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To: Interested Parties  
From: John W. Rodat  
Subj: FMAP Increase  
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Below are the first estimates of the temporary financial benefit Albany County will receive from the increased Federal Medical Assistance Percentage (FMAP) in the America Recovery and Reinvestment Act of 2009, the Federal Stimulus package recently enacted. "Medical Assistance" is the formal name for the Medicaid program that the Federal, State and county governments jointly finance.

The new Federal law requires that New York shares the benefit with counties in proportion to their share of most Medicaid expenditures. While some Medicaid expenditures, such as local administrative costs are excluded, on balance the County's Medicaid expenditures will be reduced in 2009 and 2010.

The changes in the Federal law cover nine calendar quarters starting in the fourth quarter of 2008. Thus, there will be some retroactive benefit received in 2009. Including the retroactive benefit, Albany County may receive up to the following estimated benefits in calendar years 2009 and 2010.

CY 2009	CY 2010	Total
<u>\$ Millions</u>	<u>\$ Millions</u>	<u>\$ Millions</u>
\$12,097.6	\$9,384.0	\$22,291.6

These amounts are preliminary estimates and not fixed. They are based on estimates produced by the NYS Division of the Budget and take into consideration such factors as Medicaid cost growth, statewide unemployment rates, and adjustments for the State Fiscal Year 2008-09 Local Medicaid Cap reconciliation data to provide the final local shares late in 2009.

This benefit may relieve some immediate financial challenges, but careful consideration should also be given to the following:

- This reduction in Medicaid expenditures is temporary, ending at the end of 2010.
- The figures cited above assume the proposed Medicaid cuts are adopted. Because of way the cap on county share of Medicaid works, these figures will change if total Medicaid spending changes.
- The estimated 2009 benefit is in the same range of our estimates of the financial effects on the County of the Governor's Budget cuts in all programs. Those are estimated to exceed \$11

million. Given the current uncertainty regarding the State Budget deliberations and the potential effects on the County, short-term decision making should await adoption of the State Budget.

- Approximately \$8.3 million of this year's Nursing Home revenue is also temporary and also expires at the end of 2010.

Although the increased Federal funding provides an unanticipated financial benefit to Albany County, the State of the economy requires continued caution. The State has lowered its own revenue estimates several times in the past year. Along with evaluating the effects of the State budget once it is adopted, we expect to revise our revenue and spending estimates after the end of the first quarter of this year. Of particular concern are sales tax revenues which have been trending downward.

The combined effects of the State Budget and reduced sales tax revenues may well exceed the new Federal benefit.