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To: County Chief Fiscal Officers

From: Division of Local Government Services and Economic Development

Subject: Advisory - Medicaid Cap Legislation

Please give copies of this bulletin to others who may need this information.

A new law was enacted (Chapter 58 of the Laws of 2005) to “cap” county Medicaid costs at calendar 2005 levels and limit growth rates to 3.5 percent in 2006 and 3.25 percent in 2007. The future growth rates will then be permanently capped at 3 percent starting in 2008. The cap is established based on each county’s local share expenditure made during the 2005 calendar base year. Counties will receive two types of benefits resulting from this law. First, future costs will be limited to growth rates as described above. The second benefit will be a one-time, year end accrual benefit. This latter benefit will occur because the State will be relieving counties of the year end local accrued liabilities associated with various Medicaid expenditures where cash reimbursement is lagged, offset by accrued revenue receivables which would typically be paid to the counties after year end. While not every county will have a net benefit from this accrual closeout process, most should realize a benefit for 2005.

In order to assist counties in budgeting for 2006 Medicaid expenditures and the possible one-time benefit that they could receive in 2005, the New York State Division of the Budget (DOB) and the State Department of Health (DOH) are expected to send out preliminary estimates of each county’s benefit (based on 2004 data), in both categories, later this month along with the methodology for each county to calculate its own base year. These estimates will be updated in November 2005 when the base year calculation is established, with a final reconciliation of the 2005 base year calculation on June 30, 2006. OSC expects to issue a technical assistance bulletin dealing with aspects of the accounting and reporting treatment of these transactions.

OSC will continue to work with DOB, DOH and the New York State Association of Counties to provide additional guidance with respect to accounting and reporting issues that may arise from this transition.

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