

# Governors' Proposed Budgets for FY 2019: Focus on Medicaid and Other Health Priorities

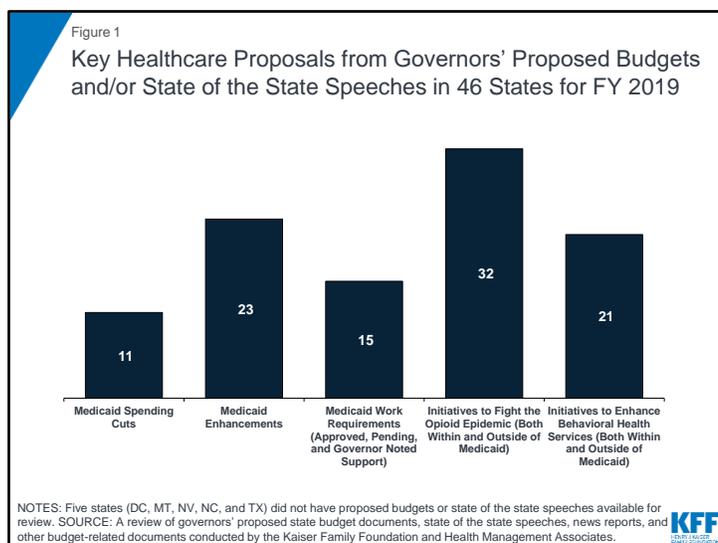
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## Executive Summary

This issue brief provides Medicaid highlights from governors' proposed budgets for state fiscal year (FY) 2019 (July 1, 2018 through June 30, 2019 in most states).<sup>1</sup> Proposed budgets reflect the priorities of the governor and are often blueprints for the legislature to consider. In total, we reviewed 39 proposed state budgets<sup>2</sup> and text from 46 state of the state speeches.<sup>3</sup> This review revealed that while state revenue collections improved in 2017 compared to 2016, considerable economic and regional variation persists, many states are facing significant budget challenges unrelated to Medicaid such as unfunded pension liabilities or falling oil prices, and the outlook for 2018 remains uncertain due, in part, to the impacts of the 2017 Federal Tax Reform Act.

### Key health findings include:

- Addressing the opioid and substance use disorder crisis is a high priority for governors across the country. At least 32 governors have Medicaid or non-Medicaid proposals to address opioid challenges and many also proposed other behavior health initiatives (Figure 1).
- Despite some budget challenges and differing state responses to Medicaid and ACA reforms, governors are proposing more Medicaid enhancements (23 governors) compared to Medicaid spending cuts (11 governors). The most frequently proposed type of enhancement was increasing community-based long-term services and supports.
- Fifteen states either have work requirement waivers approved or pending at CMS, or have governors that have noted support for pursuing a work requirement waiver.
- Governors are proposing a number of other Medicaid and non-Medicaid health-related initiatives, including ACA-related coverage changes (such as proposals to adopt the ACA Medicaid expansion in Virginia,<sup>4</sup> adopt a "financially prudent" Medicaid expansion in Utah,<sup>5</sup> and pursue both a Section 1115 and a Section 1332 waiver in Idaho) and broader public health proposals (including proposals related to women's or children's health, LTSS, and provider supply).



## Introduction

Medicaid now provides health insurance coverage to one in five Americans, and accounts for nearly one-sixth of all U.S. health care expenditures.<sup>6</sup> Medicaid is jointly financed by the states and the federal government. In FY 2016, Medicaid accounted for 28.7 percent of total state spending (including state and federal funding) for all items in the state budget, but 15.6 percent of state general and other fund spending, a far second to state spending on K-12 education (25.3%).<sup>7</sup> Medicaid is the largest single source of federal funds for states, accounting for more than half (56.8%) of all federally supported spending by states in FY 2016, according to data from the National Association of State Budget Officers.<sup>8</sup>

Since 2014, increases in Medicaid as a share of overall state budgets have been driven, to a large extent, by coverage expansions resulting from the Affordable Care Act (ACA), especially for the 32 states (including DC) that have thus far implemented of the ACA Medicaid expansion for adults up to 138 percent of the Federal Poverty Level (FPL).<sup>9</sup> While the federal government initially funded the entire cost of the ACA Medicaid expansion, expansion states began to pay 5 percent of the cost in calendar year (CY) 2017, halfway through FY 2017 in most expansion states. Expansion states will pay 6 percent of the cost throughout CY 2018 and 7 percent in CY 2019. Thus, expansion state budgets for FY 2019 will reflect a blended, enhanced federal match rate (known as the federal medical assistance percentage, or “FMAP”) for expansion populations falling between 93 percent and 94 percent, well above traditional FMAP rates in every state.

In many states, relatively weak state revenue growth complicated the process of building and adopting a budget for FY 2018 (July 2017-June 2018 in most states): a number of states called special sessions in 2017 to complete their FY 2018 budgets and 11 states started FY 2018 without a fully enacted budget.<sup>10</sup> As governors in a majority of states prepared state budget proposals for FY 2019, many benefited from improved revenue collections that made the budget building process easier. Nevertheless, a number of states continue to face budget challenges due to structural deficits or revenue shortfalls, and many face continued uncertainty regarding the implications of the recent federal Tax Cuts and Jobs Act of 2017<sup>11</sup> (the “2017 Federal Tax Reform Act”) for state budgets. Also, while efforts to restructure Medicaid through the legislation to repeal and replace the ACA failed in 2017, some Republican leaders may again consider proposals to cut and restructure federal Medicaid financing.

As of the 2018 legislative session, 33 governors are from the same party as their legislatures (25 Republican and 8 Democratic states) and 16 governors are from different parties than their legislatures.<sup>12,13</sup> In total, 33 states will enact a new budget for FY 2019 including three states (Kentucky, Virginia, and Wyoming) that will pass a two-year budget covering both FY 2019 and FY 2020. In addition, governors in six states have proposed revised or supplemental budgets for FY 2019. We reviewed 39 proposed state budgets (including proposed supplemental changes to the 2019 budgets for Arkansas, Connecticut, Hawaii, Minnesota, Nebraska, and Washington).

## Methods

This report provides Medicaid highlights from governors' proposed budgets for state fiscal year (FY) 2019, which runs from July 1, 2018 through June 30, 2019 in most states.<sup>14</sup> The analysis is based on a review of state budget documents, the text of state of the state addresses, news reports, and other relevant documents. Links to proposed budget documents can be found in Appendix Table 2. In total, 33 states will enact a new budget for FY 2019 including three states (Kentucky, Virginia, and Wyoming) that will pass a two-year budget covering both FY 2019 and FY 2020. In addition, governors in six states have proposed revised or supplemental budgets for FY 2019. We reviewed 39 proposed state budgets (including proposed supplemental changes to the 2019 budgets for Arkansas, Connecticut, Hawaii, Minnesota, Nebraska, and Washington) and text from 46 state of the state speeches.<sup>15</sup> Generally, proposed budgets were released late in 2017 and early in 2018. Also, the District of Columbia had not released a proposed budget for FY 2019 at the time of this analysis (DC's budget year does not begin until October 1, 2018).

