GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-262023

July 28, 1995

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

Dear Mr. Chairman:

Medicaid services and associated administrative costs are jointly financed by the federal and state governments. Some states require local governments to contribute a part of the nonfederal share of Medicaid payments. States receive local government contributions for either Medicaid service costs, administrative costs, or both. This letter responds to your request that we identify in which states' local governments contribute to the nonfederal share of Medicaid service and administrative costs.

Medicaid was established in 1965 to provide medical assistance to qualifying low-income people. This jointly financed program accounted for approximately $142 billion in combined federal and state expenditures in fiscal year 1994, with state expenditures of about $61 billion. State Medicaid service and administrative expenditures are matched with federal dollars. The federal matching rate for services for each state is based on the states' per capita income and ranges from 50 to 83 percent. Federal matching funds are not limited by a ceiling or cap. The federal share of administrative costs is 50 percent for all states, with certain exceptions for expenditures for certain functions, such as expenditures for management information systems, which receive enhanced federal matching funds.

In fiscal year 1993, service costs accounted for approximately 97 percent of state Medicaid payments, while administrative costs accounted for only 3 percent of state Medicaid payments.

To obtain information on local governments that contribute to their state's share of Medicaid costs, we contacted state Medicaid officials in all 50 states. We also contacted the National Association of Counties (NACO) and obtained their most recent data on county participation in

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states' Medicaid costs. Their most current information was from a NACO survey conducted in 1993. We also reviewed relevant literature on the topic.

In summary, we found that localities in 20 states were required to contribute to the nonfederal share of Medicaid costs. Enclosure 1 is a listing of states that require local governments to contribute to the state share of Medicaid service costs, administrative costs, or both and what the localities are required to contribute.

Sixteen states receive contributions from local governments for the nonfederal share of Medicaid service costs. Only three states, New York, New Hampshire, and Arizona, require more than 25 percent of the nonfederal share for services. New York requires its local governments to contribute 50 percent of the nonfederal share of Medicaid service costs, excluding long-term care, for which an 18.8 percent contribution is required. Counties in New Hampshire pay 61.1 percent of the nonfederal share of nursing home costs. In Arizona, counties pay 100 percent of the nonfederal costs of long-term care services and in total pay for 29.5 percent of the nonfederal costs for all services.

Thirteen states receive local contributions for Medicaid administrative costs. Local contributions for the nonfederal share of Medicaid administrative costs range from 60 percent in Minnesota and 50 percent in New York and Indiana to less than 20 percent in most of the other states that contribute to administrative costs. For 5 of the 13 states, the administrative costs contributions received from counties are for eligibility determination only.

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Please call me at (202) 512-4561 if you or your staff have any questions concerning this letter.

Sincerely yours,

William J. Scanlon

William J. Scanlon
Associate Director,
Health Financing Issues

ENCLOSURE 1

LOCAL GOVERNMENT CONTRIBUTIONS FOR STATES' MEDICAID COSTS

The following describes the states' requirements for local governments' contributions to the nonfederal share of Medicaid service or administrative costs.

SERVICES

Arizona

Counties pay 100 percent of the nonfederal share of long-term care service costs. For acute care services, the county contributions range from less than 1 percent to almost 58 percent. Combined county contributions for acute and long-term care must equal 29.5 percent of all Medicaid service expenditures.

Florida

Counties pay 35 percent of the nonfederal costs of providing nursing home care, not to exceed $55 per month for each nursing home resident. Counties also pay for 35 percent of the total nonfederal costs of inpatient care for the 13th to the 44th day of each hospital stay. Counties are exempted from paying for Medicaid patients less than 21 years old receiving skilled nursing care. For pregnant women and children whose income is in excess of 100 percent of the poverty level, the state picks up the entire cost of these services.

Iowa

Counties pay 100 percent of the nonfederal share of costs for intermediate care facility for the mentally retarded (ICF/MR) services; 100 percent of the nonfederal share of services for persons with mental retardation served through home and community-based waivers. As of July 1, 1995, the state pays the cost of these services for persons less than 18 years old. Counties also pay a portion of enhancements, which are services such as day treatment, targeted case management, and partial hospitalization, that are designed to aid persons with mental retardation, developmental disabilities, or mental illness. County responsibility for these enhancements is being significantly reduced because the state is moving to managed care for these populations. Most of these enhancements will be covered under managed care.

