

The House and Senate took the first step in the budget process last week by **setting their overall budget target**.

- The state's current budget is \$8.21 billion.
- The Governor's budget recommendation was \$8.486 billion, which is a 3% increase.
- The Senate set their budget target at the Governor's level, \$8.486 billion.
- The House target is a little higher at \$8.58 billion, which is a 4.5% increase.
- The House said they want to use the additional money to rebase nursing homes.

The Legislature is allowed to spend 99% of the money the state collects, but they have set targets well below the \$9.65 billion spending allowed. They are only spending 88% of what they are allowed, the rest of the money, nearly \$2 billion, is set aside for future tax cuts. This is money that could also be used to increase Medicaid provider rates, eliminate Medicaid waiver waiting lists, or expand access to childcare.

Legislators are also likely to move forward on another bill ([HF 525](#)) that **taxes the MCOs** and through what is called an intergovernmental transfer, uses the funds to draw down additional federal match before returning the amount taxed to the MCOs as a part of their contract. It's a shell game, but it will raise between \$60-100 million each year in additional funds for Medicaid. However, if the state chooses to use these additional dollars to increase provider rates, it can be matched again. If it uses the funds to fill the hole in Medicaid created by the pandemic enhanced match rate that is ending this year, it cannot be matched. So there is incentive for legislators to use these funds to increase rates, and Medicaid has told legislators that the two areas most in need of an increase are behavioral health rates and physician payments.