DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 22, 2024

Honorable Sam Park
State Representative
609 Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 62 (LC 33 9274)

Dear Representative Park:

The bill creates the Georgia Health and Economic Livelihood Partnership (HELP) Act, which would expand Medicaid eligibility to include adults aged 19-64 who have incomes up to 138% of the federal poverty level (FPL), require program participants to pay an annual premium and copayments, and authorize collection of amounts due for nonpayment from a participant's annual income tax refund. Additionally, the bill establishes an oversight committee to review implementation of the HELP Act and creates an optional workforce development program to be operated by the Georgia Department of Labor.

The fiscal note analysis assumes that newly eligible Medicaid member coverage 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]

Net costs to the state are estimated at approximately $516 million to $566 million in year three. Due to enhanced federal Medicaid reimbursements in years one and two, the state would save funding in years one and two (**Table 1**). The net costs include additional state spending on newly enrolled Medicaid members, changes in state revenue resulting from the enrollments, and reductions in state expenditures in state agencies that fund healthcare with state dollars. The changes in state revenue and reduction in state expenditures are highly dependent on the change in Marketplace enrollment and the number of new members who are currently uninsured.

- *New Spending* – Total state spending on the newly enrolled resulting from the bill is estimated at $261.7 million to $368.8 million in year one, increasing to $577.5 million to $810.4 million in year three.
- *Changes in Revenue* – Georgia State University's Fiscal Research Center estimates additional state revenue of $69.1 million to $198.9 million would be collected at full enrollment due to the additional healthcare payments for the uninsured. However, revenue gains may be partly offset by a decrease in premium tax revenue of $56.1 million to $59.1 million by year three. The decreases result from those moving to Medicaid from higher premium plans on the marketplace.

[1] *Under 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.*

- *Cost Savings* – Due to federal cost sharing policies, state agency savings are estimated to be more than $700 million in the first two years. In year three, savings are estimated at $48.6 million to $104.7 million. 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).

Table 1: Estimate of Financial Impact

($ in Millions)	Year 1		Year 2		Year 3	
	Method 1	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
NEW SPENDING						
Medicaid – Premiums/Admin	$260.1	$364.4	$534.1	$759.6	$552.2	$775.1
Workforce Dev. Program	$1.6	$4.4	$3.2	$8.9	$3.2	$8.9
Georgia Access/Reinsurance (1)	$0	$0	$22.1	$26.4	$22.1	$26.4
Total State Costs (2)	**$261.7**	**$368.8**	**$559.4**	**$784.9**	**$577.5**	**$810.4**
CHANGE IN STATE REVENUE						
Additional Revenue						
Medicaid Premiums (3)	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
State Income Tax	$15.9	$45.6	$31.9	$91.7	$31.9	$91.7
State Sales Tax	$5.3	$15.3	$10.7	$30.8	$10.7	$30.8
State Insurance Premium Tax (4)	($17.5)	($2.7)	($36.9)	($7.3)	($38.8)	($9.3)
Other State Taxes and Fees	$4.6	$13.6	$9.2	$26.7	$9.2	$26.7
Total State Revenue	**$8.3**	**$71.8**	**$14.9**	**$141.9**	**$13.0**	**$139.9**
REDUCTION IN STATE EXPENDITURES						
Reduced State Expenditures						
Dept. Community Health (5)	$687.0	$687.0	$687.0	$687.0	$0.0	$0.0
Dept. Public Health	$3.7	$10.7	$7.4	$21.3	$7.4	$21.3
Dept. Behavioral Health	$10.3	$29.6	$20.6	$59.3	$20.6	$59.3
Dept. Corrections	$20.6	$24.1	$20.6	$24.1	$20.6	$24.1
Total Additional Adjustments	**$721.6**	**$751.4**	**$735.6**	**$791.7**	**$48.6**	**$104.7**
NET STATE COST (SAVINGS)	**($468.2)**	**($454.4)**	**($191.1)**	**($148.7)**	**$515.9**	**$565.8**

(1) Additional reinsurance costs are not included. Under either enrollment method, excess funds generated for the reinsurance program that could be replaced by state appropriations would be $44.3 million. Additionally, the $15.5 million currently budgeted for Georgia Access would need to continue.
(2) The amount does not include potential postage associated with potential need for the Department of Revenue to recover unpaid premiums through tax refunds, estimated at $19,500 per 30,000 recoveries.
(3) The bill requires a premium of 2% of income, though members may engage in one of many activities (e.g., healthy behavior activities, workforce development) that would allow non-payment and continued enrollment.
(4) Premium taxes increase due to additional economic activity but decrease as individuals move from private coverage to lower cost Medicaid coverage. For more details, see page 6.
(5) The American Rescue Plan Act includes a two-year increase in the state's traditional FMAP for state's that expand Medicaid, resulting in a saving of state funds. For more details about DCH savings, see page 7.

