

# Downshifting Costs Webinar



# How to Participate:



Questions will be addressed at the end of the webinar.

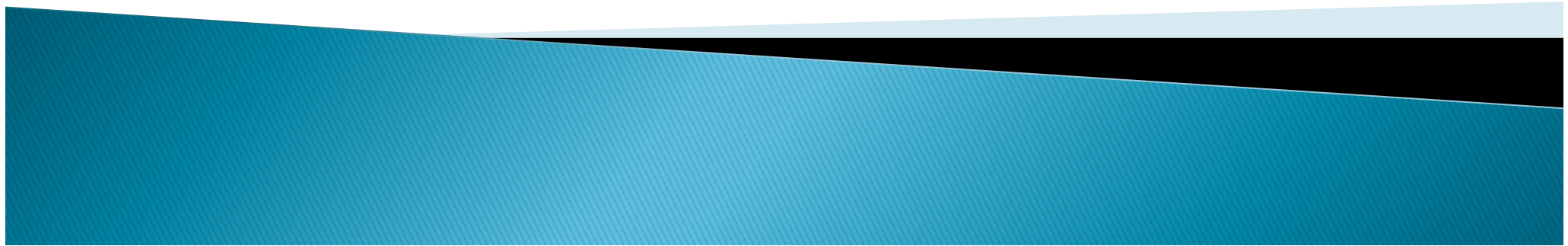


Submit a question via the Q&A feature in the black toolbar located at the top or bottom of your screen. Or you can use the raise hand feature to be recognized for your question.



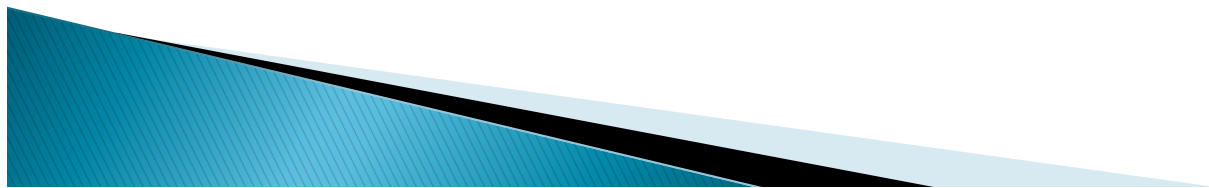
A recording of this webinar will be made available to attendees.

# County Cap



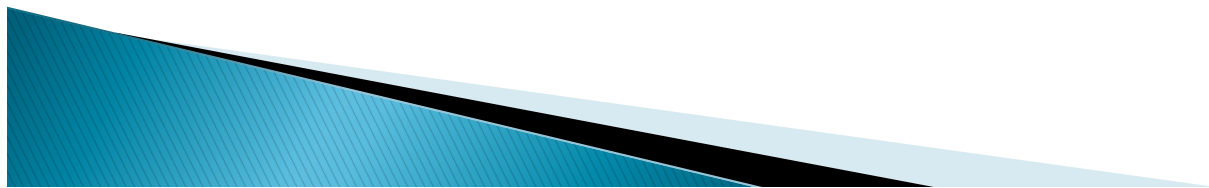
# What is the County CAP?

- ▶ The CAP is the maximum amount of the county's contribution towards the cost of medical care for nursing home eligible Medicaid recipients in the county.
- ▶ This contribution applies to ALL Long Term Care/Medicaid enrollees within the County - regardless of where services are provided. (It is not limited to County-operated facilities)




# Medicaid vs Medicare

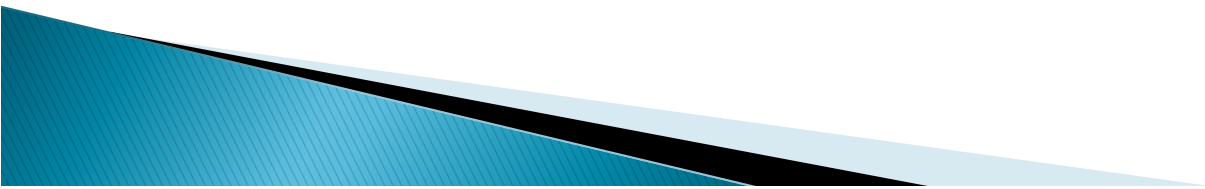
- ▶ **Medicaid** provides medical care for the financially needy.
- ▶ **Medicare** provides medical care for those over 65, the blind and those with End Stage Renal Disease.
- ▶ Medicare does not cover ROUTINE care, such as Nursing Home care.
- ▶ Medicaid does cover ROUTINE care for individuals who meet medical and financial eligibility criteria.



