

Estimated Stimulus FMAP Increases

February 24, 2009

Summary

Title V of the American Recovery and Reinvestment Act of 2009 (ARRA) increases the federal share of Medicaid and other programs—the Federal Medical Assistance Percentage (FMAP)—for 27 months. FFIS estimates that these provisions will increase Medicaid grants to states by a total of \$80 billion. Part of this FMAP increase is also provided to the foster care and adoption assistance programs.

FMAP Definition

FMAPs are calculated based on a three-year average of state per capita personal income compared to the national average. A state with average per capita income receives 55%; no state receives less than 50%. FMAPs for fiscal year (FY) 2010 are based on per capita personal income for calendar years 2005-2007. (See *Issue Brief 08-50* for more information on the FY 2010 FMAPs.)

Medicaid is by far the largest federal grant-in-aid program, and small shifts in a state's FMAP can shift hundreds of millions of dollars in federal reimbursements. Many state FMAPs declined sharply in the early years of the decade, and recently have begun to recover. As a result, only 17 states experienced declines in FY 2009 and 14 in FY 2010. Thirteen states received the minimum 50% in FY 2009 under basic law and 11 in FY 2010. FY 2011 FMAPs will be published in November 2009.

FMAP Increases in ARRA

The bill increases state Medicaid FMAPs in three ways:

Hold harmless. A hold-harmless provision eliminates any scheduled FY 2009 FMAP decreases. It also eliminates decreases in FY 2010 and the first quarter of FY 2011 from the higher of the state's current-law level or its hold-harmless level.

Across-the-board increase. Each state is eligible for a 6.2 percentage-point increase beginning October 1, 2008, through December 31, 2010, after application of the hold-harmless provision.

These two increases also apply to Title IV-E foster care and adoption assistance payments, but not to other programs affected by the FMAP.

High unemployment states. A third temporary provision targeted toward states with growing unemployment rates increases Medicaid FMAPs only. Under this provision, states whose quarterly unemployment rates increase at least 1.5 percentage points over their lowest three-month average unemployment rate since January 2006 receive bonus increases as "high-unemployment states." Once determined to be a high-unemployment state, the state remains a high-unemployment state until at least July 1, 2010, when reductions could occur. This adjustment for a high-unemployment state equals the product of the "state share" (defined as 100% minus the FMAP, after applying the hold-harmless provision and half the across-the-board increase) and the bonus, as shown below.

Additional increase =
(100% - FMAP)
multiplied by
(state unemployment reduction factor)

The state unemployment reduction factor can change each quarter but cannot be reduced for a quarter during the period January 1, 2009, through July 1, 2010.

The level of adjustment is tiered, with the factor equal to:

- 5.5% if the state unemployment increase percentage is at least 1.5 but less than 2.5 percentage points;
- 8.5% if the state unemployment increase percentage is at least 2.5 but less than 3.5 percentage points; or
- 11.5% if the state unemployment increase percentage is at least 3.5.

Table 1 displays the base rate. Unemployment rates for October-December 2008 are to be used for the first two quarters of the stimulus, and Table 1 also displays these.

Payments for disproportionate share hospital (DSH) adjustments do not receive the increased matching rate, but receive a smaller separate increase. Payments for Medicaid provisions that already receive matching payments higher than the FMAP—for the State Children’s Health Insurance Program (SCHIP), family planning services, the cervical/breast cancer option and services for Native Americans—are not increased by this provision.

Puerto Rico and the four territories that receive capped Medicaid payments receive a 30% increase in their caps. As an alternative, they are permitted to elect a 15% increase in their caps and a 6.2 percentage-point increase in their current 50% match rates.

Estimating FMAPs

Estimating the quarterly FMAPs that will result from these provisions is difficult. While historical data are available, the determination of future impacts must be based on highly variable state-level unemployment rate projections. Table 1 presents Medicaid FMAPs estimates for the first two quarters, and projected FMAPs for the following two quarters. No attempt is made to estimate the FMAP shifts that may occur in the final five quarters.

In addition, the Title IV-E FMAP increases—reflecting only the hold-harmless and across-the board provisions—are also provided in Table 1.

Estimated Impact on Medicaid Grants

Estimating the overall level of funding resulting from this provision is even more difficult than estimating the FMAPs for a variety of reasons: 1) there are no published FY 2011 FMAPs against which to measure the impact of the hold-harmless provision, 2) state Medicaid spending levels will certainly increase over prior plans given the FMAP increases, and 3) future unemployment rates are unknowable.