Note: Totals may not sum due to rounding.

Estimated Medicaid Enrollment

The bill would result in additional Medicaid enrollees from three populations: currently uninsured, currently insured through the Georgia Access Marketplace, and currently insured through their employers. The estimate assumes that it would take two years to reach full participation of 881,199 to 1.2 million (**Table 2**). The methodology and enrollment estimates are discussed in more detail below.

Table 2: Projected Medicaid Enrollment, Two-Year Ramp-Up

	Year 1		Year 2		Year 3	
Enrollment Population	**Method 1**	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
Currently Uninsured	75,887	218,457	151,774	436,913	151,774	436,913
Insured Through Marketplace	335,692	353,360	671,384	706,720	671,384	706,720
Insured Through Employer	29,021	46,433	58,042	92,867	58,042	92,867
Total Enrollment	**440,600**	**618,250**	**881,199**	**1,236,500**	**881,199**	**1,236,500**

Note: Totals may not sum due to rounding.

The resumption of Medicaid redeterminations and temporary incentives for marketplace enrollment present challenges to estimating the number of potentially eligible individuals in these categories. As a result, we created two methods to estimate the eligible populations.

- *Method One* – The methodology begins with the number of individuals in the 100-138% FPL category who recently signed up for Georgia Access Marketplace coverage for Plan Year 2024 (706,720), which was significantly higher than enrollment in the previous year (407,963). Census data from 2022 was used to estimate the number of uninsured and employer-insured individuals with incomes below 138% FPL. However, the uninsured number was reduced by an amount equal to the increase in marketplace coverage based on the assumption that the large increase in Georgia Access Marketplace enrollment since 2022 would have corresponded with a large decrease in the number of uninsured.

- *Method Two* – The methodology begins with the same number of individuals in the Marketplace and with employer coverage but differs in the number of uninsured. Instead of assuming that the number of uninsured declined by the 2024 Plan Year increase in Marketplace coverage, this method uses the number of uninsured found in the 2022 Census. Given the increase in Marketplace coverage, it is possible that this method counts the same individuals in both the marketplace and uninsured categories. However, the reinstatement of Medicaid redeterminations in 2023 may have also impacted the number of uninsured individuals.

For each population, we included a low and high participation rate (i.e., the rate at which eligible individuals will actually enroll for Medicaid coverage). These are discussed further in the bullets below.

- *Currently Uninsured* – We applied low/high participation rates of 75% and 90% of the estimated uninsured population.

- *Currently Insured through Marketplace* – We applied participation rates of 95% to 100%. As noted above, the Office of the Commissioner of Insurance indicated there were 706,720 individuals within the 100-138% FPL category that obtained coverage during the most recent open enrollment.

- *Currently Insured through Employer* – We applied a low/high participation rate of 25% and 40% to those believed to have employer coverage. A portion of this population will opt for Medicaid coverage due to lower costs than their current employer-based coverage.

Total and State Medicaid Costs

Table 3 presents estimates of the total Medicaid costs and state portion of costs for the two-year period to reach full enrollment and into year three. In years one and two, there are cost savings due to the increased FMAP for traditional Medicaid provided by federal law that will offset the additional costs shown (savings discussed on page 7). In year three, the increased FMAP is no longer available and state Medicaid costs are estimated at $552.4 million to $775.2 million. Additional explanation of the estimate is below the table.

Table 3: Projected Total and State Medicaid Costs

($ in Millions)	Year 1		Year 2		Year 3	
	Method 1	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
Total Medicaid Premiums	$2,511.4	$3,524.0	$5,198.6	$7,294.7	$5,380.6	$7,550.0
Total Administration	$32.0	$43.4	$53.1	$75.7	$52.9	$75.4
Total Costs	**$2,543.4**	**$3,567.4**	**$5,251.7**	**$7,370.4**	**$5,433.5**	**$7,625.4**
State Premium Costs	$251.1	$352.4	$519.9	$729.5	$538.1	$755.0
State Admin Costs	$9.0	$12.1	$14.2	$20.3	$14.2	$20.2
Total State Costs	**$260.1**	**$364.4**	**$534.1**	**$749.6**	**$552.2**	**$775.1**

Notes:
Table does not include additional five percentage point federal share for traditional Medicaid that would be provided in years one and two. Those savings are discussed on page 7.
Numbers may not total due to rounding.