# How Medicaid Works

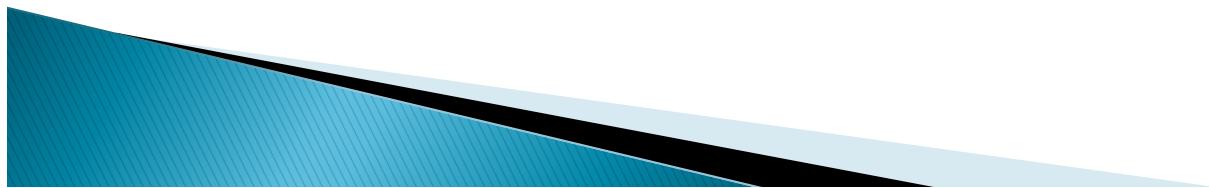
- ▶ Medicaid is a Federal program that is managed at the State level.
  - ▶ Each State establishes its plan for covered services, participant eligibility criteria and rate setting methodologies and submits to the Federal Government for approval.
  - ▶ **CMS: Centers for Medicare and Medicaid Services** is the Federal agency that grants this approval and oversees Medicaid plans.
  - ▶ Modifications to the State Plan, including services provided, eligibility criteria or rate setting methodologies must be submitted to CMS for review and approval.
- 

# How Medicaid Works, cont'd

- ▶ Service providers enroll to become participants in the State's Medicaid program to become eligible to receive payment for services.
  - ▶ Enrolled providers agree to accept the rates for services as established by the State.
  - ▶ Claims for Medicaid services provided are submitted to the State for payment
  - ▶ **Funding** for payment of Medicaid claims is provided through shared contributions from the Federal Government and the Local Government.
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# How Medicaid Works, cont'd

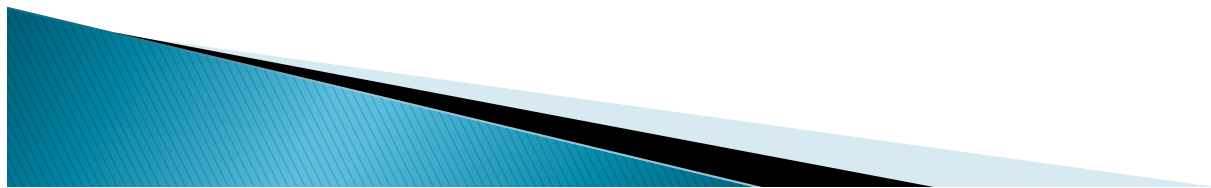
- ▶ The Federal Government's contribution is called the **Federal Share**.
- ▶ The Local Government's contribution is called the **Non Federal Share**.
- ▶ The Federal Share amount is determined by the **FMAP** (Federal Medical Assistance Percentage)





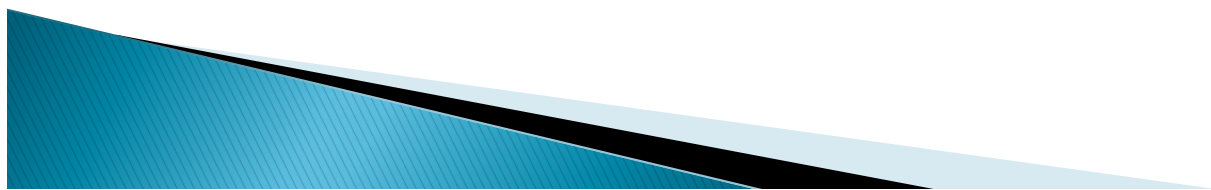
# How Medicaid Works, cont'd

- ▶ **FMAP** determines the percentage of the expenses that are reimbursed by the Federal Government (the **Federal Share**).
- ▶ FMAP is set at a fixed rate for each state. The standard FMAP rate is 50% (meaning the expense is shared equally between the Federal and Local government)
- ▶ **Enhanced FMAP** is when the Federal Government temporarily increases the FMAP (increasing the Federal share of expenses)