This analysis is not comprehensive but is designed to capture major new proposals and changes included in the proposed budgets (also see Appendix Table 1 for health-related proposal counts in key areas by state). The level of detail presented in governors' proposed budget documents varies significantly and in most cases does not capture all of the activity in a given state. Governors' budgets commonly include both funding for state initiatives that are already in place or approved by the state legislature as well as proposals for new policies or initiatives that have not yet been adopted. Proposed budgets are often very different than what is ultimately approved by the state legislature. In addition, some proposed budgets include proposals that would also need to be approved by the Centers for Medicare and Medicaid Services (CMS) before a state could implement the policy. In the summer of 2018, the Kaiser Program on Medicaid and the Uninsured with Health Management Associates will conduct a more comprehensive review of Medicaid changes that were adopted in state budgets for FY 2019. [As in previous years, this annual 50-state Medicaid budget survey report](#) should be available in the fall.

## Key Findings

### Budget Message

**While state revenue collections improved in 2017 compared to 2016, considerable regional variation persisted and the outlook for 2018 remains uncertain due to the impacts of the 2017 Federal Tax Reform Act.** Overall, states experienced stronger revenue growth through the first three quarters of CY 2017 compared to CY 2016, although significant regional variation persisted. While preliminary estimates for 2017 fourth quarter collections show stronger growth, this improvement could be temporary resulting at least in part to some high-income taxpayers prepaying their state taxes to take advantage of their full deductibility before the 2017 Federal Tax Reform Act takes effect for CY 2018. The outlook for 2018 collections also remains uncertain due to the impact of this law.<sup>16</sup>

**A few states are also dealing with significant budget gaps or structural imbalances, while others reported an improved outlook.** Examples include the following:

- Illinois and Kentucky face challenges related to unfunded pension liabilities that are growing rapidly in size and crowding out funding for other state budget priorities.<sup>17</sup>
- In Alaska, recurring state budget deficits driven by falling oil prices have caused the state to drain \$14 billion from its one-time savings over the past three years. The state continues to face a large budget deficit for FY 2019.<sup>18</sup>
- The Louisiana governor and legislative leaders are debating whether to renew or replace over one billion dollars in temporary taxes that expire next summer, forcing Governor Edwards to propose a FY 2019 budget with massive cuts, described by the Governor as a budget “we do not support, do not endorse, and hope will never be enacted.”<sup>19</sup>
- New York and Oklahoma face large budget gaps for FY 2019 and Oklahoma is still working to close a funding shortfall for FY 2018.<sup>20</sup>

**Although at least eight governors are proposing broad-based state budget cuts for FY 2019, a number of governors reported on improving economic conditions leading to improved state budget outlooks.** In Nebraska, the Governor is proposing across the board reductions of 4 percent for FY 2019, and in Tennessee, recurring, base budget reductions throughout state government average 1.3 percent. In Wyoming, nearly every agency has experienced a significant budget reduction since the 2016 legislative session resulting in a proposed standard budget that is \$400 million less than the standard budget adopted for the 2009-2010 biennium. In contrast, Arizona’s governor noted that the state had come a long way – “from a billion dollar shortfall three years ago, to a discussion today over where to spend the additional dollars.”<sup>21</sup> Indiana’s governor also highlighted the state’s balanced budget, a state savings account balance of nearly \$2 billion, and a positive business climate.<sup>22</sup> New Mexico’s Governor announced that the state had emerged from fiscal and economic adversity and was now projecting a state surplus,<sup>23</sup> and Rhode Island’s governor indicated that the state was stronger than it had been in decades with declining unemployment and a state budget deficit that had been cut in half.<sup>24</sup>

**Proposed budgets prioritize K-12 education funding and workforce training.** Education accounts for the largest share of state General Fund budgets and was the most common focus area of governors’ state of the state addresses. This year, a majority of governors also used their addresses to propose new or expanded workforce training initiatives to increase the pool of qualified workers and spur economic growth; over one-third of the governors proposed a wide variety of new or expanded infrastructure initiatives (including transportation projects and broadband internet expansions to rural areas); and many governors also offered proposals to streamline or otherwise improve state government services, operations, and governance, including proposals to reduce unnecessary regulations, promote early voting or voting by mail, impose term limits, address ethics issues related to lobbying, and improve the state budgeting process.<sup>25</sup>

**An equal number of governors proposed tax cuts and tax increases.** Proposed budgets in at least 14 states included a variety of modest tax cut proposals (although three of these states, Minnesota, New Jersey, and Rhode Island, also proposed increases in other areas). Three states (Arizona, South Carolina, and Vermont) would establish or increase a tax exemption for military pensions, and six states

would make other personal income tax reductions or reforms (Illinois, Iowa, Idaho, Minnesota, New Jersey, and Wisconsin).<sup>26</sup> Governors in 14 states proposed a wide variety of tax increases.<sup>27,28</sup> States with governors proposing significant increases include Alaska (urging a limited, broad-based payroll tax), Connecticut (proposing higher gas taxes, highway tolling, and repeal of previously approved personal income tax exclusions and other tax credits), New Jersey (recommending a “millionaire’s” tax, a fee on carried interest, corporate tax reforms that close loopholes, and restoration of the state sales tax to 7%), Oklahoma (tax increases proposed for tobacco, oil and gas production, motor fuel, wind production, and various individual income reforms), and Louisiana (where the governor urged reinstatement of approximately \$1 billion in temporary taxes set to expire at the end of FY 2018).<sup>29</sup>

**Only a few governors addressed the impact of the recently passed 2017 Federal Tax Reform Act in proposed budgets or state of the state speeches.** According to the National Association of State Budget Officers, changes in federal taxable income, adjusted gross income, exemptions and deductions under the 2017 Federal Tax Reform Act will impact state taxable income – and therefore, state revenues – depending on how a state’s tax laws conform to the federal tax code. For example, the six states that use federal taxable income as a starting point for their state taxable income calculations, as well as the 30 states that use federal adjusted gross income or federal gross income as a starting point for their state taxable income calculations, may see rises in state taxable income under the new law.<sup>30</sup> The governor in New York proposed a multi-part response to the new tax law including challenging constitutionality of the law, exploring a plan to restructure the current income and payroll tax system, and creating new opportunities for charitable contributions to support public programs. Governors in Connecticut, Maine and Minnesota proposed changes to “decouple” the state’s tax laws from the federal law to prevent mute revenue losses or gains. In contrast, Idaho’s governor proposed \$94.7 million in tax relief that includes *returning* revenue generated from conforming to tax changes at the federal level.

