state revenue would be collected in fiscal

[1] Under Medicaid managed care, the delivery of medical benefits and additional services (such as care coordination and disease management) are provided through a risk-based contract between DCH and the CMOs whereby DCH reimburses the CMOs through a prospective monthly capitation rate for a defined set of benefits and services, including plan administration.

year 2022 due to the increased the economic activity generated by the additional healthcare spending.[2] This would primarily consist of additional state income and state sales tax revenue.

- *Cost Savings* – State agency savings are estimated to be as high as $67.6 million in fiscal year 2020 and $68.1 million in fiscal year 2022. The agencies expected to replace state funds with federal funds include the Department of Community Health, the Department of Public Health (DPH), the Department of Behavioral Health and Developmental Disabilities (DBHDD), and the Georgia Department of Corrections (GDC).

Exhibit 1: Estimate of Financial Impact, State Fiscal Years 2020 to 2022

	FY2020		FY2021		FY2022	
($ in Millions)	Low	High	Low	High	Low	High
NEW SPENDING						
Estimated Enrollment						
Newly Eligible	409,111	481,472	444,496	532,630	446,808	535,687
Currently Eligible (Woodwork)	27,831	45,495	39,597	62,486	39,695	62,641
Total Estimated Enrollment	**436,943**	**526,968**	**484,093**	**595,116**	**486,503**	**598,329**
($ In Millions)						
Ongoing State Costs						
Newly Eligible	$184.2	$216.7	$222.7	$266.9	$230.5	$276.4
Currently Eligible (Woodwork)	$21.9	$36.0	$31.0	$49.2	$32.0	$50.7
Administration(1)	$8.7	$11.2	$10.0	$13.3	$10.0	$13.4
Total State Costs	**$214.8**	**$263.9**	**$263.7**	**$329.4**	**$272.5**	**$340.4**
State Costs/Enrollee(2)	$492	$501	$545	$553	$560	$569
ADDITIONAL REVENUE/COST SAVINGS						
Additional Revenue						
State Income Tax	$18.3	$23.2	$20.9	$27.3	$21.7	$28.3
State Sales Tax	$12.3	$15.6	$14.0	$18.2	$14.5	$18.9
State Insurance Premium Tax	$5.1	$6.7	$5.8	$7.5	$6.0	$7.8
Other State Taxes and Fees	$2.8	$3.3	$3.2	$4.2	$3.3	$4.3
Total State Revenue	$38.5	$48.7	$43.9	$57.2	$45.5	$59.2
Cost Savings(3)						
Dept. Community Health	$0.0	$22.8	$0.0	$21.7	$0.0	$20.9
Dept. Public Health	$1.5	$1.9	$1.6	$2.1	$1.6	$2.1
Dept. Behavioral Health	$19.7	$25.1	$21.2	$27.2	$21.4	$27.4
Dept. Corrections	$15.7	$17.8	$15.6	$17.7	$15.6	$17.7
Total Cost Savings	**$36.9**	**$67.6**	**$38.4**	**$68.7**	**$38.6**	**$68.1**
NET COST						
Cost Minus Revenue/Savings	**$139.4**	**$147.6**	**$181.4**	**$203.5**	**$188.4**	**$213.2**

(1) Administration will require start-up funding in SFY 2019 of $3.0 million to $4.6 million in state funds.
(2) Amounts based on a combination of newly eligible and currently eligible enrollees, which have different federal matching rates.
Totals may not sum due to rounding.

[2] As described on page 5, DCH provided a small portion of the revenue estimate.

Estimated Enrollment

The bill would result in additional Medicaid enrollees in two categories: those newly eligible and those already eligible who would enroll after seeking coverage due to the bill (i.e., woodwork effect). The U.S. Census Bureau data on insurance coverage was used to identify eligible individuals. Each category and subcategory includes a low and high participation rate (i.e., the rate at which eligible individuals will actually enroll for Medicaid coverage). Participation rates are based on data from DCH, federal health exchange enrollment, a study by the Urban Institute/Robert Wood Johnson Foundation, and population projections from the Governor's Office of Planning and Budget. The estimate assumes that it would take two years to reach full participation. By state fiscal year 2022 total enrollment is estimated to be between 486,503 and 598,329 (**Exhibit 2**). Enrollment estimates are discussed in more detail below.