## How Medicaid Works, cont'd

- ▶ The Non Federal Share is simply the balance remaining after the Federal Share is paid.
- ▶ Example:
- ▶ ABC nursing home's Medicaid Rate is \$150.00 per day.  
Assuming FMAP = 50%
  - The Federal Share = \$75.00/day
  - The Local Gov't Share = \$75.00/day



# The County CAP

- ▶ In New Hampshire, the **Non Federal Share** (Local Government Share) for Elderly Long Term Care/Medicaid is paid by the **County**.
  - ▶ The **County CAP** is the maximum amount of the County Contribution to the Non Federal Share annually.
  - ▶ The legislature establishes the maximum amount of the County contribution through RSA 167:18-a during the State budgetary process.
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# The County CAP

- ▶ The State is responsible for any variance between the Non Federal Share and the County CAP.

- ▶ Example:

Elderly LTC/Medicaid Expenses = \$100M

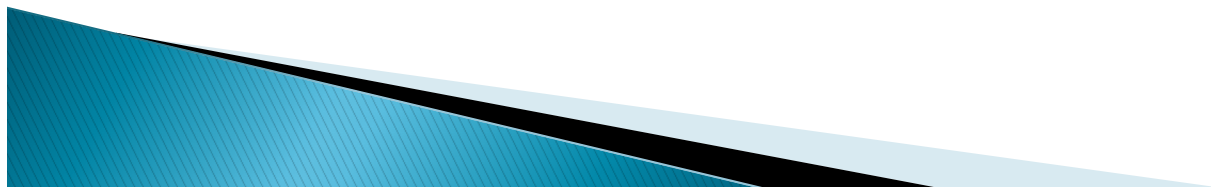
Assumptions: FMAP = 50%. County CAP = \$45M

Federal Share = \$50M

Non Federal Share = \$50M

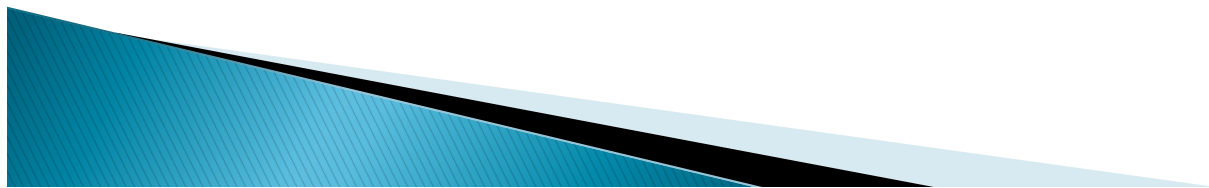
- County CAP = \$45M

- State Contribution = \$5M



# Why does this matter?

- ▶ Since 2008 the County Cap has increased 61%
- ▶ Since 2008 the State's budgeted expense for Elderly Long Term Care/Medicaid services has **decreased** by 18%
- ▶ The Federal Share has not decreased.
- ▶ The State's Contribution however HAS decreased.





# The Cost of Downshifting



**Margaret Byrnes**

**Executive Director**

**NH Municipal Association**

**October 4, 2021**

[nhmainfo@nhmunicipal.org](mailto:nhmainfo@nhmunicipal.org) / 603-224-7447 / [www.nhmunicipal.org](http://www.nhmunicipal.org)

*...this bill creates a new chapter in the statutes of the state of New Hampshire which is specifically entitled "Return of Revenue to Cities and Towns". And it says "there is hereby appropriated for each fiscal year a sum sufficient to make the payments provided for by this section." Now the charge has been leveled that future legislators might choose not to honor this pledge...It seems quite doubtful to me that once this bill is passed that any legislator would go back on its pledge to return revenue to cities and towns that originally belonged to those cities and towns. And I might also add, in passing, that I could hardly see a Governor signing a bill which would deprive cities and towns of the revenue which they once had."*