Table 2 provides quarter-by-quarter estimates of Medicaid grant increase for FY 2009, based on the projected FMAPs presented in Table 1. It also presents a summary estimate for the final five quarters, based on the fourth quarter FY 2009 FMAP and state projections of Medicaid spending plans for FY 2010.

Overall, FFIS estimates that the stimulus provisions increase Medicaid grants by a total of \$80.1 billion over the 27-month span of the program.

On February 23, 2009, President Obama announced the release of \$15.2 billion to the states for the first two quarters of the stimulus increase. These data are also provided in Table 2. While some FFIS estimates for the first two quarters are substantially below those listed in the release, these may reflect slower state payments to providers that will reverse itself in coming quarters.

Conditions for Receipt of Stimulus Funds

The FMAP increases apply only if a state conforms to the following:

- States may not have eligibility standards, methodologies or procedures in place in the Medicaid state plan or a Section 1115 waiver program that are more restrictive than those in effect as of July 1, 2008.
 - Any state that implemented more restrictive policies since July 1, 2008, has until July 1, 2009, to rescind them. The state would then be fully eligible for the enhanced match, retroactive to October 1, 2008.
 - Any state that implements more restrictive policies as of July 1, 2008, and rescinds such policies after July 1, 2009, will be eligible for the enhanced FMAP beginning with the first calendar quarter that it restored the eligibility policies.
 - Certain exceptions apply for delay in approval of a plan or waiver.
- The FMAP increases do not apply to payments for individuals enrolled in Medicaid as a result of an expansion in the state income eligibility policies implemented on or after July 1, 2008. States would still receive their regular FMAP for such individuals.
- The state must report on compliance with provider prompt-payment requirements beginning with the date of enactment, and prompt-pay requirements are extended to nursing facilities and hospitals beginning June 1, 2009. The secretary of the Department of Health and Human Services (HHS) is permitted to waive this requirement in certain situations.
- The state may not increase the percentage of the non-federal share it requires from local governments above that in place as of September 30, 2008. This requirement is not applicable for the hold-harmless provision.

States may not deposit funding from the increased FMAP rate into any state reserve or rainy day fund. This does not apply to increases due to the hold-harmless provision.

Next Steps

The ARRA provides additional funds for the HHS inspector general to monitor the use of the funds. In addition, the comptroller general is required to study the current economic downturn as well as previous downturns toward developing recommendations for addressing the needs of states during such periods, and for possible improvements in the FMAP adjustments made. While the section of ARRA providing the increase is termed “fiscal relief,” it is clear that programmatic oversight of the use of the funds will be maintained.

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Table 1**Estimated Impact of FY 2009 Stimulus FMAP Changes**

(federal fiscal years)

