DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 3, 2025

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

SUBJECT: Fiscal Note
House Bill (LC 52 0636)

Dear Representative Park:

The bill would expand Medicaid eligibility to include adults between the ages of 19 and 65 who have incomes up to 138% of the federal poverty level (FPL) under the authority of the federal Patient Protection and Affordable Care Act. The program would operate as a demonstration project (waiver) approved under the authority of Section 1115 of the Social Security Act. The waiver would provide for the enrollment of eligible individuals into qualified health plans offered on the state Marketplace with Medicaid funds used to cover all premiums and cost sharing generally paid by policyholders. The Office of the Commissioner of Insurance (OCI) would be required to certify that qualified health plans provide minimum requirements for healthcare coverage. The Department of Community Health (DCH) would be required to apply for this waiver and, if approved, annually report to the General Assembly on program participation and costs.

This fiscal note analysis assumes that newly eligible member coverage will take two years to reach full enrollment.

Net costs to the state are estimated at approximately $556.7 million to $581.0 million in year three. The net costs include additional state spending on enrolled Georgia Access Marketplace members subsidized through Medicaid, changes in state revenue resulting from increased enrollments in the Georgia Access Marketplace, 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 $608.8 million to $701.6 million in year one, increasing to $724.3 million to $921.1 million in year three.

- *Changes in Revenue* – Georgia State University's Fiscal Research Center estimates additional state revenue of $64.3 million to $170.6 million would be collected at full enrollment due to the additional healthcare payments for the uninsured. Additional premium tax revenue of $14.8 million to $39.2 million is estimated to be collected by OCI from 100,000 to 264,000 uninsured individuals purchasing new Marketplace plans. OCI

would also collect from $31.5 million to $69.9 million in additional Georgia Access User Fee revenue from 170,000 to 377,000 additional Marketplace enrollments.

- *Cost Savings* – Due to federal cost sharing policies, state agency savings are estimated to be more than $500 million in the first two years. In year three, the savings are estimated at $30.8 million to $79.6 million. The agencies expected to replace state funds with federal funds include the Department of Community Health (for two years), the Department of Public Health (DPH), and the Department of Behavioral Health and Developmental Disabilities.

Table 1: Estimate of Financial Impact

	Year 1		Year 2		Year 3	
($ in Millions)	**Method 1**	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
NEW SPENDING [1]						
Marketplace Enrollment Costs [2]	$604.5	$696.9	$700.4	$890.7	$721.4	$917.4
DCH Administrative Costs	$1.3	$1.3	$1.3	$1.3	$0	$0
DHS Administrative Costs	$3.0	$3.4	$2.9	$3.7	$2.9	$3.7
Total State Costs	**$608.8**	**$701.6**	**$704.5**	**$895.6**	**$724.3**	**$921.1**
ADDITIONAL STATE REVENUE						
State Income Tax	$19.4	$51.6	$40.1	$106.4	$41.3	$109.5
State Sales Tax	$5.6	$14.9	$11.5	$30.6	$11.9	$31.5
State Insurance Premium Tax [3]	$7.0	$18.5	$14.3	$38.1	$14.8	$39.2
GA Access User Fee Revenue	$14.9	$32.9	$30.6	$67.9	$31.5	$69.9
Other State Taxes and Fees	$6.1	$16.3	$12.7	$33.6	$13.0	$34.6
Total New State Revenue	**$52.9**	**$134.2**	**$109.2**	**$276.5**	**$112.4**	**$284.8**
REDUCTION IN STATE EXPENDITURES						
Dept. Community Health [4]	$522.2	$522.2	$522.2	$522.2	$0.0	$0.0
Dept. Public Health	$4.2	$5.0	$8.6	$10.3	$8.9	$10.7
Dept. Behavioral Health	$10.3	$32.5	$21.3	$67.0	$21.9	$69.0
Total Adjustments	**$536.7**	**$559.7**	**$567.8**	**$615.2**	**$30.8**	**$79.6**
NET STATE COST (SAVINGS)	**$19.2**	**$7.6**	**$27.6**	**$3.9**	**$581.0**	**$556.7**

1. Additional reinsurance costs are expected but could not be estimated by OCI. These costs would be funded by the additional Geogia Access User Fee revenue generated by the new Marketplace enrollment.
2. This estimate uses the Federal Medical Assistance Percentage (FMAP) of 90% allowed by the Affordable Care Act for this expansion population. According to DCH officials, the waiver application would have to specifically request the enhanced FMAP, and because waivers are required to be based on state legislation, the bill would need to include language specifically requiring the higher FMAP. The bill does not include such language.
3. This is the estimated net premium tax revenue generated by the new Marketplace enrollments from the previously uninsured. The amount is net of estimated local premium taxes.
4. This estimate includes the two-year 5% increase to the state's traditional FMAP allowed by the American Rescue Plan Act for states that expand Medicaid. According to DCH officials, the waiver application would have to specifically request the 5% incentive, and because waivers are required to be based on state legislation, the bill would need to include language specifically requiring this incentive. The bill does not include such language. For more details about DCH savings, see page 6.