**Attorney General Warren Rudman,  
Testifying on HB 1 (1970)**



## REVENUE SHARING (RSA 31-A)



Data Source: NHLBAO, 10/20/20



## Types of “downshifting”

Unloading state costs onto municipalities

New requirements with no funding

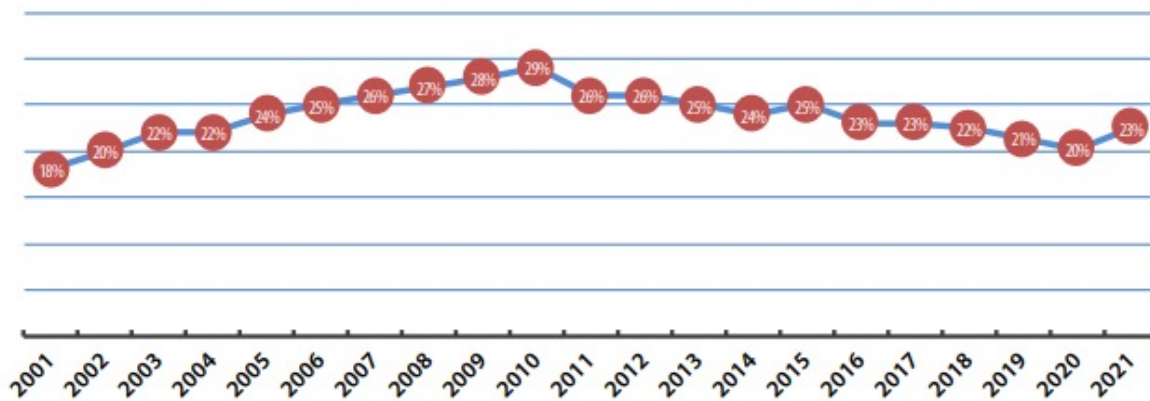
Failure to fund programs as required by state law

# Types of state aid to cities & towns

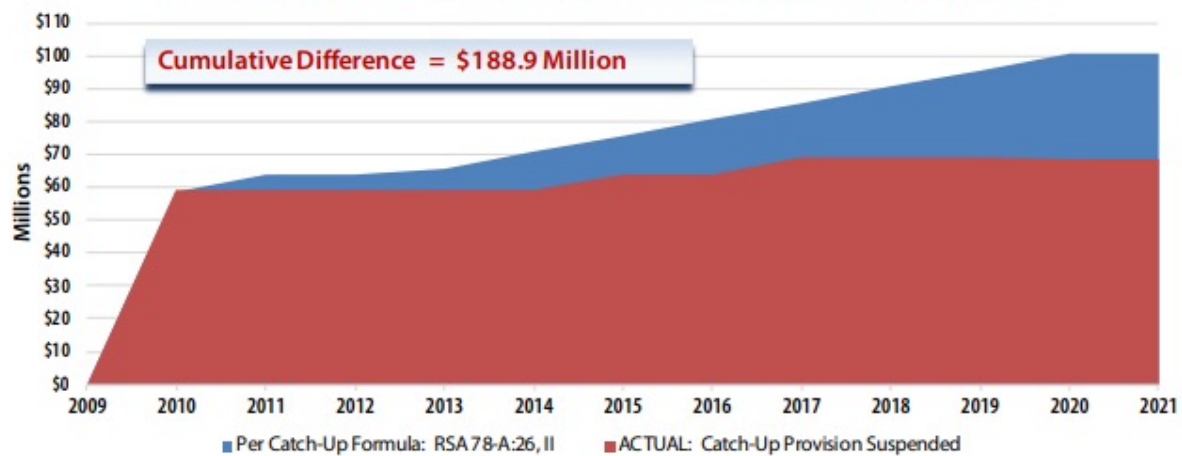
- General Funds:** Meals and Rooms Tax Revenue Distribution  
State Revenue Sharing (Suspended 2010-2021)  
State Normal Retirement Contribution (Repealed 2013)  
Railroad Tax Distribution  
State Municipal Aid Grants (One-Time Surplus: Added 2020-2021)
- Environmental:** Flood Control  
Landfill Closure Grants  
Public Water System Grants  
Pollution Control Grants – State Aid Grants (SAGs)  
Water Supply Land Protection Grants
- Highway:** Highway Block Grants  
Highway Construction Aid  
State Municipal Bridge Aid