## **Initiatives to Fight the Opioid Epidemic and Enhance Behavioral Health Services**

The most recent data reported by the Centers for Disease Control and Prevention indicate that drug overdose deaths and opioid-involved deaths continue to increase in the United States.<sup>31</sup> Responding to this ongoing crisis, at least 32 governors are proposing new or enhanced Medicaid and non-Medicaid efforts to combat the opioid epidemic. The most common type of initiative, proposed by governors in 21 states, was expanding treatment, prevention and recovery services and supports (Table 1). For example, Delaware is proposing funding for infants born with a substance addiction, Iowa is proposing to enhance substance use disorder (SUD) treatment, particularly medication assisted treatment (MAT) for opioid use disorder, and on March 1, New Hampshire will launch Recovery Friendly Workplaces to help businesses address addiction in the workplace.

Proposals in nine states would expand education and outreach including: tribal engagement efforts (North Dakota and Washington); a public awareness campaign targeted at teenagers (Wyoming), and a home visiting program for families affected by opioid use disorder (Pennsylvania). Governors in eight states are proposing initiatives to enhance Prescription Drug Monitoring Programs (PDMPs) including imposing new requirements for physicians to check PDMP systems before prescribing (Indiana), integrating electronic

medical records systems with the PDMP (Washington), and implementing a new PDMP (Missouri). Proposals in six states include public safety or law enforcement initiatives such as increased efforts to target traffickers (Alaska), providing highway patrol officers with handheld narcotic analyzers (Florida), and expanded access to accredited specialty drugs courts (Pennsylvania).

Four states are proposing improvements in data collection including overdose reporting, three states are proposing to increase access to naloxone (an opioid overdose antidote) to first responders or others, and two states propose to improve reimbursement for SUD services. Proposals in 11 states included a number of other approaches including increasing the number of treatment professionals (Vermont and Wisconsin), helping those at-risk or in recovery with workforce training or transitioning to work (New Jersey and Vermont), initiatives to reduce opioid prescribing (Iowa) and dispensing (Utah), general calls for action to the legislature (Arizona, and Colorado) or to implement task force recommendations (Mississippi), expanding Opioid Operational Command Center staff (Maryland), funding for supportive housing (New Jersey and Virginia), and adding staff to enforce existing state law that prohibits pharmacies from dispensing controlled substances for cash to Medicaid enrollees (Minnesota). Finally, while not advocating new or expanded initiatives, governors in at least four states (Arkansas, Michigan, Ohio and Oregon) addressed the opioid epidemic challenge in their state of the state addresses.

**Table 1: Governors’ Proposals to Fight the Opioid Epidemic**

Approach	No. of States	States
Expanded treatment, prevention and recovery services and supports	21	DE, GA, IA, IL, IN, KS, KY, MA, MD, MN, MO, NH, NJ, NY, PA, RI, SC, TN, VA, WA, WI
Education, outreach and/or public awareness initiatives	9	FL, HI, MA, ND, NY, PA, SC, WA, WY
Prescription Drug Monitoring Program initiative	8	FL, GA, IA, IL, IN, MN, MO, WA
Public safety or law enforcement initiative	6	AK, FL, IN, MA, PA, TN
Improvements to data collection and reporting	4	IL, IN, NJ, WA
Increasing access to naloxone	3	FL, MO, WA
Rate increase for SUD providers	2	ID, WA
Other	11	AZ, CO, IA, MD, MN, MS, NJ, UT, VA, VT, WI

In addition to the significant number of proposals to implement or expand initiatives to tackle the opioid epidemic described above, proposals in over one-third of the states (at least 21 states) would enhance or improve the delivery of behavioral health (BH) services, continuing a trend in recent years driven in large part by ACA coverage expansions. Examples are included in Table 2, below.

Colorado	Funding expansion for court ordered referrals for competency evaluations and restorations
Florida	Expanded funding for community-based BH services
Idaho	Adding three regional BH crisis centers and increasing funding for youth suicide prevention
Iowa	Proposal to: train new doctors on how to identify and treat a patient with a mental health (MH) challenge; remove cap on sub-acute MH beds, and initiate a planning process for funding MH crisis centers
Maryland	Expanded funding for court-ordered BH and proposal to expand in-state residential capacity for children's BH services
Minnesota	Proposals to provide mental health services for farmers facing financial and emotional stress in today's agricultural economy and to expand school-linked mental health grants
New Hampshire	Health and Human Services agency charges with developing a comprehensive 10 year plan for the mental health system to address the state's mental health crisis
Rhode Island	Proposal to require health insurance companies to cover addiction and MH treatment to the same extent as coverage for chronic conditions
Virginia	Proposed Budget would increase funding to: complete implementation of same day access to screening and assessment services at all 40 Community Service Boards and expand supportive housing for persons with serious mental illness

## Medicaid Policy Actions

Many states have Medicaid waivers under development at the state level or pending at the Centers for Medicare and Medicaid Services; that information may or may not be captured in governors' state budget proposals and this brief on governors' proposed budgets. For more comprehensive information on approved and pending Section 1115 Medicaid waivers, see the [KFF Section 1115 Waiver Tracker](#).

## MEDICAID ENHANCEMENTS AND REDUCTIONS

Proposed budgets for twice as many states (23 states) include Medicaid enhancements compared to states with proposed reductions (11 governors; proposals to add work requirements to Medicaid are not included in this count but are counted separately in a later section). Louisiana was notable, however, in the size and scope of its proposed reductions. Due to the expiration of over \$1 billion in temporary taxes in July 2018, the Governor's proposed budget includes deep and broad cuts to optional benefits, eligibility, and provider reimbursement totaling \$2.3 billion in state and federal funds – cuts the Governor hopes to avoid by reinstatement or replacement of the expiring revenues. Also, the proposed budget in one state (Missouri) referred to Medicaid cost containment initiatives but did not provide detail on what those initiatives are. Other proposed Medicaid program enhancements and reductions are described below.