Exhibit 2: Projected Enrollment, State Fiscal Years 2020 to 2022

	FY2020		FY2021		FY2022	
Enrollment Population	Low	High	Low	High	Low	High
Newly Eligible Adults	409,111	481,472	444,496	532,630	446,808	535,687
Woodwork Effect	27,831	45,495	39,597	62,486	39,695	62,641
Total Enrollment	**436,943**	**526,968**	**484,093**	**595,116**	**486,503**	**598,329**

- *Newly Eligible* – This category includes three groups of adults, each living below 138% of the Federal Poverty Level (FPL). Estimates for each category are explained below.
  - *Currently Uninsured* – Applying a low/high participation rate of 75% and 95%, we estimate the enrollment of this population to be from 230,934 to 291,832 by state fiscal year 2022. A relatively high level of participation from this population is expected because these individuals are currently uninsured.
  - *Currently Insured through Employer* – Applying a low/high participation rate of 25% and 40%, we estimate the enrollment of this population to be from 45,734 to 73,175 by state fiscal year 2022. A percentage of this population will opt for Medicaid coverage due to lower costs than their current employer-based coverage.
  - *Currently Insured through Federal Health Exchange* – Applying a participation rate of 100%, we estimate the enrollment of this population to be 170,680. The participation rate is 100% due to the ability of these individuals to significantly lower their out-of-pocket costs.
- *Currently Eligible (Woodwork Effect)* – This category includes uninsured adults and children that already qualify for Medicaid coverage but are not enrolled. As a result of seeking coverage through the new program, these individuals will be identified and enrolled in the existing Georgia Families Care Management Organization (CMO) Program. Applying participation rates between 25% and 40% for the woodwork subpopulations, we estimate the enrollment of currently eligible to be 39,695 to 62,641 by state fiscal year 2022.

Total and State Costs

The bill's costs are estimated for three categories: payments to CMOs for those who are newly eligible for Medicaid under the proposed bill, payments to CMOs for those who were previously

eligible to receive Medicaid but had not enrolled (i.e., the woodwork effect), and program administration. **Exhibit 3** presents estimates of the total costs and state portion of costs for fiscal years 2020-2022. The amount for each category is derived from the enrollment estimates provided above and the applicable Federal Medical Assistance Percentage (FMAP). A low/high cost range is included for each year. Estimates for each category are explained below.

Exhibit 3: Projected Total and State Cost, State Fiscal Years 2020 to 2022

TOTAL COSTS						
	FY2020		FY2021		FY2022	
($ in Millions)	Low	High	Low	High	Low	High
Newly Eligible	$1,990.9	$2,343.0	$2,227.3	$2,668.9	$2,304.3	$2,763.9
Woodwork Effect	$67.3	$110.2	$95.1	$150.7	$98.0	$155.4
Administration[1]	$31.2	$38.9	$35.0	$45.0	$35.2	$45.2
Total Costs	**$2,089.4**	**$2,492.2**	**$2,357.4**	**$2,864.7**	**$2,438.5**	**$2,964.5**
Cost/Enrollee[2]	**$4,782**	**$4,729**	**$4,870**	**$4,814**	**$5,012**	**$4,955**
Admin. FTEs	238	287	264	324	266	326

STATE COSTS ONLY						
	FY2020		FY2021		FY2022	
($ in Millions)	Low	High	Low	High	Low	High
Newly Eligible	$184.2	$216.7	$222.7	$266.9	$230.5	$276.4
Woodwork Effect	$21.9	$36.0	$31.0	$49.2	$32.0	$50.7
Administration[1]	$8.7	$11.2	$10.0	$13.3	$10.0	$13.4
State Costs	**$214.8**	**$263.9**	**$263.7**	**$329.4**	**$272.5**	**$340.4**
Cost/Enrollee[2]	**$492**	**$501**	**$545**	**$553**	**$560**	**$569**

(1) Administration includes FY 2019 startup costs of $9.9 million to $13.9 million, with the state share estimated at $3.0 million to $4.6 million.
(2) Cost per enrollee within each year varies because the woodwork effect comprises a different percentage of enrollees within the low and high ranges. The newly eligible and woodwork populations have different FMAPs, which affects the state cost per enrollee.