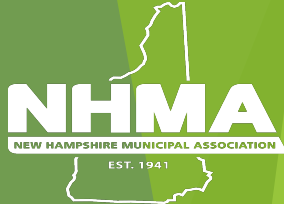
## MEALS & ROOMS TAX: MUNICIPAL PERCENTAGE



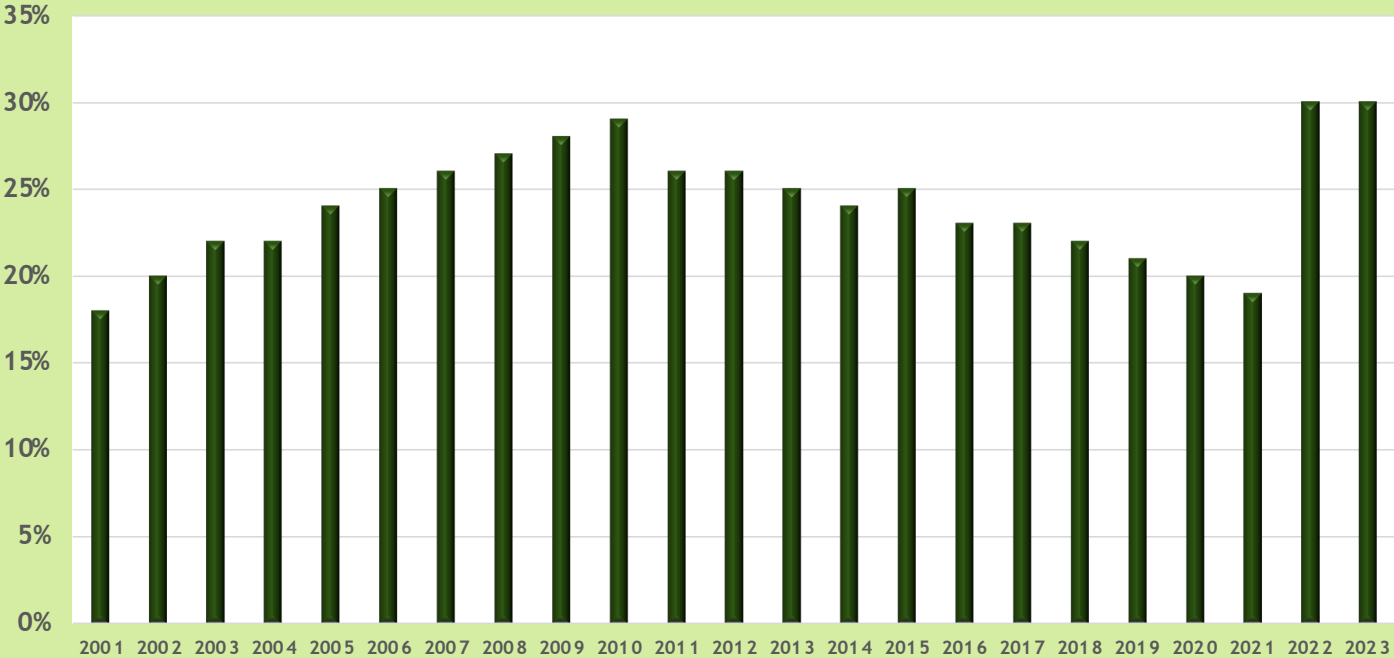
## MEALS & ROOMS TAX DISTRIBUTION TO MUNICIPALITIES