- *Premium Costs* – Healthcare premium costs are derived from the enrollment estimates provided, combined with the estimated per member cost. Total costs by year three are estimated to be $5.4 billion to $7.6 billion, with a state share of $538.1 million to $755.0 million. The costs per new member are based on the average 2024 Medicaid CMO capitation rates for adults enrolled in the Georgia Families Program—$475 per member per month (range was $297.53 to $656.47). An average increase of 3.5% in premiums was assumed for years 2 and 3. The FMAP of 90% was used to determine the state portion of the costs.

- *Administration* – The Department of Human Services (DHS) and DCH would occur administrative costs associated with the bill. DHS would require ongoing funding for additional eligibility staff and postage costs, as well as one-time costs associated with changes to the Georgia Gateway integrated eligibility system. DHS state costs are estimated at approximately $14.3 million to $20.3 million at full enrollment. This represents an expected state share of 25% of the total cost.

  DCH officials expect the cost of annual rate setting to increase by approximately $700,000, of which half ($350,000) would be paid by the state. DCH officials also estimated approximately $655,000 in one-time state funds would be required to develop the waiver for Medicaid expansion. This amount predates the expansion and is not included in the table.

While the newly eligible will result in additional Medicaid spending, the federal government will increase its share of traditional Medicaid spending for the first two years of the expansion. This will result in state cost savings, as discussed on page 7.

Workforce Development Program Enrollment and Costs
The bill would require the Georgia Department of Labor to provide optional workforce development program services to members newly eligible for Medicaid. As shown in **Table 4**, we estimated costs at full enrollment to be $3.2 million to $8.9 million.

Table 4: Potential Workforce Development Program Enrollment and Costs

	Year 1		Year 2		Year 3	
$ in millions	**Method 1**	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
Enrollment	4,406	12,364	8,812	24,730	8,812	24,730
State Costs	$1.6	$4.4	$3.2	$8.9	$3.2	$8.9

Program costs are based on our estimate of the number of participants and GDOL's 2022 cost per participant of $358.10 for those receiving Reemployment Assessment and Workforce Development services. We estimated that a very low portion of new Medicaid members (1% to 2%) would utilize the services for several reasons. First, research suggests that a significant portion of new members are likely to have jobs. While enrollment in this program will prohibit disenrollment should a member not pay the reviewed premium, the bill provides many options to avoid disenrollment. Finally, fewer than 1% of Medicaid expansion enrollees in Montana had enrolled in a similar program.

Georgia Access/Reinsurance Program Shortfall
A base appropriation of $15.5 million and fee revenue from policies purchased through the Georgia Access marketplace currently support marketplace operations within the Office of the Commissioner of Insurance (OCI). Depending on the number of individuals that transition to Medicaid, plan loss may result in the need for state funding for OCI. There would be no shortfall based on year one enrollment estimates, but we estimate 671,384 to 706,720 participants to switch in year two. At that level, after accounting for the base appropriation, the Georgia Marketplace would still have a shortfall of approximately $22.1 million to $26.4 million annually.

Additionally, Georgia Access fee revenue in excess of operating expenses is to be applied to State Reinsurance Program costs. A reduction in Georgia Access fee revenue may require the state to maintain the current $15.5 million base appropriation for Georgia Access and appropriate additional state funding for the reinsurance program. With 706,720 policies included in Georgia Access, the program could sustain operations without a base appropriation and produce surplus revenue for reinsurance estimated at $44.3 million.

Change in State Revenue
We identified that the bill will likely have two distinct impacts on state revenue collections: increased tax collections due to additional economic activity associated with those gaining coverage and decreased premium tax collections due to those currently with coverage switching from higher priced plans to Medicaid coverage. While the bill requires premiums of 2% of income for members, we were unable to estimate actual premiums that would be collected. The bill provides a number of activities (e.g., enrollment in college or a healthy behavior activity) that allow members to continue enrollment without paying a premium.