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 761,942 to 968,955 (**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	49,739	132,167	99,478	264,333	99,478	264,333
Insured Through Marketplace	592,200	592,200	592,200	592,200	592,200	592,200
Insured Through Employer	35,133	56,211	70,264	112,422	70,264	112,422
Total Enrollment	**677,072**	**780,578**	**761,942**	**968,955**	**761,942**	**968,955**
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. Specifically, it is not possible to reconcile the data across multiple sources that are used to inform enrollment. As a result, we created two methods to estimate the eligible populations using 2023 census data on the number of uninsured individuals by age and federal poverty level. [1]

- *Method One* – The methodology decreases the number of uninsured as reported in the 2023 census data (the latest available data) by the corresponding increase in Marketplace enrollments that occurred in the two following years (2024 and 2025). According to the 2023 census data, there were 210,888 uninsured individuals aged 19-64 in the 0-100% FPL category and 82,815 in the 100-138% FPL category.
  - Between 2023 and 2024, Marketplace enrollment for individuals aged 19-64 in the 0-100% FPL category increased by 3,516 and for the 100-138% FPL category by 272,798 (almost three times more than the number of uninsured). Consequently, in 2024 we estimate the number of uninsured to be 207,372 in the 0-100% FPL category and zero in the 100-138% category (this assumes that the remaining new enrollments came from other populations).
  - Between 2024 and 2025, Marketplace enrollment for individuals aged 19-64 in the 0-100% FPL category increased by 121,521 and decreased by 46,786 in the 100-138% category. Subtracting these amounts from the estimated number of uninsured calculated in the previous step, we estimate there are currently 85,851 uninsured individuals aged 19-64 in the 0-100% FPL category and 46,786 in the 100-138% FPL category.

- *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 and 2025 Plan Year increases in Marketplace coverage, this method uses the unadjusted number of uninsured found in the 2023 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,

[1] The bill would limit coverage to U.S. citizens or legally present non-citizens. The census data includes all individuals, regardless of immigration status. Based on studies reported by the Urban Institute and Pew Research, it is estimated that approximately 14% of the uninsured population is undocumented. We adjusted the reported uninsured numbers to exclude this population of approximately 50,000 adults.

population growth and 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-subsidized Georgia Access Marketplace 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. The estimate also assumes that it will take two years for full enrollment.

- *Currently Insured through Marketplace* – We applied participation rates of 100%. The Office of the Commissioner of Insurance indicated there were 658,000 individuals within the 100-138% FPL category that obtained coverage during 2025. Based on additional Marketplace enrollment data, we estimate that 90% of these individuals (592,200) are between the ages of 19 and 64 – the age limitation specified in the bill. The estimate also assumes that all of these current Marketplace members will transition to a Medicaid-supported Marketplace version in the first year of the program.

- *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-supported Marketplace coverage due to lower costs than their current employer-based coverage. The estimate assumes that it will take two years for full enrollment.

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 for year three. In years one and two, net state costs are significantly lowered due to the increased FMAP for traditional Medicaid provided by federal law (savings discussed on page 6). In year three, the increased FMAP is no longer available and state Medicaid costs are estimated at $721.4 million to $917.4 million. Additional explanation of the estimate is below the table.

Table 3: Projected Total and State Medicaid Costs

	Year 1		Year 2		Year 3	
($ in Millions)	**Method 1**	**Method 2**	**Method 1**	**Method 2**	**Method 1**	**Method 2**
Total Medicaid Costs	$6,044.9	$6,969.0	$7,003.8	$8,906.6	$7,214.1	$9,174.1
Total Administration	$11.6	$12.8	$11.2	$13.5	$8.7	$11.0
Total Costs	**$6,056.5**	**$6,981.8**	**$7,014.9**	**$8,920.1**	**$7,222.7**	**$9,185.1**
State Medicaid Costs	$604.5	$696.9	$700.4	$890.7	$721.4	$917.4
State Admin Costs	$4.3	$4.7	$4.1	$4.9	$2.9	$3.7
Total State Costs	**$608.8**	**$701.6**	**$704.5**	**$895.6**	**$724.3**	**$921.1**

Note: 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 6.
Numbers may not total due to rounding.

- *Medicaid Premium and Cost-Sharing* – 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 $7.2 billion to $9.2 billion, with a state share of $721.4 million to $917.4 million. The costs per new member are based on the average 2024 per member per month cost of $744 reported by the Arkansas ARHOME Medicaid expansion

program upon which this bill is modeled[2]. The FMAP of 90% was used to determine the state portion of the costs.