Totals may not sum due to rounding.

- *Newly Eligible for Medicaid* – Total costs in fiscal year 2022 for this population are estimated to be $2.3 billion to $2.8 billion, with a state share of $230.5 million to $276.4 million. The newly eligible adult member costs are derived using the low income Medicaid CMO capitation rates for adults enrolled in the Georgia Families CMO Program. To estimate cost, the SFY 2019 Georgia Families CMO per member per month (PMPM) aggregate cost (which ranged from $362.38 to $535.16) was used. A 3% adjustment was made for fee-for-service costs to estimate mandatory retroactive coverage[3] and $5.73 PMPM for non-emergency transportation (NET) was included. Annual growth trends are based on a health care cost forecast issued by IHS Life Science in April 2016. An FMAP rate of 90.75% was used for state fiscal year 2020 and 90% for fiscal years 2021 and 2022.

- *Previously Eligible for Medicaid (i.e., Woodwork Effect)* – Total costs in fiscal year 2022 for this population are estimated to be $98.0 million to $155.4 million, with a state share of $32.0 million to $50.7 million. The state portion of costs is higher for this category

[3] Benefits may be covered retroactively for up to three months prior to the month of application if the individual would have been eligible during that period had he or she applied.

relative to the newly eligible due to a lower FMAP. The federal percentage applied to woodwork costs is 67.38%—the regular Georgia FMAP rate for SFY 2020. The PMPM costs for the woodwork population are based on low income Medicaid rates for children and adults enrolled in the Georgia Families CMO program. Current aggregate Georgia Families PMPM for children (excluding newborns through age one) is $162.74 to $207.87. The adult PMPM ranges from $286.49 to $589.60. Estimates include a $5.73 PMPM for non-emergency transportation (NET). Annual growth trends are based on a health care cost forecast issued by IHS Life Science in April 2016.

- *Administration* – Administrative costs are estimated to be $35.2 million to $45.2 million in fiscal year 2022, with a state share of $10.0 million to $13.4 million. In fiscal year 2019, startup costs estimated to be from $9.8 million to $13.9 million will be incurred, with a state portion estimated to be from $2.9 million to $4.6 million. DCH provided an estimate of administrative costs using its historical costs for Medicaid administration. The state share is based on a compilation of FMAP rates for various Medicaid-related activities. The aggregate FMAP ranges from 68% to 72% depending on the fiscal year and the low to high level scenarios. Depending on the activity, Medicaid administrative FMAP ranges from 75% for eligibility related functions and claims processing to 50% for program development, oversight, compliance and reporting.

Additional State Revenue

Georgia State University's Fiscal Research Center used an IMPLAN economic input/output model to estimate additional state revenue that would be generated by increased healthcare spending resulting from the bill. The analysis only includes a portion of those individuals who would be covered as a result of the bill, because any individuals currently insured through their employer or through a policy purchased on the federal health exchange (see page 3) would not represent new spending in the state's economy. DCH provided the estimate of additional revenue through the State Insurance Premium Tax.

The bill will generate additional state revenue with increased collections of income tax, sales tax, the State Insurance Premium Tax, and other state taxes. **Exhibit 4** presents estimates of additional state revenue that would be collection during fiscal years 2020 to 2022 resulting from the bill.