Additional Economic Activity
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 individuals currently insured through their employer or through a policy purchased on the health exchange would not represent new spending in the state's economy.

The bill will generate additional state revenue with increased collections of income tax, sales tax, the State Insurance Premium Tax, and other state taxes. **Table 5** presents estimates of additional state revenue that would be collected over the first three years as a result from the bill. Because the low enrollment model includes a higher number of uninsured individuals gaining coverage, the economic and fiscal impact is greater. See the appendix for additional information on the revenue analysis.

Table 5: Projected Additional State Revenue Due to Economic Activity

($ in Millions)	Year 1		Year 2		Year 3	
	Method 1	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
State Income Tax	$15.9	$45.8	$31.9	$91.7	$31.9	$91.7
State Sales Tax	$5.3	$15.3	$10.7	$30.8	$10.7	$30.8
State Insurance Premium Tax	$8.7	$24.9	$17.3	$49.8	$17.3	$49.8
Other State Taxes and Fees	$4.6	$13.4	$9.2	$26.7	$9.2	$26.7
Total Additional State Revenue	$34.5	$99.2	$69.1	$198.9	$69.1	$198.9

Note: Totals may not sum due to rounding

- *State Income Tax* – The bill is expected to generate additional state income tax of $31.9 million to $91.7 million at full enrollment. 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 $10.7 million to $30.8 million at full enrollment. 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 $17.3 million to $49.8 million at full enrollment. 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 $9.2 million to $26.7 million at full enrollment. This category includes a variety of taxes and fees, such as the motor fuel tax, tobacco excise tax and the title ad valorem tax.

Lower Medicaid Premiums Reducing Premium Tax Collections
Insurance companies pay a tax of 2.25% on premiums, with an effective rate after credits or deductions at about 2%. Because Medicaid premiums are lower than state marketplace premiums, the transition of a significant number of individuals from the latter to the former will reduce premium tax collections.

The average premium for the new Medicaid population is estimated at $475 per member per month in year one, rising by 3.5% in years two and three. The premiums paid by those moving from the state marketplace was estimated at $800 per member per month, also increasing by 3.5% annually.[2] As shown in **Table 6**, we estimate that the transition of individuals from the marketplace will reduce premium tax collections by $56.1 million to $59.1 million in year three.

Table 6: Reduction in Premium Tax Collections

($ in Millions)	Year 1		Year 2		Year 3	
	Method 1	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
Premium Tax Collections	($26.2)	($27.6)	($54.2)	($57.1)	($56.1)	($59.1)

[2] *The Office of the Commissioner of Insurance stated that most individuals select Silver plans, most of which are between $800 and $900 monthly.*

Potential Reduction in State Expenditures

By expanding eligibility to Medicaid, the bill is likely to result in additional federal funding to state agencies that provide healthcare. Additional federal funding would result in an equal decrease in state expenditures. DCH would receive additional federal funds due to a temporary enhanced FMAP for traditional Medicaid but may also receive funding for specific waiver programs if members are moved into the new eligibility category. For all agencies, additional federal funding 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 Enhanced FMAP and Other Medicaid Programs* – The American Rescue Plan provides states that expand Medicaid with a five percentage point increase in regular federal matching rate for the first two years of expansion. The purpose is to offset implementation costs. Based on the fiscal year 2024 Medicaid budget, the increase in federal funding (and resulting decrease in state fund expenditures) would be approximately $687 million in each of the two years.

  Smaller cost savings could occur in other Medicaid programs. DCH currently provides coverage to certain categories of individuals, a portion of which would be eligible under the bill's provisions. Individuals who meet the income requirements under the bill could be placed in the newly eligible category, which has a higher FMAP and a lower state match than the current categories under which these individuals qualify for coverage. While there are policy considerations beyond costs related to a transition, in prior years DCH identified the Medically Needy Program, the Breast and Cervical Cancer Waiver, and the Family Planning Waiver as categories from which some individuals could move. DCH was unable to provide an estimate of the additional federal funds, though previous estimates ranged from $0 to approximately $20 million annually. (These amounts are not included in Table 1.)

- *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 information from the Departments of Behavioral Health and Developmental Disabilities, Public Health, and Corrections and estimated additional federal funding 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 66,798 uninsured individuals during fiscal year 2023 and that Medicaid applicable services totaled $3,072 per recipient during the period. We estimate the bill would result in approximately 7,000 to 22,000 currently uninsured DBHDD clients becoming insured. As a result, the state would receive federal funding of approximately $20.6 million to $59.3 million by year two.

