

spotlight

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CARVE THE MEDICAID TURKEY *State Should Eliminate County Share of Medicaid in Five Years*

S U M M A R Y : North Carolina is the only state in which counties pay a fixed percentage of Medicaid costs. Counties have no control over how they spend up to 15 percent of their general fund budget and 39 percent of their property tax revenues. Six counties spend more on Medicaid than on education. Program expansions and higher medical costs have pushed Medicaid's share of county budgets up an average of 18 percent in five years. The General Assembly should act on the recommendation of its own Blue Ribbon Commission on Medicaid Reform to cap and reduce what counties must contribute to Medicaid.

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medicaid started in 1965 as a state and federal program to provide health care for the poor. States participate in Medicaid as a way to reduce their costs because the federal government contributes at least 50 cents of every dollar spent in Medicaid (63 cents in North Carolina).¹ North Carolina is one of eight states that administer Medicaid through counties and is the only state that requires counties to cover a fixed percentage of Medicaid costs (currently 15 percent of the state total).

County Medicaid = Payments – Control

North Carolina counties pay 15 percent of the state's share of local Medicaid costs, or about 5.5 percent of the total Medicaid bill, but have little control over how that money is spent or the rate at which their costs will grow. University of North Carolina professor John L. Saxon concluded, "County officials exercise little, if any, policy-making authority with respect to Medicaid."²

Eligibility rules are set at the state and federal levels, and face-to-face interviews of applicants are not allowed, making enforcement of these rules quite difficult. The original justification for making counties share in Medicaid's cost, however, was to encourage stricter enforcement of these rules. Furthermore, Congress and the General Assembly have expanded eligibility and implemented outreach programs to bring more people under Medicaid, making the county role in monitoring eligibility all but superfluous.

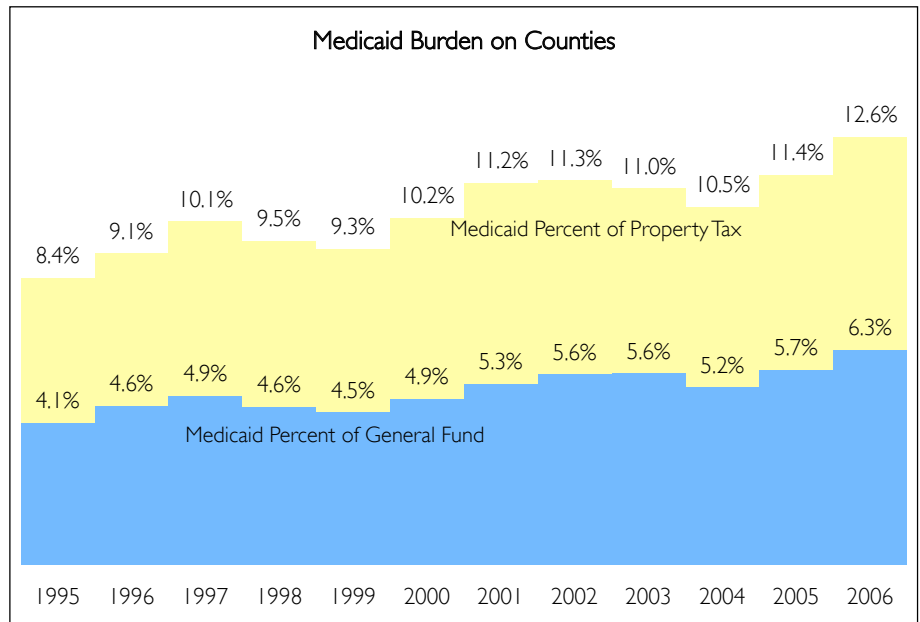
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Squeezing Out Other Priorities

Medicaid expenditures take an average of 5.5 percent of county general fund budgets, and nearly 15 percent in Hertford and Robeson counties. On average, counties must commit 10.6 percent of their property tax revenues to Medicaid. In Robeson County, Medicaid expenses equal 39 percent of the property tax.³ Scotland County, which has the highest property tax rate in the state (\$1.10 per \$1,000 in assessed value), has cut one-tenth of its work force and not provided a raise for its remaining employees over the past three years to accommodate Medicaid without further tax increases. In short, counties are forced to transfer wealth from their workers to Medicaid recipients.

Table 1. Medicaid Costs As a Percentage of Property Tax and of the General Fund, 1995-2006



Counties will pay \$470 million for Medicaid in fiscal year 2005-06, according to the North Carolina Association of County Commissioners, an increase of 48 percent in five years. Half of all counties spend more on Medicaid than on school construction and building improvements. For six counties, Medicaid spending is even higher than school operating expenditures.⁴

Among the 36 counties that responded to a John Locke Foundation survey, Medicaid will take on average 6.3 percent of the general fund budget in FY 2005-06, an increase from 4.1 percent in FY 1994-95 (see Table 1). Medicaid's demands on property tax revenue have increased as rapidly – from 8.4 percent in FY 1994-95 to 12.6 percent in FY 2005-06. This means counties have less money to spend on public safety, schools, and other priorities. By the state's own estimate, over a quarter of the population in 19 counties are eligible for Medicaid.⁵

The General Assembly's Fiscal Research Division, in November 2004, projected annual increases of nine percent a year in Medicaid spending for each of the next five years.⁶ No source of county revenue will grow rapidly enough to meet that challenge – compelling tax increases or further cuts in other county services.