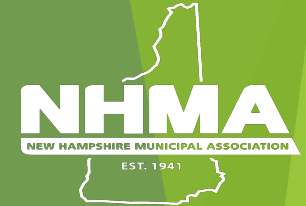
# HB1/HB2 - FY 22/23 Budget



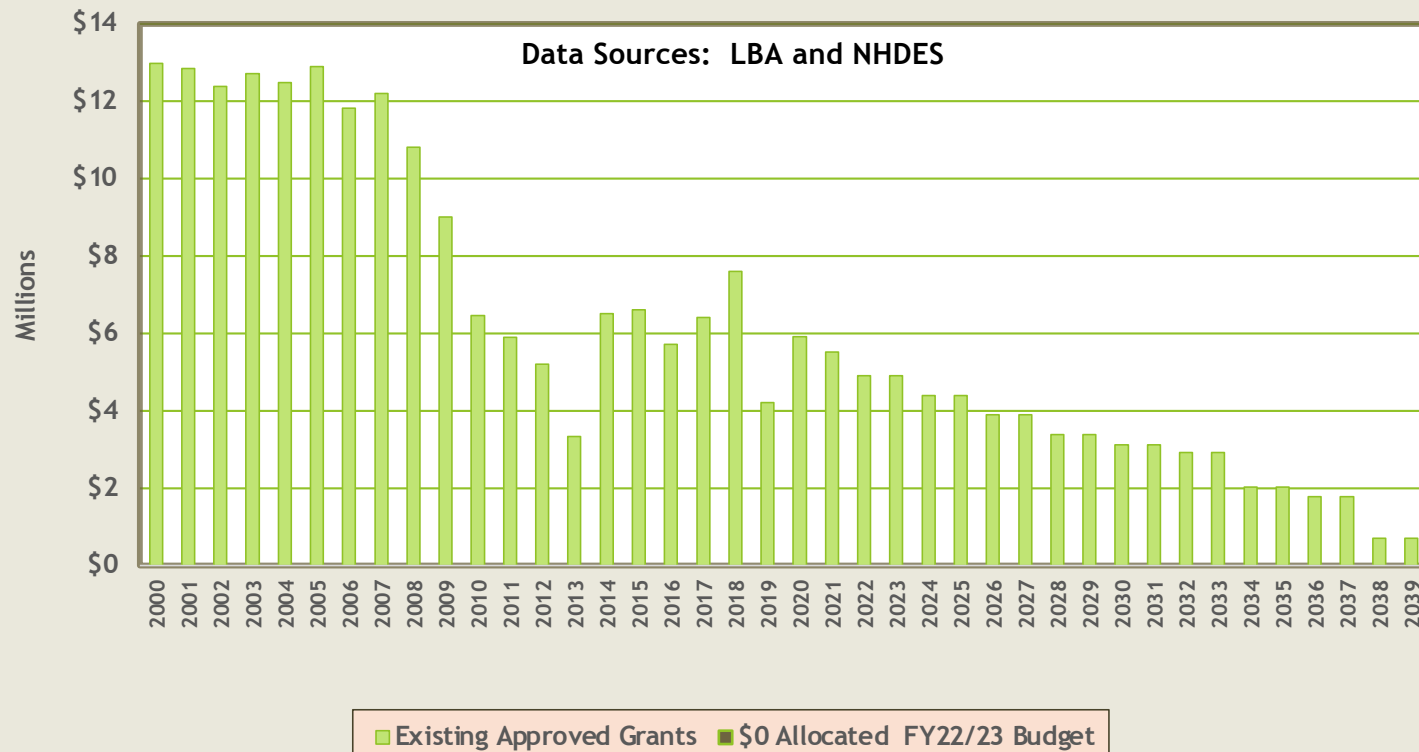
M&R Distribution Percentage 2001-2023



# HB1/HB2 - FY 22/23 Budget



State Aid Grants for Pollution Control (Wastewater Projects)



## UPDATE Retained Bills

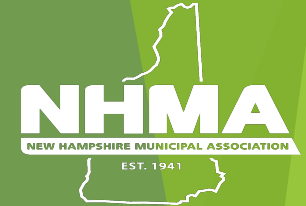
The Moratorium continues...

