

that the Comptroller and the Board of Revenue Estimates take a fresh look at tax collections, and the total revenue picture next month and report their findings by the first week in March. This would permit adjustments in appropriations, should the picture be brighter than it now seems, before the enactment of the budget.

### THE MEDICAID PROBLEM

One of the most important and sensitive programs caught in this fiscal squeeze — and one of the most painful to reduce — is the State Medical Assistance Program. It is principally a victim of soaring hospital costs and a stringent Federal requirement that we pay the full audited amount of average daily costs, which at some major hospitals are rising \$1 a month.

The \$46 million that we budgeted for the current year, on the basis of paying hospitals an average of \$47 per day for in-patient care this year, is now running a deficit in excess of \$5 million. In the new fiscal year the total program would soar to \$64 million unless we took drastic action to curtail it. That action has been taken and is reflected in the budget you are receiving today.

In order to continue the program at its present level through June 30, I am recommending a deficiency appropriation of \$5 million, bringing this year's total to some \$51 million. The funds can be obtained by eliminating the \$5 million I had originally budgeted for a cash down payment on capital improvements next year, completely sacrificing that highly desirable fiscal policy which would save interest charges on long-term bonds. This transfer represents a change from the printed budget book since the decision was made after the budget had gone to the printer. However, the proposed change is reflected in the General Fund tables in this message and in the budget bill which is being introduced in both houses today.

For the year beginning July 1, 1968 I am recommending that the program be restricted to the new total of \$51 million. This reflects anticipated increases of 35 percent in hospital rates and therefore will pay for fewer days of in-patient care. It means that unless hospital costs have been brought under control and unless the Federal government has relaxed its requirements to permit flexibility in administration, some 27,000 persons of the 270,000 now receiving medical assistance will have to be dropped from the program on July 1, 1968. I have issued an order to the State Health Commissioner to that effect. Those affected in the cut are all non-welfare recipients, who are poor nonetheless and in need of assistance, but they make up the major