

SB2 creates the FMAP Stabilization Fund to smooth out the large swings to the SGF for the state's share of caseload expense based on FMAP changes. This is how the fund will work initially. Any positive change in FMAP would be transferred into the Stabilization fund. In future, any negative change in FMAP would be deducted from the Stabilization Fund. The outcome would be SGF would stay steady, or change minimally with changes in FMAP. Allowing for more stable budgeting process in the future.

The following example is presented below:

Current

| FMAP | 60/40 | 59/41 | <u>Diff</u> | <u>SGF</u> |
|---------------|----------------|----------------|-------------|------------|
| Federal Share | \$2.16B | \$2.12B | -\$40M | |
| State Share | <u>\$1.44B</u> | <u>\$1.48B</u> | +\$40M | \$40M |
| Total | \$3.6 B | \$3.6 B | | |

Proposed

| FMAP | 60/40 | 59/41 | <u>Diff</u> | <u>Stabilization</u> | <u>SGF</u> |
|---------------|----------------|----------------|-------------|----------------------|------------|
| Federal Share | \$2.16B | \$2.12B | -\$40M | | |
| State Share | <u>\$1.44B</u> | <u>\$1.48B</u> | \$40M | \$40M | \$0.00 |
| Total | \$3.6 B | \$3.6 B | | | |

Seed money

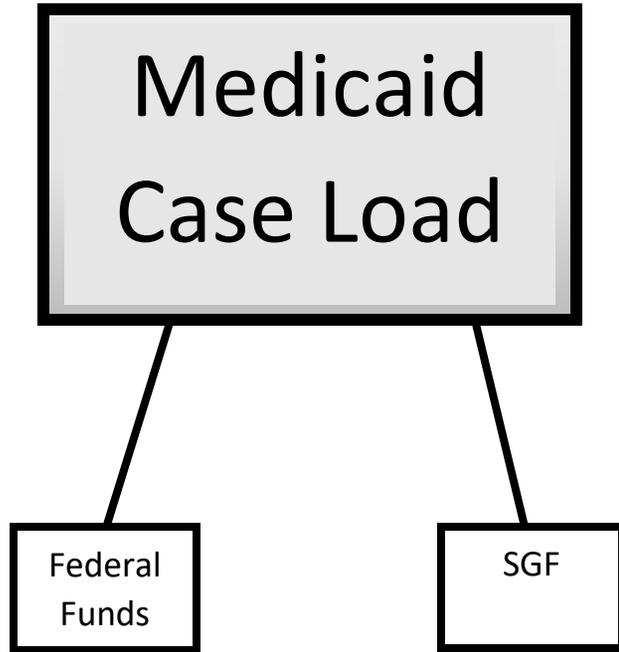
AG Schmidt joined several states in a lawsuit against the Federal Government in regarding the Health Insurance Provider Fee (HIPF) charged to our Medicaid MCO's. The tax was originally implemented to help pay the cost of the ACA. Approximately \$91.8M has been paid by the state for HIPF. The AG and other states were successful in a court ruling that concluded the tax should not have been charged and the money should be returned to the state. The federal government has appealed. The AG thinks it will be resolved in our favor in calendar year 2019. Should that occur, the money would be deposited into the FMAP stabilization fund.

The seed money is not necessary for the stabilization fund to be created and for it to work. The runway would just be longer to build a balance. We would have to experience a favorable FMAP change and that difference would be transferred into the stabilization fund to get things started. The fund would have a much lower balance and not be able to absorb large negative changes in FMAP. However, it would still smooth out the large swings we have been experiencing.

Please review the flowchart attached.

I'm ready to take questions at the appropriate time.

Without Stabilization Fund



With Stabilization Fund