- *Administration* – The Department of Human Services (DHS) and DCH would incur administrative costs associated with the bill. DHS would require ongoing funding for additional eligibility staff as well as one-time costs associated with changes to the Georgia Gateway integrated eligibility system. DHS state costs are estimated at approximately $3.0 million to $3.4 million in the first year of enrollment and $2.9 million to $3.7 million in years two and three. This represents an expected state share of 33% of the total cost.

  DCH officials estimated that $2.5 million in one-time state funds would be required for various costs associated with actuarial rate setting, developing the waiver, and miscellaneous implementation costs. These costs would incur over a 12- to 24-month period. This represents an expected state share of 50% of the total cost. DCH officials also note that it takes at least 12 months to develop a waiver and to obtain approval from CMS. Consequently, the earliest date that such a waiver would be approved is October 2026.

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 reduce implementation costs, as discussed on page 6.

Change in State Revenue

We identified that the bill will likely impact state revenue collections due to increased income and sales tax collections from the additional economic activity associated with those gaining coverage. Additional premium tax revenue collections are also likely to occur from the additional Marketplace plans purchased by individuals gaining coverage.

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, Georgia Access user fees, and other state taxes. **Table 4** 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.

---

[2] Year 2 and Year 3 utilized a three percent annual inflationary increase on Year 1 per member per month cost.

Table 4: 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	$19.4	$51.6	$40.1	$106.4	$41.3	$109.5
State Sales Tax	$5.6	$14.9	$11.5	$30.6	$11.9	$31.5
State Insurance Premium Tax	$7.0	$18.5	$14.3	$38.1	$14.8	$39.2
Other State Taxes and Fees	$6.1	$16.3	$12.7	$33.6	$13.0	$34.6
Georgia Access User Fees	$14.8	$32.9	$30.6	$67.9	$31.5	$69.9
Total Additional State Revenue	**$52.9**	**$134.2**	**$109.2**	**$276.5**	**$112.4**	**$284.8**
Note: Totals may not sum due to rounding						

- *State Income Tax* – The bill is expected to generate additional state income tax of $40.1 million to $106.4 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 $11.5 million to $30.6 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 $14.3 million to $38.1 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 $12.7 million to $33.6 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.

- *Georgia Access User Fees* – This bill is expected to generate additional Georgia Access user fee revenue of $30.6 million to $67.9 million at full enrollment. These fees are charged by OCI for each plan purchased on the Georgia Marketplace.

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 expenditures, the increase in federal funding (and resulting decrease in state fund expenditures) would be approximately $522 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 73,818 uninsured individuals during fiscal year 2024 and that Medicaid applicable services totaled $3,284 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 $21.3 million to $67.0 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 150,708 Medicaid clients and 286,919 non-Medicaid clients in fiscal year 2024. Medicaid claims average approximately $93 per member. We estimate implementation of this bill will result in approximately 100,000 to 120,000 currently uninsured DPH clients becoming insured, resulting in federal funding of approximately $8.6 million to $10.3 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. However, it is unlikely that these inmates would receive health insurance coverage through this bill. This is because it is not feasible that the Georgia Department of Corrections would be able to purchase health plans covering only those time periods during which inmates are hospitalized.

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.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/db

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 2023 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 $63,000 per job. Based on Georgia DOR tax data, specifically net tax liability relative to adjusted gross income (AGI) for taxpayers with AGI of $57,000–$76,000 in tax year (TY) 2024, we estimate an average effective tax rate (AETR) under current law of 5.15 percent on this labor income.

Table 1A State Tax Collections from Medicaid Expansion LC 52 0636, 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	$19.4	$51.6	$40.1	$106.4	$41.3	$109.5
Sales Tax	$5.6	$14.9	$11.5	$30.6	$11.9	$31.5
Insurance Prem. Tax	$7.0	$18.5	$14.3	$38.1	$14.8	$39.2
All Other Taxes	$6.1	$16.3	$12.7	$33.6	$13.0	$34.6
Total	$38.1	$101.3	$78.6	$208.7	$80.9	$214.9

*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 1.

We utilize estimates from DOAA and OCI to allocate the additional State Insurance Premium tax collections. It is estimated that new enrollees will pay on average a monthly premium of $583 which will be subject to an effective insurance premium tax rate of 2 percent.

About 80 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 20 percent of total state tax collections. (not including insurance premium taxes). We use this 20 percent 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 2A Total State Tax Collections from Medicaid Expansion

Fiscal Years	Year 1 Low	Year 1 High	Year 2 Low	Year 2 High	Year 3 Low	Year 3 High
Total State Tax Collections	$38.1	$101.3	$78.6	$208.7	$80.9	$214.9

*Millions of nominal dollars