### Long-Term Services and Supports

For the 23 states proposing Medicaid enhancements, the most frequently proposed type of enhancement was increasing LTSS provided in a community setting, continuing a long-term trend to rebalance services away from institutional care towards care in home and community-based settings. Sixteen states proposed enhancements, most often to expand home and community-based services (HCBS) to persons with intellectual and developmental disabilities (I/DD) but also HCBS expansions for seniors and persons with disabilities (Table 3). For example, the governor of Maine is proposing to eliminate the waiting list for

the state's I/DD HCBS waiver program and Wisconsin's governor is proposing to end the waiting list for the HCBS waiver for children needing LTSS.<sup>32</sup>

Table 3: Governors Proposing Actions to Expand Community-Based LTSS	
Expand home and community-based services (HCBS) for persons with intellectual and developmental disabilities (IDD)	FL, GA, ME, MD, MO, NJ, PA, TN, VA, WA
Expand the number of seniors and persons with disabilities receiving HCBS	CA, FL, MO, WI, WY
Additional funding for Money Follows the Person initiatives	CO, CT
Expand Assisted Living	NY

In contrast, only four governors proposed LTSS-related reductions: Colorado proposed to increase trust recoveries; New York would require legally responsible spouses/relatives to support the cost of caring for an institutionalized family member receiving Medicaid; Rhode Island proposed to tighten LTSS eligibility by eliminating retroactive coverage and closing resource test loopholes; and Louisiana proposed more severe LTSS reductions as part of an attempt to spur legislative action on expiring temporary taxes. The proposed reductions in Louisiana include elimination of several programs and services such as Special Income Rule eligibility that expands LTSS income eligibility to 300 percent of the Supplemental Security Income (SSI) income eligibility limit, the Long-Term Personal Care Services program, and the Children's Choice HCBS waiver and Supports Waiver.<sup>33</sup>

### Provider Rates

The second most common type of enhancement (14 states) was a provider rate increase. As shown in Table 4, three states proposed broad based increases across most provider types while 11 states proposed more targeted increases. The most common increase proposed (5 states) was a wage increase for long-term services and supports (LTSS) direct care workers. In contrast, only five states proposed provider rate cuts or freezes with hospital payments the most frequent target for cuts (4 states).

	Provider payment increases	Provider payment freezes/cuts
Across the board rate changes for most providers	CO, MD, SD	IL
Hospital payment changes	GA, KS	CT, LA, RI, VT
Nursing facility payment changes	GA, KS	LA, RI
Wage changes or overtime for home care workers or nursing home staff	CA, CT, MD, MN, VA	
Physician payments	MD, MO	CT
Managed care organization rate changes	LA, UT	RI
Other	NY (emergency transportation) SC (autism services)	LA (HCBS support coordination rate)

### Benefits, Premiums, and Cost-Sharing

Only a small number of states proposed non-LTSS benefit, premium, or cost-sharing restrictions (5 states) or non-LTSS benefit enhancements (4 states). Given that Medicaid serves low-income populations, copayments and premiums in the program are generally limited. States may charge

premiums for enrollees with incomes above 150 percent FPL.<sup>34</sup> States also may charge cost sharing, but allowable charges vary by income.<sup>35</sup> Except for Louisiana, proposed benefit, premium, or cost-sharing restrictions were narrowly targeted:

- Colorado and Rhode Island proposed changes to non-emergency transportation coverage to reduce costs
- Colorado and New York proposed expanded utilization management efforts
- California proposed to restrict the use of 340B pricing for pharmaceuticals
- New York proposed to extend its pharmacy drug expenditure cap for an additional year, eliminate the “prescriber prevails” policy, and eliminate coverage for certain over-the-counter drugs.
- Rhode Island, a state that does not currently impose Medicaid copayment requirements, was the only state to propose new copayments.<sup>36</sup> Colorado, the only other state to propose expanded cost-sharing, proposed to impose premiums on certain higher-income families with children on Medicaid.
- In addition to the significant LTSS-related benefit cuts described above, Louisiana proposed to eliminate coverage of some mental rehabilitation services for adults and services provided by an Ambulatory Surgical Center as part of a package to be negotiated with the legislature if the state’s temporary taxes are not extended.

Proposed benefit enhancements included:

- New or restored coverage for hearing aids in Maryland and Washington
- Restoration of adult dental benefits in Hawaii
- A number of enhancements in New York (in addition to the Assisted Living expansion noted above) including: new or expanded coverage for telehealth and community paramedicine; authorizing retail practices that provide treatment and referral for common health care complaints in a retail setting (such as a pharmacy, grocery store, or shopping mall), and development of a new “First 1000 Days of Life” initiative to expand access to services and improve health outcomes for young children covered by Medicaid and their families.

## **ELIGIBILITY CHANGES – WORK REQUIREMENTS**

The Trump administration’s willingness to allow states to use Section 1115 waiver authority to require Medicaid beneficiaries to work as a condition of eligibility<sup>37</sup> has led a number of governors to request or consider requesting this authority. Medicaid work requirement proposals generally would require beneficiaries to verify their participation in approved activities, such as employment, job search, or job training programs, for a certain number of hours per week in order to receive health coverage. The proposals typically would also exempt certain populations, such as the aged and disabled, students, and caregivers.<sup>38</sup> As of March 2018, 15 states either have work requirement waivers approved or pending at CMS, or have governors that have noted support for pursuing a work requirement waiver either in their proposed budgets, state of the state speeches, or other public statements (Table 5). States pursuing Medicaid work requirements include both states that have and have not expanded Medicaid under the

ACA, however, no non-expansion states have received approval from CMS for work requirement waivers as of the date of this publication.

<b>Table 5: Governors Proposing to Impose Medicaid Work Requirements</b>	
States with approved waivers	AR, IN, KY
States with pending waivers	AZ, KS, ME, MS, NH, UT, WI
Other states where governors have proposed a work requirement	AL, OH, OK, SC, SD
<p>NOTES: The Louisiana governor expressed some support for the concept of a Medicaid work requirement in early 2018, but this was not included in his proposed budget or state of the state address. The version of a bill passed by the state House on March 2 that originally included a Medicaid work requirement was altered before passage to promote (but not condition Medicaid eligibility on) work. The Virginia governor's proposed budget includes a "clean" ACA Medicaid expansion without a work requirement, but the governor has expressed some openness to adding a work requirement if necessary as a compromise in order to adopt expansion (as proposed in the budget plan passed by the VA House of Delegates in late February 2018.</p>	

## DELIVERY SYSTEM/MANAGED CARE REFORMS

Managed care has become the predominant delivery system for Medicaid in most states, as Medicaid programs have increasingly turned to managed care as a means to help ensure access, improve quality, and achieve budget certainty. In recent years, a growing number of states are focusing on integration of physical health, behavioral health, and LTSS under the umbrella of managed care. States are also adopting other payment and delivery reforms including patient-centered medical homes, health homes accountable care organizations among others.