  - *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 204,214 Medicaid clients and 406,443 non-Medicaid clients in fiscal year 2023.[3] Medicaid claims average approximately $182 per member. We estimate implementation of this bill will result in approximately

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

45,000 to 130,000 currently uninsured DPH clients becoming insured, resulting in federal funding of approximately $7.4 million to $21.3 million by year two.

- *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 2,901 individual inmates accounting for 5,945 inpatient hospitalizations and 10,172 inpatient bed days greater than 24 hours in fiscal year 2023. While it is difficult to know the percentage of inmates that would be eligible under the bill, we assume a majority will meet the income requirements. If 60% to 70% are eligible, this bill will result in approximately 1,741 to 2,031 offenders becoming insured. As a result, the state would receive federal funding of approximately $20.6 million to $24.1 million per year.

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

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Table 1A shows low and high estimates for state tax revenues attributable to economic activity associated with the expansion of Medicaid to currently uninsured for the three years of data provided. The allocations of the new spending in IMPLAN reflect 2022 Georgia Medicaid spending (https://www.macpac.gov/publication/total-medicaid-benefit-spending-by-state-and-category/). State income tax is estimated using employee compensation generated by IMPLAN. The labor income estimated in the broader consumer-facing economy is comprised mostly of health care workers, for which the average labor income is approximately $60,000 per job. Based on Georgia DOR tax data, specifically net tax liability relative to adjusted gross income (AGI) for taxpayers with AGI of $55,000–$65,000 in tax year (TY) 2022, we estimate an average effective tax rate (AETR) under current law of 4.42 percent on this labor income.

Table 1A State Tax Collections from Medicaid Expansion LC 33 9724, Low and High

Fiscal Years	Year 1 Low	Year 1 High	Year 2 Low	Year 2 High	Year 3 Low	Year 3 High
Income Tax	$15.87	$45.75	$31.89	$91.65	$31.89	$91.65
Sales Tax	$5.31	$15.30	$10.71	$30.75	$10.71	$30.75
Insurance Prem. Tax	$8.68	$24.90	$17.27	$49.80	$17.27	$49.80
All Other Taxes	$4.61	$13.35	$9.22	$26.70	$9.22	$26.70
Total	$34.47	$99.15	$69.09	$198.90	$69.09	$198.90

*Millions of nominal dollars

Note: The low model includes a higher number of uninsured individuals gaining coverage, resulting in greater revenue

IMPLAN incorporates estimates of sales taxes, however, the model relies on levels of economic activity rather than sales tax rates. Thus, this is not our preferred estimate. Instead, to estimate sales tax revenues, we use the model's estimated incremental output for various retail sectors and adjust for the taxable portion of sector sales to arrive at estimates of taxable sales. For retail sectors, IMPLAN reports as output only the retail gross margin, not the total sales at retail, so these estimates are grossed up using average gross margin rates from IMPLAN for each retail sector to arrive at estimated sales to which the tax would be applied. The state sales tax is calculated using the state sales tax rate of 4 percent. The state sales tax estimates for the three years are also shown in Table 1A.

We utilize estimates from DOAA and DCH to allocate the additional State Insurance Premium tax collections. It is estimated that new enrollees will pay on average a monthly premium of $475 which will be subject to an effective insurance premium tax rate of 2%.

About 81 percent of Georgia state tax collections are from personal income and state sales taxes. Georgia collects a host of other taxes that sum to about 22 percent state personal income tax and sales tax collections (not including insurance premium taxes). We use this 22% share to estimate the remaining other taxes collected on the new economic activity.

Note that insurance premium taxes in this estimate are a significantly larger share of economic activity than on average in the aggregate. This is due to the nature of the new spending which is driven primarily by the new Medicaid spending which is subject to the insurance premium tax.

Table 2A below summarizes the high and low estimates of additional state tax collections due to the proposed expansion of Medicaid.

Table 2 Total State Tax Collections from Medicaid Expansion LC 33 9274

Fiscal Years	Year 1 Low	Year 1 High	Year 2 Low	Year 2 High	Year 3 Low	Year 3 High
Total State Tax Collections	$34.47	$99.15	$69.09	$198.90	$69.09	$198.90