Time for a Change

As a first step to reforming Medicaid in North Carolina, the General Assembly should take the advice of its Blue Ribbon Commission on Medicaid Reform to reduce the county share of Medicaid.⁷ In order to meet the Commission's target of ending all county payments in FY 2010-11, the General Assembly should decrease the county share by three percentage points a year starting in FY 2006-07.

The state does not even need to raise taxes to pay for its takeover of county Medicaid costs. The John Locke Foundation's Freedom Budget 2005⁸ found room to pay for the expense in FY 2005-06 and still save \$1 billion from the general fund. States from Vermont to South Carolina are implementing money-saving reforms of their Medicaid program, and Virginia manages to have lower per capita costs than North Carolina by limiting eligibility.⁹

The governor and General Assembly set Medicaid policy. They, not counties, should bear the financial responsibility for their decisions.

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Table 2. Medicaid's Burden By County

County	Medicaid Spending Increase, 2001-06	Percent Budget for Medicaid, 2005	Property Tax Rate for Medicaid, 2005	Percent Property Tax for Medicaid, 2005	County	Medicaid Spending Increase, 2001-06	Percent Budget for Medicaid, 2005	Property Tax Rate for Medicaid, 2005	Percent Property Tax for Medicaid, 2005
Alamance	41.5%	7.2%	\$0.07	14.0%	Jones	36.7%	8.0%	\$0.15	20.1%
Alexander	64.6%	7.6%	\$0.09	19.7%	Lee	36.6%	5.3%	\$0.07	10.9%
Alleghany	64.6%	8.1%	\$0.09	14.7%	Lenoir	37.6%	10.4%	\$0.16	20.2%
Anson	36.3%	10.6%	\$0.20	23.3%	Lincoln	61.5%	5.8%	\$0.07	11.4%
Ashe	24.0%	8.8%	\$0.10	17.9%	Macon	38.7%	5.3%	\$0.03	9.4%
Avery	23.2%	6.4%	\$0.05	9.7%	Madison	53.5%	8.9%	\$0.10	19.1%
Beaufort	34.7%	9.2%	\$0.11	18.1%	Martin	36.1%	9.9%	\$0.17	21.2%
Bertie	39.4%	14.6%	\$0.25	32.6%	McDowell	48.1%	9.2%	\$0.11	20.3%
Bladen	30.1%	11.1%	\$0.20	23.3%	Mecklenburg	56.9%	2.9%	\$0.04	4.8%
Brunswick	55.4%	3.7%	\$0.04	6.9%	Mitchell	36.2%	8.7%	\$0.11	20.6%
Buncombe	43.6%	6.3%	\$0.07	11.8%	Montgomery	58.5%	8.4%	\$0.10	16.5%
Burke	58.9%	9.5%	\$0.12	19.6%	Moore	40.9%	5.4%	\$0.05	10.5%
Cabarrus	57.0%	5.0%	\$0.05	8.9%	Nash	34.7%	7.5%	\$0.10	15.5%
Caldwell	48.4%	8.0%	\$0.12	19.8%	New Hanover	45.0%	4.3%	\$0.05	7.7%
Camden	41.8%	4.3%	\$0.07	9.1%	Northampton	35.2%	10.1%	\$0.20	22.8%
Carteret	30.0%	5.3%	\$0.04	9.6%	Onslow	41.4%	4.6%	\$0.09	13.1%
Caswell	56.9%	8.4%	\$0.13	21.5%	Orange	50.5%	3.0%	\$0.04	4.6%
Catawba	64.9%	4.8%	\$0.05	11.4%	Pamlico	26.0%	6.9%	\$0.09	13.0%
Chatham	33.3%	4.2%	\$0.05	7.0%	Pasquotank	51.5%	9.7%	\$0.17	19.9%
Cherokee	55.8%	10.1%	\$0.12	22.4%	Pender	35.1%	7.8%	\$0.07	12.7%
Chowan	28.9%	8.2%	\$0.15	19.9%	Perquimans	38.6%	7.2%	\$0.10	14.9%
Clay	36.7%	6.0%	\$0.06	15.6%	Person	35.8%	5.5%	\$0.08	11.8%
Cleveland	58.8%	8.7%	\$0.13	23.2%	Pitt	56.0%	5.7%	\$0.10	14.5%
Columbus	28.1%	11.0%	\$0.24	30.5%	Polk	40.9%	5.8%	\$0.06	10.6%
Craven	38.7%	6.9%	\$0.10	17.0%	Randolph	59.1%	7.9%	\$0.08	16.9%
Cumberland	43.8%	5.3%	\$0.10	11.2%	Richmond	28.3%	11.3%	\$0.17	22.0%
Currituck	75.3%	2.7%	\$0.03	5.3%	Robeson	38.9%	14.9%	\$0.36	39.1%
Dare	58.3%	1.8%	\$0.02	3.8%	Rockingham	35.4%	7.2%	\$0.11	18.1%
Davidson	67.6%	7.4%	\$0.08	15.3%	Rowan	56.2%	7.0%	\$0.08	12.5%
Davie	46.9%	4.3%	\$0.05	8.8%	Rutherford	63.4%	9.7%	\$0.12	19.3%
Duplin	35.2%	9.4%	\$0.14	17.9%	Sampson	38.1%	8.2%	\$0.16	23.2%
Durham	51.1%	2.3%	\$0.06	7.4%	Scotland	36.1%	9.9%	\$0.22	20.0%
Edgecombe	45.1%	10.4%	\$0.21	22.4%	Stanly	34.8%	7.2%	\$0.10	14.9%
Forsyth	56.1%	4.8%	\$0.06	8.5%	Stokes	47.8%	6.4%	\$0.09	14.1%
Franklin	49.7%	5.9%	\$0.10	12.8%	Surry	54.7%	8.7%	\$0.11	17.4%
Gaston	75.6%	8.2%	\$0.13	14.1%	Swain	20.8%	8.1%	\$0.16	29.8%
Gates	24.4%	8.0%	\$0.13	15.2%	Transylvania	40.5%	4.9%	\$0.05	10.6%
Graham	32.0%	9.7%	\$0.16	26.9%	Tyrrell	23.8%	7.6%	\$0.14	14.2%
Granville	86.9%	7.3%	\$0.09	14.1%	Union	47.5%	4.0%	\$0.04	7.4%
Greene	33.8%	8.9%	\$0.18	21.6%	Vance	38.4%	9.9%	\$0.19	21.1%
Guilford	39.6%	4.4%	\$0.05	8.2%	Wake	59.9%	2.9%	\$0.03	5.1%
Halifax	43.6%	9.5%	\$0.23	26.5%	Warren	32.3%	8.0%	\$0.13	16.0%
Harnett	46.3%	7.1%	\$0.12	15.9%	Washington	46.4%	10.9%	\$0.24	23.9%
Haywood	58.9%	6.2%	\$0.08	12.5%	Watauga	33.9%	3.9%	\$0.03	8.1%
Henderson	49.8%	6.5%	\$0.06	13.0%	Wayne	60.8%	9.2%	\$0.13	19.1%
Hertford	37.7%	14.6%	\$0.22	24.3%	Wilkes	55.5%	9.2%	\$0.11	18.7%
Hoke	51.8%	10.4%	\$0.17	23.1%	Wilson	38.9%	7.1%	\$0.11	15.9%
Hyde	18.2%	5.2%	\$0.07	10.5%	Yadkin	59.3%	8.0%	\$0.11	16.5%
Iredell	75.2%	5.7%	\$0.05	11.0%	Yancey	49.2%	11.6%	\$0.10	20.5%
Jackson	21.0%	4.9%	\$0.03	9.6%	Total	48.3%	5.5%	\$0.07	10.6%
Johnston	64.7%	6.2%	\$0.09	11.0%					