At least five states are proposing new or expanded delivery system or managed care reforms. Two of these states propose to continue and/or expand ongoing initiatives:

- Pennsylvania is proposing to continue the geographic phase-in of HealthChoices, its managed LTSS program
- New York's proposed budget continues the goal of Medicaid care management for all enrollees by 2019, including incentives for providers and managed care organizations (MCOs) to establish new value-based payment arrangements and strengthen existing ones.

Four states are proposing new initiatives:

- Florida is proposing to implement a prepaid dental health plan for children and adults
- Illinois is seeking Section 1115 waiver authority to establish new behavioral health payment and delivery system models
- New York is proposing to provide incentive payments to Health Home members for participating in wellness programs, and for avoiding unnecessary hospitalizations and unnecessary use of the emergency department
- Rhode Island is proposing to restructure the delivery system for individuals dually eligible for Medicare and Medicaid due to a disability, chronic condition, or the need for LTSS. The redesign will be designed to achieve a more cost-effective transitional managed arrangement as a foundation for new innovative permanent arrangement to be developed for FY 2020.

## MEDICAID ADMINISTRATION

All state budget proposals must necessarily account for the ongoing funding needed to administer the Medicaid program, including staffing needs and the cost to maintain and upgrade claims, eligibility, and other information systems. A number of budget proposals, for example, included funding to implement Electronic Visit Verification systems that are now required under federal law (as a result of the 21<sup>st</sup> Century Cures Act, Pub. L. 114-255). Listed below are a few other examples of the wide array of initiatives in proposed budgets to improve or enhance the administration of the Medicaid program:

- Governors in Illinois, Minnesota, Missouri, and New York proposed funding to invest in efforts to combat fraud, waste, and abuse, and to recover overpayments. For instance, the Missouri governor proposed funding to enhance third party liability recoveries, advance the state's Medicaid Management Information System, and to assess the state's Medicaid administrative structure (which currently spans three departments) to develop potential options to optimize the administrative structure to improve performance.
- Colorado's governor proposed funding to investigate alternative payment methodologies for pharmacy reimbursement and Connecticut's governor proposed funding to support the development of an acuity-based rate setting system for nursing homes to modernize the reimbursement system
- Kentucky's proposed budget includes new funding to implement its Section 1115 waiver-authorized work requirements
- Mississippi is proposing to expand MCO audits.

## ACA-Related Coverage Changes

In 2017, efforts to pass legislation to repeal and replace or reform the ACA fell short in Congress, leading a few governors to propose or urge action at the state level to expand or stabilize health insurance coverage in their states. A few states proposed Medicaid expansions. For example, the governor's proposed budget in Virginia includes adoption of the ACA Medicaid expansion, and the expansion question has stalled budget negotiations and prompted the governor to call a special session in April to resolve differences between the Senate- and House-passed budget proposals and come to final agreement (the House's plan includes expansion while the Senate's plan does not). In addition, the Utah governor encouraged the exploration of a "financially prudent" Medicaid expansion<sup>39</sup> and the Idaho governor proposed that the state apply for a Section 1115 waiver to allow Medicaid to cover individuals with specifically diagnosed medical conditions who were originally covered on the individual insurance marketplace. In Maine, however, the governor's state of the state Address challenged the legislature to find a way to pay for the ACA Medicaid expansion (approved in a November 2017 voter referendum) that does not include new taxes or one-time funding sources, and that does not reduce funding for nursing facilities or for services for persons with disabilities. He also indicated that before implementing the ACA Medicaid expansion, the state must first eliminate HCBS waiting list for persons with I/DD.

Governors in seven states proposed action impacting non-Medicaid coverage, including a proposal to pass a state-level individual mandate in Connecticut, a proposal to seek Section 1332 waiver approval to offer premium subsidies to people below poverty (in addition to the Section 1115 proposal described

above) in Idaho, a proposal to allow Minnesotans the option to purchase their health insurance through the MinnesotaCare state health care program, a proposal to pass a state law guaranteeing coverage of pre-existing conditions in Wisconsin, a proposal to pass legislation giving farmers, small business owners and their workers affordable insurance in Iowa, and various proposals around health insurance market and rate stabilization in Maryland and Washington.

## Other Non-Medicaid Health-Related Initiatives

State of the state addresses and proposed state budgets also included other health-related proposals, a few of which are described in Table 6 below.

Table 6: Examples of Other Non-Medicaid Health-Related Initiatives	
Women's Health	<p><b>Connecticut:</b> Governor urged passage of a law that would ensure cost-free birth control regardless of actions at the federal level</p> <p><b>Massachusetts:</b> Governor pledged to preserve women's access to reproductive health care</p> <p><b>Minnesota:</b> Governor proposed legislation to guarantee women's access to contraception by requiring health insurers to provide coverage for all FDA-approved methods</p> <p><b>Nebraska:</b> Proposed to end Title X funding for clinics that perform abortions</p> <p><b>New York:</b> Governor proposes to codify Roe v. Wade, protect access to contraception, and create a board to review maternal deaths</p> <p><b>New Jersey:</b> Proposed budget reflects recent restoration of funding for women's health care centers and expanded access to family planning services</p> <p><b>South Carolina:</b> Governor directed state agencies last August to stop providing funds to abortion clinics</p> <p><b>Virginia:</b> Governor proposed repeal of limitations on a woman's right to make her own health care choices and proposed expanding access to long-acting reversible contraceptives</p> <p><b>Washington:</b> Proposed ensuring full access to contraception including long-acting reversible contraception and reproductive parity</p>
Children's Health	<p><b>Indiana:</b> Governor proposed steps to reduce infant mortality</p> <p><b>New York:</b> Measures proposed to reduce the risk of exposure to lead paint</p>
Pharmacy Proposals	<p><b>Delaware:</b> Proposed \$2 million for prescription assistance for seniors</p> <p><b>Massachusetts:</b> Proposal for innovative drug transparency measures</p>
Homelessness	<p><b>Hawaii:</b> Funding proposed for homeless outreach and counseling services for chronically homeless persons with a severe SUD</p> <p><b>New Jersey:</b> New funding proposed for veterans' housing and support services (and also for grants geared to veterans' access to health care)</p>
Long-Term Services and Supports	<p><b>Hawaii:</b> Funding proposed for programs to support caregivers</p> <p><b>Minnesota:</b> Increased funding proposed for the Long-Term Care Ombudsman and for the Office of Inspector General to enhance protections for seniors and vulnerable adults</p> <p><b>Oregon:</b> Governor proposed to work to better align training and requirements for entry-level jobs in health care, in-home care, and community-based health to ensure that there is a ladder to a career for people gaining skills in caregiving</p>
Provider Supply	<p><b>Alabama:</b> Loan repayment program proposed for physician assistants and dentists who agree to work in underserved areas</p> <p><b>Idaho:</b> Medical education expansion proposed</p> <p><b>New York:</b> Would codify the Certified Registered Nurse Anesthetists scope of practice to allow practice at full extent of education and training</p>
Other	<p><b>New Jersey:</b> Proposal to legalize and tax marijuana and to expand access to medical marijuana; proposal to establish the Center on Gun Violence Research to provide public health-related research</p> <p><b>Rhode Island:</b> Propose to expand Medical Marijuana to persons with acute pain</p> <p><b>Wisconsin:</b> Proposed enacting a state law to guarantee coverage of pre-existing conditions.</p>