Retained Bills on Water and Wastewater projects

HB 412: funding public water system projects

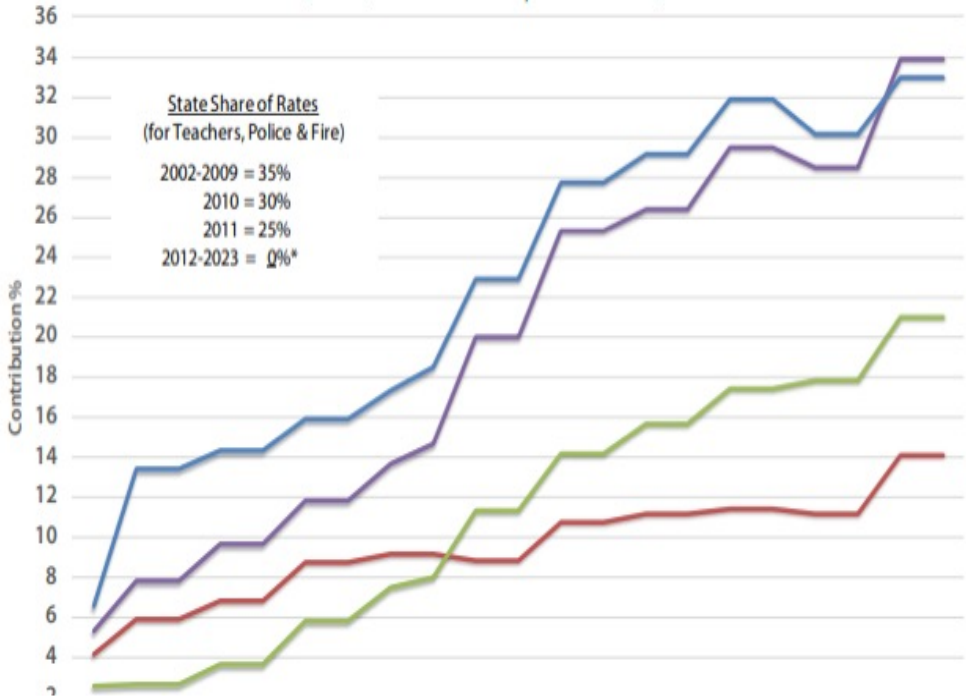
HB 398: funding eligible wastewater projects

These bills could fund 110 new projects and 11 completed treatment projects.



# LOCAL EMPLOYER RATES

(Per \$100 of Compensation)



# Retirement Costs



Consequences

Property tax impact

Unpredictability in budgeting

Cutting of other programs and services

# Contact NHMA

[governmentaffairs@nhmunicipal.org](mailto:governmentaffairs@nhmunicipal.org)

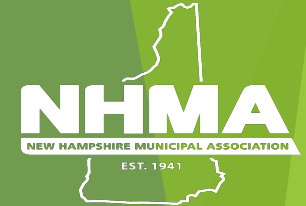
[www.nhmunicipal.org](http://www.nhmunicipal.org)

603.224.7447

NEW HAMPSHIRE MUNICIPAL ASSOCIATION

EST. 1941

Learn more in NHMA's Municipal  
State Aid & Revenue Sharing  
Publication



# Unfunding Mandates & Downshifting Costs

A Tragic Strategy for Pittsfield's Students, 2008-  
2018

John Freeman  
NHSBA, October 4, 2021

# Mandates: School Approval

- Claremont: *define and fund an adequate education*
- Define: Ed 306
- Fund: Adequacy (*Enough? Sufficient?*)
  - 2008: \$3456
  - 2018: \$3636 (+2% v. +14%)
- Labor Day through Thanksgiving

# Unfunded Options

- Option #1: *A painful exercise in education funding* (Monitor, 2.12.20)
- Option #2: Local Taxes
- Claremont: *paid for through equal taxes across the state*

## *Equalized Taxes?*

- Equalized Valuation per Pupil
  - State: \$1,043,647
  - Rye: \$3,816,241
  - Pittsfield: \$469,334 (10-year decline: -12%)
- Equalized Education Tax Rate?
  - Rye: \$5.85/thousand
  - Pittsfield: \$19.89/thousand

# Pittsfield's School District Budget

- *No bottom line increase*
- 2008: \$9,952,132
- 2018: \$10,302,405
- Difference: \$350,273 (3.5% v. 14%)
- Pittsfield's Education Tax Rate, 2008-2018: +48%

## Ed 306: Minimal Standards

- Cost increases: special education, employee contracts, health insurance, NHRS (steady increase in downshifting)
- Losses to students: staff (class size, support, options), programs (AP courses, foreign language, summer school, extended learning opportunities, one-on-one technology, social worker, technology integrator...)