Exhibit 4: Projected Additional State Revenue

	FY2020		FY2021		FY2022	
($ in Millions)	Low	High	Low	High	Low	High
State Income Tax	$18.3	$23.2	$20.9	$27.3	$21.7	$28.3
State Sales Tax	$12.3	$15.6	$14.0	$18.2	$14.5	$18.9
State Insurance Premium Tax	$5.1	$6.7	$5.8	$7.5	$6.0	$7.8
Other State Taxes and Fees	$2.8	$3.3	$3.2	$4.2	$3.3	$4.3
Total Additional State Revenue	$38.5	$48.7	$43.9	$57.2	$45.5	$59.2

Note: Numbers may not total due to rounding

- *State Income Tax* – The bill is expected to generate additional state income tax of $21.7 million to $28.3 million in fiscal year 2022. The increase in income tax revenue can be attributed to an increase in employment, many within hospitals and the offices of physicians and other healthcare providers.

- *State Sales Tax* – The bill would increase state sales tax collections by $14.5 million to $18.9 million in fiscal year 2022. Local sales tax revenue is not included in the analysis.

- *State Insurance Premium Tax Revenue* – The bill is expected to generate additional State Insurance Premium Tax revenue of $6.0 million to $7.8 million in fiscal year 2022. The premium tax is paid on all health insurance plans operating in Georgia, which would include those plans resulting from the bill.

- *Other State Taxes and Fees* – This bill is expected to generate additional state tax revenue of $3.3 million to $4.3 million in fiscal year 2022. This category includes a variety of taxes and fees, such as the motor fuel tax, tobacco excise tax and the title ad valorem tax.

Potential Cost Savings

By expanding eligibility to Medicaid, the bill would likely result in cost savings to existing Medicaid programs and other state health programs that serve the uninsured. The amount of these savings is dependent on Medicaid policy decisions, the amount of uninsured care provided by agencies that is reimbursable under Medicaid, and a continued need to fund an infrastructure in those agencies.

- *DCH Medicaid Programs* – DCH currently provides Medicaid coverage to certain categories of individuals, a portion of which would be eligible under the bill's provisions. Individuals who meet the eligibility requirements under the bill (most notably the FPL requirement) could be placed in the newly eligible category, which has a higher FMAP and lower state costs than the current categories under which these individuals qualify for coverage. While there are policy considerations beyond costs related to a transition, DCH identified the categories as the Medically Needy Program, the Breast and Cervical Cancer Waiver, and the Family Planning Waiver. DCH provided an estimate of potential state savings of $22.8 million in fiscal year 2020, $21.7 million in fiscal year 2021, and $20.9 million in fiscal year 2022.

- *Other Healthcare Programs* – The state provides funding to multiple state agencies that provide health care to individuals who would become Medicaid eligible under the bill. As uninsured individuals enroll in Medicaid, a portion of state funding would be replaced with federal Medicaid funds. We collected client and service counts from the Departments of Behavioral Health and Developmental Disabilities, Public Health, and Corrections and estimated cost savings to the state as described below.

    - *Behavioral Health* – Under a Medicaid expansion, some DBHDD services would be covered by Medicaid (e.g., physicians, prescriptions, therapy), but other services would not be (e.g., housing, supported employment, crisis services). DBHDD indicated that it provided care for 78,350 uninsured individuals during fiscal year 2018 and that Medicaid applicable services totaled $1,863 per recipient during the period. We estimate the bill would result in approximately 11,828 to 15,130 currently uninsured DBHDD clients becoming insured (including both woodwork and newly eligible clients). As a result, the state would receive federal funding of approximately $19.7 million to $25.1 million for FY2020.

- *Public Health* – DPH provides some health care services in the community via county health departments. Like DBHDD, county health departments provide services that would be reimbursable under Medicaid, while providing others that would not. DPH reportedly served 452,835 Medicaid clients and 525,421 non-Medicaid clients in fiscal year 2016.[4] We estimate implementation of this bill will result in approximately 79,320 to 101,466 currently uninsured DPH clients becoming insured (including both woodwork and newly eligible clients). As a result, the state would receive federal funding of approximately $1.5 million to $1.9 million for FY2020.