## Outlook

As state policymakers in most states work on adopting a state budget for FY 2019, many are benefiting from improved state economic conditions and increased state revenue collections that have made the budget development process easier. A number of states are still struggling, however, with revenue shortfalls and structural deficits and many also face uncertainty regarding the future state revenue impacts of the 2017 Federal Tax Reform Act. Some governors have also expressed concerns that federal tariffs recently imposed on steel and aluminum could spark retaliatory actions by foreign governments that could hurt their state economies.

Uncertainty also remains for many states regarding the ongoing viability and affordability of individual health insurance coverage through the federally subsidized Marketplaces. While Congressional efforts in 2017 to repeal and replace the ACA and restructure Medicaid financing fell short, concerns remain that premiums could spike in the future due to recent federal policy changes that repealed the individual mandate (through the 2017 Federal Tax Reform Act), expanded the availability of association health plans, and eliminated the cost-sharing reduction payments for Marketplace health plans. Rising private sector health premiums could reverse much of the progress made in recent years to reduce the number of uninsured with ramifications for current state efforts to fight the opioid epidemic, enhance behavioral health services, and increase health quality outcomes through delivery system reforms.

At the same time, a number of states are moving forward, with the encouragement of CMS, on efforts to reshape the Medicaid through federal waivers, including proposals in at least 15 states to impose work requirements on Medicaid enrollees. States also continue to press ahead with efforts to rebalance LTSS services away from institutional settings and towards care in home and community-based settings and to address other non-Medicaid health issues of particular importance to their citizens such as assuring access to women's health services, improving birth and early childhood health outcomes, addressing provider supply issues, and expanding access to medical marijuana.

**Appendix Table 1: Key Policy Proposals in Governors' Proposed Budgets for FY 2019**

States	Medicaid Spending Cuts	Medicaid Spending Enhancements	Medicaid Work Requirements	Governor Proposed Initiatives to Fight the Opioid Epidemic (Within or Outside of Medicaid)	Governor Proposed Initiatives to Enhance Behavioral Health Services (Within or Outside of Medicaid)
Alabama			X – Gov. Proposed		X
Alaska				X	
Arizona			X – Pending	X	
Arkansas			X – Approved		
California	X	X			
Colorado	X	X		X	X
Connecticut	X	X			
Delaware				X	
DC <sup>^</sup>					
Florida		X		X	X
Georgia		X		X	X
Hawaii		X		X	
Idaho		X		X	X
Illinois	X			X	
Indiana <sup>*</sup>			X – Approved	X	
Iowa	X			X	X
Kansas <sup>**</sup>		X	X – Pending	X	X
Kentucky			X – Approved	X	
Louisiana	X		◊		
Maine <sup>*</sup>		X	X – Pending		
Maryland		X		X	X
Massachusetts				X	X
Michigan					
Minnesota		X		X	X
Mississippi	X		X – Pending	X	X
Missouri	X	X		X	X
Montana <sup>*</sup>					
Nebraska					
Nevada <sup>*</sup>					
New Hampshire <sup>*</sup>			X – Pending	X	X
New Jersey <sup>**</sup>		X		X	
New Mexico					
New York	X	X		X	X
North Carolina <sup>*</sup>					
North Dakota <sup>*</sup>				X	
Ohio <sup>*</sup>			X – Gov. Proposed		
Oklahoma			X – Gov. Proposed		
Oregon <sup>*</sup>					
Pennsylvania		X		X	
Rhode Island	X			X	X
South Carolina		X	X – Gov. Proposed	X	X
South Dakota		X	X – Gov. Proposed		
Tennessee		X		X	
Texas <sup>***</sup>					
Utah		X	X – Pending	X	X
Vermont	X			X	X
Virginia <sup>**</sup>		X	◊	X	X
Washington		X		X	X
West Virginia					X
Wisconsin <sup>*</sup>		X	X – Pending	X	
Wyoming		X		X	
<b>Totals</b>	<b>11</b>	<b>23</b>	<b>15</b>	<b>32</b>	<b>21</b>

NOTES: The level of detail presented in governors' proposed budget documents varies significantly and in most cases does not capture all of the activity in a given state. Medicaid work requirements column include states with approved Section 1115 work requirement waivers, states with work requirement waiver applications pending at CMS, and states where governors proposed seeking a work requirement waiver in their proposed budget, state-of-the-state speech, or other public statements. ◊The Louisiana governor expressed some support for the concept of a Medicaid work requirement in early 2018, but this was not included in his proposed budget or state of the state address. The version of a bill passed by the state House on March 2 that originally included a Medicaid work requirement was altered before passage to promote (but not condition Medicaid eligibility on) work. ◊The Virginia governor's proposed budget includes a "clean" ACA Medicaid expansion without a work requirement, but the governor has expressed some openness to adding a work requirement if necessary as a compromise in order to adopt expansion (as proposed in the budget plan passed by the VA House of Delegates in late February 2018). <sup>^</sup>The District of Columbia had not released a proposed budget for FY 2019 at the time of this analysis (DC's budget year does not begin until October 1, 2018). <sup>\*</sup>Governors in 11 states (including Texas) with 2-year budgets in place covering FY 2019 did not propose supplemental budgets for FY 2019. <sup>\*\*</sup>In three states, legislative addresses by incoming governors were reviewed rather than the State of the State (SOS) addresses of outgoing governors. <sup>\*\*\*</sup>Texas had no SOS address in 2018 and the Governor did not propose a supplemental budget for the FY 2019 budget already in place.

SOURCE: Kaiser Family Foundation and Health Management Associates analysis of governors' proposed budgets for FY 2019, April 2018.