Michigan

Counties pay 10 percent of the nonfederal share for Medicaid mental health services delivered by county community mental health agencies. Counties with medical care facilities that provide Medicaid nursing home services provide a variable maintenance-of-effort payment for Medicaid patients in the facility.

Pennsylvania

Counties pay 10 percent of the nonfederal share for county nursing homes plus $3 per invoice for services.

Utah

Counties, except for the three largest ones, are combined into mental health districts (MHD). The three largest counties are "stand alone" MHDs. Each MHD contributes a variable percentage of the nonfederal share of Medicaid costs for mental health programs. In state fiscal year 1994, counties contributed a total 6.5 percent or $8,665,732 to the nonfederal share of those nonfederal Medicaid costs. MHDs' individual contributions ranged from less than 1 to 54.5 percent of those costs.

Wisconsin

Counties pay the nonfederal share for certain mental health programs (for example, community support services and targeted case management).

SERVICES AND ADMINISTRATION

Indiana

County taxes provide approximately 50 percent of the nonfederal share of administrative costs at the county level. Counties also contribute to a Medical Assistance to Wards fund. This fund is used to pay the Medicaid costs for wards of the county office or juvenile court who are not eligible for foster care through the Aid to Families With Dependent Children program (AFDC). Counties are responsible for paying for the state share of this cost.

Minnesota

Counties pay 60 percent of the nonfederal share of Medicaid administrative costs. Counties pay 10 percent of the nonfederal share of mental health services for the first 6 months of each year. The state subsequently reimburses the counties this money

and pays the cost of those services for the second half of the year. Some officials in the state classify this as an interest-free loan.

Nevada

Counties pay 100 percent of the nonfederal share of long-term care for the aged, blind, and disabled whose net monthly income exceeds $714 but is less than 300 percent of the Supplemental Security Income Federal Benefit Rate. Counties are required to pay the corresponding cost of administering the long-term care program in their county.

New Hampshire

Counties pay 61.1 percent of the nonfederal share of long-term care nursing home costs representing approximately 44 percent of the total nonfederal share of Medicaid service costs. Counties also pay 100 percent of the state share of administrative costs for the nursing home audit unit.

New Mexico

Counties contribute 1/16 of 1 percent of their gross receipt taxes to "County Supported Medicaid funds," of which 88 percent is used to help fund Medicaid programs. The remaining 12 percent goes towards general administrative costs, most of which are Medicaid related, and state-supported health programs.

New York

Counties pay 50 percent of the nonfederal share of services, excluding long-term care, for which they contribute 18.8 percent and 50 percent of the nonfederal share of administrative costs. Counties also pay 46.9 percent for managed care cases.

North Carolina

Counties pay 15 percent of the nonfederal share of services and personnel administrative costs related to eligibility determination.

North Dakota

Counties contribute a variable amount of the nonfederal share of service costs, except for developmentally disabled service costs. County contributions total 13.1 percent of the nonfederal share. Counties pay 100 percent of the nonfederal share of administrative costs for eligibility-related services.

ENCLOSURE 1

South Carolina

Counties provided $13 million in state fiscal year 1995 to support Medicaid through a formula prescribed by law. This represented 2.82 percent of the nonfederal share of Medicaid costs. County contributions ranged from $20,000 to $1.4 million. Contributions are primarily used to pay for Medicaid services, with a minimal amount used for administration.

ADMINISTRATION

Colorado

Counties pay 20 percent of the nonfederal share of administrative costs, excluding those related to eligibility determination.

New Jersey

Counties contribute a variable portion of the nonfederal share of administrative costs related to eligibility determination. County contributions range from approximately 10 to 15 percent.

Ohio

Counties pay a maximum of 10 percent of the nonfederal share of administrative costs related to eligibility determination and the ongoing maintenance of Medicaid cases. County contributions range from 2 to 10 percent.

Virginia

Counties are responsible for 20 percent of the nonfederal share of eligibility determination costs.

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