Source: Author Calculations Based on Data from North Carolina Association of County Commissioners

Notes

1. "Federal Matching Rate (FMAP) for Medicaid and Multiplier," Kaiser Family Foundation, StateHealthFacts.org, <http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=compare&category=Medicaid+%26+SCHIP&subcategory=Medicaid+Spending&topic=FMAP+and+Multiplier>
2. John L. Saxon, "The Fiscal Impact of Medicaid on North Carolina Counties," *Popular Government*, Summer 2002, <http://ncinfo.iog.unc.edu/pubs/electronicversions/pg/pgsum02/article2.pdf>
3. "Estimated costs per county," North Carolina Association of County Commissioners, <http://www.ncacc.org/medicaidrelief.html>
4. North Carolina Association of County Commissioners data
5. *Medicaid in North Carolina Annual Report 2004*, NC Department of Health and Human Services, Division of Medical Assistance, Table 9
6. *Options for Reducing the County Share of the NC Medicaid Program*, Fiscal Research Division, November 2004
7. *Final Report to the 2005 General Assembly of North Carolina*, Blue Ribbon Commission on Medicaid Reform, February 1, 2005
8. Joseph Coletti, *Freedom Budget 2005: Principled and Pragmatic*, John Locke Foundation, May 2005, http://johnlocke.org/policy_reports/display_story.html?id=57
9. Joseph Coletti, "Get Control of Medicaid: Bringing Costs Into Line Will Help State Budget," John Locke Foundation, February 2, 2005, http://johnlocke.org/spotlights/display_story.html?id=92