## Appendix Table 2: Links to Governors' FY 2019 Proposed Budgets and State of the State Address Transcripts

States	Governor	Link to Proposed Budget	Link to State of the State
Alabama	Kay Ivey (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Alaska	Bill Walker (I)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Arizona	Doug Ducey (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Arkansas	Asa Hutchinson (R)	<a href="#">FY 2018-2019 Supplemental Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
California	Jerry Brown (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Colorado	John Hickenlooper (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Connecticut	Dan Malloy (D)	<a href="#">FY 2019 Proposed Budget Adjustments</a>	<a href="#">FY 2019 State of the State Speech</a>
Delaware	John Carney (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
DC	Mayor Muriel Bowser (D)		
Florida	Rick Scott (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Georgia	Nathan Deal (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Hawaii	David Ige (D)	<a href="#">FY 2019 Supplemental Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Idaho	C.L. "Butch" Otter (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Illinois	Bruce Rauner (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Indiana	Eric Holcomb (R)		<a href="#">FY 2019 State of the State Speech</a>
Iowa	Kim Reynolds (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Kansas	Jeff Colyer (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 Joint Address - New Gov. Colyers</a>
Kentucky	Matt Bevin (R)	<a href="#">FY 2019 -2020 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Louisiana	John Bel Edwards (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 Regular Session Remarks</a>
Maine	Paul LePage (R)		<a href="#">FY 2019 State of the State Speech</a>
Maryland	Larry Hogan (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Massachusetts	Charlie Baker (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Michigan	Rick Snyder (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Minnesota	Mark Dayton (D)	<a href="#">FY 2018-2019 Supplemental Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Mississippi	Phil Bryant (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Missouri	Eric Greitens (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Montana	Steve Bullock (D)		
Nebraska	Pete Ricketts (R)	<a href="#">FY 2018-2019 Budget Adjustments Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Nevada	Brian Sandoval (R)		
New Hampshire	Chris Sununu (R)		<a href="#">FY 2019 State of the State Speech</a>
New Jersey	Phil Murphy (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 Budget Address - New Gov. Murphy</a>
New Mexico	Susana Martinez (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
New York	Andrew Cuomo (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
North Carolina	Roy Cooper (D)		
North Dakota	Doug Burgum (R)		<a href="#">FY 2019 State of the State Speech</a>
Ohio	John Kasich (R)		<a href="#">FY 2019 State of the State Speech</a>
Oklahoma	Mary Fallin (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Oregon	Kate Brown (D)		<a href="#">FY 2019 State of the State Speech</a>
Pennsylvania	Tom Wolf (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Rhode Island	Gina Raimondo (D)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
South Carolina	Henry McMaster (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
South Dakota	Dennis Daugaard (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Tennessee	Bill Haslam (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Texas	Greg Abbott (R)		
Utah	Gary R. Herbert (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Vermont	Phil Scott (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Virginia	Ralph Northam (D)	<a href="#">FY 2019-2020 Budget Proposal</a>	<a href="#">FY 2019 Joint Address - New Gov. Northam</a>
Washington	Jay Inslee (D)	<a href="#">FY 2018-2019 Supplemental Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
West Virginia	Jim Justice (R)	<a href="#">FY 2019 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>
Wisconsin	Scott Walker (R)		<a href="#">FY 2019 State of the State Speech</a>
Wyoming	Matthew Mead (R)	<a href="#">FY 2019-2020 Budget Proposal</a>	<a href="#">FY 2019 State of the State Speech</a>

## Endnotes

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<sup>1</sup> States that do not operate on the July 1 through June 30 budget cycle include Alabama, DC, and Michigan (October 1 – September 30), New York (April 1 – March 31), and Texas (September 1 – August 31).

<sup>2</sup> The 39 proposed state budgets reviewed include proposed supplemental changes to the 2019 budgets for AR, CT, HI, MN, NE, and WA.

<sup>3</sup> Five states (DC, MT, NV, NC, and TX) did not have proposed budgets or state of the state speeches available for review. In three states (KS, NJ, and VA), legislative addresses by incoming governors were reviewed rather than the state of the state addresses of outgoing governors. See Appendix Table 2 for more detail.

<sup>4</sup> The expansion question has stalled Virginia's budget negotiations and prompted the governor to call a special session in April to resolve differences between the Senate- and House-passed budget proposals and come to final agreement (the House's plan includes expansion while the Senate's plan does not).

<sup>5</sup> In late March 2018, the Utah legislature passed and Governor Herbert signed a bill directing the state to seek federal approval to expand Medicaid to 100% of the FPL using the ACA enhanced federal match rate (typically only available to states that expand to 138% FPL) and add a work requirement for that newly eligible population (Utah has already submitted a separate work requirement request to CMS that would apply to some of their existing Medicaid populations).

<sup>6</sup> Centers Medicare and Medicaid Services. *National Health Expenditure Projections 2017 – 2026* (Washington, DC: Centers for Medicare and Medicaid Services, February 16, 2018). <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>.

<sup>7</sup> Kaiser Family Foundation estimates based on the National Association of State Budget Officers' November 2017 State Expenditure Report.

<sup>8</sup> State Expenditure Report, Overview: Fiscal 2015-2017, National Association of State Budget Officers, November 2017, [https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State Expenditure Report Fiscal 2015-2017 -S.pdf](https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20Fiscal%202015-2017%20-%20S.pdf).

<sup>9</sup> Maine, which is not included in this count of 32 states, adopted the Medicaid expansion through a ballot initiative in November 2017 but has not yet implemented the expansion.

<sup>10</sup> Summary: Fall 2017 Fiscal Survey of the States, National Association of State Budget Officers, December 14, 2017, <https://www.nasbo.org/reports-data/fiscal-survey-of-states>.

<sup>11</sup> Public Law No. 115-97.

<sup>12</sup> National Conference of State Legislatures, *2017 State & Legislative Partisan Composition*, (National Conference of State Legislatures, November 10, 2017), [http://www.ncsl.org/Portals/1/Documents/Elections/Legis\\_Control\\_2017\\_111017\\_1pm.pdf](http://www.ncsl.org/Portals/1/Documents/Elections/Legis_Control_2017_111017_1pm.pdf).

<sup>13</sup> Of the 16 states with divided control, three have split legislatures. Nebraska's legislature is unicameral and nonpartisan.

<sup>14</sup> States that do not operate on the July 1 through June 30 budget cycle include Alabama, DC, and Michigan (October 1 – September 30), New York (April 1 – March 31), and Texas (September 1 – August 31).

<sup>15</sup> Five states (DC, MT, NV, NC, and TX) did not have proposed budgets or state of the state speeches available for review. In three states (KS, NJ, and VA), legislative addresses by incoming governors were reviewed rather than the state of the state addresses of outgoing governors. See Appendix Table 2 for more detail.

<sup>16</sup> *Ibid.*

<sup>17</sup> "Saving Kentucky's Pensions" website, <https://pensions.ky.gov/Pages/index.aspx>.