- *Corrections* – Medicaid will cover services provided to an inmate during an inpatient stay of at least 24 hours in a medical institution such as an acute care facility if that individual would qualify for Medicaid when not incarcerated. GDC reported 1,522 individual inmates accounting for 2,259 inpatient hospitalizations and 11,302 inpatient bed days greater than 24 hours in fiscal year 2016. While it is difficult to know the percentage of inmates that would be eligible under the bill, we expect a majority to meet the income requirements. If 75% to 80% are eligible, this bill will result in approximately 1,142 to 1,294 offenders becoming insured. As a result, the state would receive federal funding of approximately $15.7 million to $17.8 million for FY2020.

DBHDD and DPH have fixed costs and are required to operate a statewide infrastructure. State funding would be necessary to ensure that the agencies maintain the capacity to serve those without insurance or to provide those services that are not reimbursable.

Sincerely,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/db

[4] Includes some clients with private insurance and some as uninsured or "self-pay."

Analysis by the Fiscal Research Center

The amount of state tax revenue generated by the new health care and related spending, due to an expansion of Medicaid, is estimated using the economic modeling software IMPLAN. IMPLAN is a computer input-output model that quantifies the interactions between industries, aggregated into sectors, within the economy. The model generates transaction tables that reflect the value of goods and services exchanged between sectors of the economy. These values are used to generate the multipliers necessary to estimate the economic impact of the additional Medicaid spending to Georgia. IMPLAN also generates state and local tax collection estimates due to the new economic activity being modeled. State and local tax impacts are estimated from aggregate amounts collected for the tax, based on state or local data, and then apportioned based on either state or local income or consumption data.

The number of newly eligible adults for Medicaid in Georgia as a result of Medicaid expansion is listed in Exhibit 2 of the fiscal note. However, as was discussed previously in the note, only 211,195 to 262,297 were estimated to be previously uninsured in 2020. It is the spending associated with providing health care and related expenses for this group that is deemed new spending in Georgia due to the new law and thus modeled. The other two subgroups deemed newly eligible, those with employer provided health insurance and those that received health insurance through the federal exchanges, do not represent new spending in Georgia, but rather a substitute from existing medical insurance, so they are not included in the model. The model also includes the spending generated from those previously eligible for, but not enrolled in Medicaid. In 2020, these new enrollments are estimated at 27,831-45,945.

Table 1A shows estimated state tax collections for the relevant years by type of tax. Income and sales taxes account for roughly 80 percent of the new tax collections. The insurance premium tax and all other taxes and fees account for the remaining 20 percent.

Table 1A: State Tax Collections from Medicaid Expansion LC 46 0015

	FY2020		FY2021		FY2022	
($ in Millions)	Low	High	Low	High	Low	High
Income Tax	$18.3	$23.2	$20.9	$27.3	$21.7	$28.3
Sales Tax	$12.3	$15.6	$14.0	$18.2	$14.5	$18.9
Insurance Prem. Tax	$5.1	$6.7	$5.8	$7.5	$6.0	$7.8
All Other Taxes	$2.8	$3.3	$3.2	$4.2	$3.3	$4.3
Total	$38.5	$48.7	$43.9	$57.2	$45.5	$59.2

A few robustness checks were carried out on these IMPLAN estimates. First, to check the IMPLAN income tax estimates, income tax collections associated with the new jobs estimated to be created by Medicaid expansion were estimated by applying estimates of annual average effective tax rates derived from personal income tax data from DOR, adjusted for 2017-18 tax changes, to the estimated average taxable income per new job of $42,000, generated by IMPLAN. This yields a state annual income tax due of $18.9 – $24.8 million, compared to IMPLAN's estimate of $18.3 – $23.2 million for the year. Using IMPLAN's estimates for other tax collections, the sizes of the estimated revenue gains relative to that of the income tax are also in line with the various taxes historical shares of total tax collections in Georgia.