## NHRS Downshifting

- 2008: 8.93%
- 2018: 17.36% (+51% v. 14%)
- Average Pittsfield Teacher:
  - 2008: \$37,440 / NHRS, \$3343
  - 2018: \$41,717 / NHRS, \$7242 (+117% v. 14%)

## *Can't Afford It, Pittsfield?*

- *Can't afford unfunded mandates?*
  - Shortchange your students
  - Overtax your citizens
- *Can't afford downshifted costs?*
  - Figure it out
  - Don't expect it to change
- *Where are we headed?*



**NEA • NEW HAMPSHIRE**

# State Downshifting enters a new era

Megan Tuttle – President, NEA-NH

# 2010 – 2020: Major School Funding Impacts

## Retirement System Changes

- Previous 35% subsidy goes to 0% for teachers, police and fire
- Employees' contribution increases by 40% from a 5 to 7% increase for teacher group

## School Funding Changes

- Fiscal Capacity Disparity Aid Eliminated
- Reduction Stabilization Grants
- Suspension of School Building Aid

# Less Education Aid Overall in 2021-22 Budget



Education aid grants overall reduced by \$26.7 million in FY '22 and \$48.9 million less in '23 as compared to FY '21



105 cities and town will lose aid compared to FY '21 include 9 who will see a drop of over \$1 million:

Berlin  
Derry  
Manchester  
Rochester



59 communities will receive LESS in both FY '22 AND FY '23 than they did in FY '21 including the 25 most property poor towns in the state

# School Vouchers: New Era of Downshifting



2018 NH House rejects SB 193 because of a \$99 million downshift estimated onto local property taxpayers by the Legislative Budget Assistant



That bill was opposed by House Finance Chair Rep. Neal Kurk on the House floor even with:


Lasting Income Cap  
Enrollment limits  
Limited eligibility



“The bill before us... shifts a major financial burden onto local property taxpayers.” – Rep. Neal Kurk, House Session PI on SB 193 5/2/2018

More  
Expansive  
Voucher  
Program  
Passed 2021

Unlike SB 193 proposals, HB 2 language adopted this year:

- Has NO enrollment limit
  - Higher FPL limit to enter program w/no limit in subsequent years
  - Far GREATER downshift risk than \$99 million to local property tax-payers in SB 193 – NO LBA Analysis was ever ordered for SB 130/HB 2
  - No lasting safeguards for limiting downshifting to property tax-payers
- 

# Loss of State Aid – “That’s the downshift”

- “At the end of the day if you aren’t getting that state aid how do you make up the difference?”  
– Rep. Neal Kurk 5/2/2018

## State Aid Lost:

Base adequacy PLUS any differentiated aid. NH DOE estimates an average of \$4,600 per student

Fixed Costs Remain/Not a 1-for-1 reduction in taxpayer costs

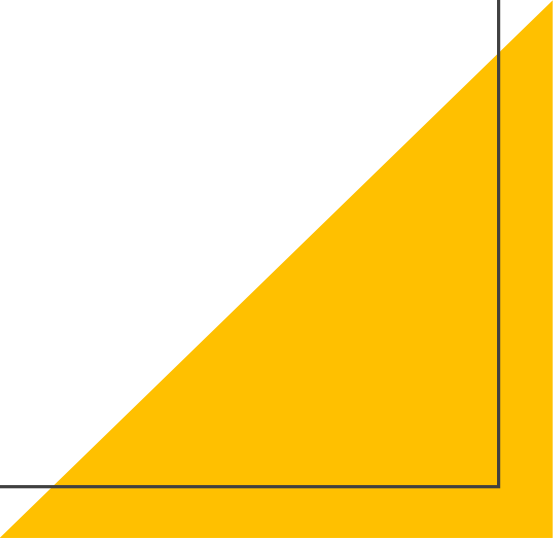
New spending on existing non-public school students - No new revenue source for education trust fund at a cost of \$70 million in new spending over next 3 years to state = future downshift or tax increase

Already the program is projected to be more than 5,000% over budget in FY’ 22

2026 – Phase out grants to local districts eliminated completely



# 2021 NEA National Report

- New Hampshire ranks 15<sup>th</sup> in total revenue per student and 10<sup>th</sup> in per student spending
  - 28<sup>th</sup> in nation in average starting teacher salary
  - 50<sup>th</sup> in State Support to school districts
- 
- A large yellow triangle is positioned in the bottom right corner of the slide, pointing towards the top right.

Questions?

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