<sup>18</sup> James Brooks, *New revenue forecast shrinks Alaska's budget deficit a bit*, *Juneau Empire*, December 15, 2017, <http://juneauempire.com/state/news/2017-12-14/new-revenue-forecast-shrinks-alaska-s-budget-deficit-bit>.

<sup>19</sup> "Executive Budget, Fiscal Year 2018-2019," Presentation to the Joint Legislative Committee on the Budget, January 22, 2018, [http://www.doa.la.gov/opb/pub/FY19/Executive\\_Budget\\_FY18\\_Presentation.pdf](http://www.doa.la.gov/opb/pub/FY19/Executive_Budget_FY18_Presentation.pdf).

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<sup>20</sup> Jacob McClelland, Fallin Underscores Urgency To Deal With Budget Crisis In Her Final State Of The State Address, February 5, 2018, <http://kgou.org/post/fallin-underscores-urgency-deal-budget-crisis-her-final-state-state-address>.

<sup>21</sup> Governor Ducey State of the State Address, January 9, 2018. Accessed at <https://azgovernor.gov/governor/news/2018/01/arizona-state-state-2018>.

<sup>22</sup> Governor Holcomb State of the State Address, January 9, 2018. Accessed at <http://www.in.gov/gov/2972.htm>.

<sup>23</sup> Governor Martinez State of the State Address, January 16, 2018. Accessed at [http://www.governor.state.nm.us/uploads/PressRelease/191a415014634aa89604e0b4790e4768/Governor\\_Susana\\_Martinez\\_Delivers\\_State\\_of\\_the\\_State\\_Address\\_5.pdf](http://www.governor.state.nm.us/uploads/PressRelease/191a415014634aa89604e0b4790e4768/Governor_Susana_Martinez_Delivers_State_of_the_State_Address_5.pdf).

<sup>24</sup> Governor Raimondo State of the State Address, January 16, 2018. Accessed at <http://www.governor.ri.gov/newsroom/speeches/2018/state-of-the-state.php>.

<sup>25</sup> Other frequent state of the state topics included proposals to: enhance or improve public safety or criminal justice administration; address environmental or climate change concerns; promote economic development; improve state adoption and/or child welfare services; and prevent sexual harassment of state employees in the workplace. A smaller number of governors proposed efforts to: reduce homelessness or increase affordable housing; reduce gun violence; improve funding for public pensions; and raise the minimum wage or provide for paid sick leave.

<sup>26</sup> In addition, Florida would reduce certain fees and expand sales tax holidays, Rhode Island and West Virginia would reduce taxes on manufacturers, Illinois and Nebraska would provide property tax relief, Idaho would reduce unemployment taxes, and Massachusetts would increase the state's Earned Income Tax Credit.

<sup>27</sup> The specific taxes to be increased were not identified in Colorado and Kentucky.

<sup>28</sup> Colorado's governor proposed a voter referendum regarding sustainable transportation funding and where it should come from and Kentucky's governor urged the legislature to adopt genuine tax reform that would generate additional revenue for the state.

<sup>29</sup> Additional states with proposed tax increases include Minnesota (repeal of 2017 tax cuts for tobacco companies, corporate property taxes, and estate taxes), New York (excise tax on vapor products, an opioid epidemic surcharge and a health care insurance windfall profit fee), Pennsylvania (new severance tax on natural gas); Rhode Island (expanded medical marijuana fees (to be generated by 12 new Compassion Centers) and increased sports betting revenue), Utah (reforms to broaden the sales tax base (e.g., to internet sales) in order to keep rates low), Washington (temporary carbon pollution tax), and Wyoming (governor urged the state's legislature to continue looking at a lodging tax and tobacco tax that could be used for education).

<sup>30</sup> John Hicks, *New Federal Tax Law: Individual State Conformity Laws will Impact State Taxable Income*, (National Association of State Budget Officers, January 2018), <http://budgetblog.nasbo.org/budgetblogs/blogs/john-hicks/2018/01/08/new-federal-tax-law-individual-state-conformity-la>

<sup>31</sup> Hedegaard H, Warner M, Miniño AM. Drug overdose deaths in the United States, 1999–2016. NCHS Data Brief, no 294. Hyattsville, MD: National Center for Health Statistics. 2017/ CDC. Wide-ranging online data for epidemiologic research (WONDER). Atlanta, GA: CDC, National Center for Health Statistics; 2016. Available at <http://wonder.cdc.gov>.

<sup>32</sup> Other state examples include Colorado and Connecticut, that proposed to replace expiring Money Follows the Person federal grant funds with state funds, California proposed increased funding for its In-Home Supportive Services program, and New York proposed to expand Assisted Living services. Georgia also proposed an enhancement for nursing facility residents – an increase in the personal needs allowance.

<sup>33</sup> The Louisiana governor and legislative leaders are debating whether to renew or replace over one billion dollars in temporary taxes that expire next summer, forcing Governor Edwards to propose a FY 2019 budget with massive cuts, described by the Governor as a budget “we do not support, do not endorse, and hope will never be enacted.”

<sup>34</sup> Seven states (Arizona, Arkansas, Indiana, Iowa, Kentucky Michigan, and Montana) have received Section 1115 waiver approval to charge premiums or monthly contributions that are not otherwise allowed for their Medicaid expansion adults; these amounts are generally 2% of income, equivalent to what beneficiaries from 100-138% FPL would incur if they enrolled in Marketplace coverage.

<sup>35</sup> Some groups and services are exempt from cost sharing, including children enrolled through mandatory eligibility pathways, emergency services, family planning services, pregnancy-related services, and preventive services for children.

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<sup>36</sup> Rhode Island also proposed to expand availability of its RiteShare premium assistance program for employer sponsored insurance to all populations and promote existing law to improve take-up of this option.

<sup>37</sup> Dear State Medicaid Director Letter (SMD: 18-002), *Opportunities to Promote Work and Community Engagement Among Medicaid Beneficiaries*, January 11, 2018. Accessed at <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>.

<sup>38</sup> MaryBeth Musumeci, Rachel Garfield, Robin Rudowitz, *Medicaid and Work Requirements: New Guidance, State Waiver Details and Key Issues*, Kaiser Family Foundation Issue Brief, January 2018. Accessed at <https://www.kff.org/medicaid/issue-brief/medicaid-and-work-requirements-new-guidance-state-waiver-details-and-key-issues/>.

<sup>39</sup> In late March 2018, the Utah legislature passed and Governor Herbert signed a bill directing the state to seek federal approval to expand Medicaid to 100% of the FPL using the ACA enhanced federal match rate and add a work requirement for that newly eligible population (Utah has already submitted a separate work requirement request to CMS that would apply to some of their existing Medicaid populations).