	Unemployment Rates			Current Law FMAPs			HH Level		HH Level + 6.20 1/		FY 2009 Stimulus FMAPs (est.)		
	Base	2008 Q IV	Change	2008	2009	2010	2009	2010	2009	2010	Qs I & II	Q III	Q IV
Alabama	3.4	6.1	2.7	67.62	67.98	68.01	67.98	68.01	74.18	74.21	76.64	76.64	77.51
Alaska	6.0	7.3	1.3	52.48	50.53	51.43	52.48	52.48	58.68	58.68	58.68	61.12	61.12
Arizona	3.7	6.5	2.8	66.20	65.77	65.75	66.20	66.20	72.40	72.40	75.01	75.01	75.01
Arkansas	4.7	5.7	1.0	72.94	72.81	72.78	72.94	72.94	79.14	79.14	79.14	80.46	80.46
California	4.8	8.7	3.9	50.00	50.00	50.00	50.00	50.00	56.20	56.20	61.59	61.59	61.59
Colorado	3.6	5.9	2.3	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	60.19	61.59
Connecticut	4.2	6.8	2.6	50.00	50.00	50.00	50.00	50.00	56.20	56.20	60.19	60.19	60.19
Delaware	3.2	5.7	2.5	50.00	50.00	50.21	50.00	50.21	56.20	56.41	60.19	60.19	60.19
District of Columbia	5.7	8.0	2.3	70.00	70.00	70.00	70.00	70.00	76.20	76.20	77.68	78.49	78.49
Florida	3.3	7.5	4.2	56.83	55.40	54.98	56.83	56.83	63.03	63.03	67.64	67.64	67.64
Georgia	4.3	7.5	3.2	63.10	64.49	65.10	64.49	65.10	70.69	71.30	73.44	73.44	74.42
Hawaii	2.3	5.0	2.7	56.50	55.11	54.24	56.50	56.50	62.70	62.70	66.13	66.13	66.13
Idaho	2.7	5.8	3.1	69.87	69.77	69.40	69.87	69.87	76.07	76.07	78.37	78.37	79.18
Illinois	4.3	7.4	3.1	50.00	50.32	50.17	50.32	50.32	56.52	56.52	60.48	61.88	61.88
Indiana	4.4	7.3	2.9	62.69	64.26	65.93	64.26	65.93	70.46	72.13	73.23	73.23	74.21
Iowa	3.5	4.4	0.9	61.73	62.62	63.51	62.62	63.51	68.82	69.71	68.82	68.82	70.71
Kansas	3.9	5.0	1.1	59.43	60.08	60.38	60.08	60.38	66.28	66.58	66.28	66.28	68.31
Kentucky	5.2	7.2	2.0	69.78	70.13	70.96	70.13	70.96	76.33	77.16	77.80	77.80	78.61
Louisiana	3.5	5.6	2.1	72.47	71.31	67.61	72.47	72.47	78.67	78.67	80.01	80.75	81.48
Maine	4.4	6.3	1.9	63.31	64.41	64.99	64.41	64.99	70.61	71.19	72.40	72.40	73.37
Maryland	3.5	5.3	1.8	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	58.78	58.78
Massachusetts	4.3	6.1	1.8	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	58.78	60.19
Michigan	6.7	9.8	3.1	58.10	60.27	63.19	60.27	63.19	66.47	69.39	69.58	70.68	70.68
Minnesota	3.8	6.4	2.6	50.00	50.00	50.00	50.00	50.00	56.20	56.20	60.19	60.19	61.59
Mississippi	5.9	7.4	1.5	76.29	75.84	75.67	76.29	76.29	82.49	82.49	83.62	83.62	84.24
Missouri	4.6	6.8	2.2	62.42	63.19	64.51	63.19	64.51	69.39	70.71	71.24	72.26	72.26
Montana	3.1	5.0	1.9	68.53	68.04	67.42	68.53	68.53	74.73	74.73	76.29	76.29	77.14
Nebraska	2.8	3.8	1.0	58.02	59.54	60.56	59.54	60.56	65.74	66.76	65.74	65.74	67.79
Nevada	4.1	8.3	4.2	52.64	50.00	50.16	52.64	52.64	58.84	58.84	63.93	63.93	63.93
New Hampshire	3.4	4.3	0.9	50.00	50.00	50.00	50.00	50.00	56.20	56.20	56.20	56.20	58.78
New Jersey	4.2	6.4	2.2	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	60.19	60.19
New Mexico	3.2	4.5	1.3	71.04	70.88	71.35	71.04	71.35	77.24	77.55	77.24	78.66	78.66
New York	4.3	6.2	1.9	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	60.19	61.59
North Carolina	4.5	7.9	3.4	64.05	64.60	65.13	64.60	65.13	70.80	71.33	73.55	74.51	74.51
North Dakota	3.1	3.4	0.3	63.75	63.15	63.01	63.75	63.75	69.95	69.95	69.95	69.95	69.95
Ohio	5.3	7.4	2.1	60.79	62.14	63.42	62.14	63.42	68.34	69.62	70.25	71.29	71.29
Oklahoma	3.1	4.6	1.5	67.10	65.90	64.43	67.10	67.10	73.30	73.30	74.94	74.94	75.83
Oregon	5.0	8.1	3.1	60.86	62.45	62.74	62.45	62.74	68.65	68.94	71.58	71.58	72.61
Pennsylvania	4.3	6.2	1.9	54.08	54.52	54.81	54.52	54.81	60.72	61.01	63.05	64.32	64.32
Rhode Island	4.9	9.5	4.6	52.51	52.59	52.63	52.59	52.63	58.79	58.83	63.89	63.89	63.89
South Carolina	5.7	8.6	2.9	69.79	70.07	70.32	70.07	70.32	76.27	76.52	78.55	78.55	78.55
South Dakota	2.6	3.5	0.9	60.03	62.55	62.72	62.55	62.72	68.75	68.92	68.75	68.75	70.64
Tennessee	4.5	7.3	2.8	63.71	64.28	65.57	64.28	65.57	70.48	71.77	73.25	73.25	74.23
Texas	4.2	5.8	1.6	60.56	59.44	58.73	60.56	60.56	66.76	66.76	68.76	68.76	69.85
Utah	2.5	3.9	1.4	71.63	70.71	71.68	71.63	71.68	77.83	77.88	77.83	79.22	79.22
Vermont	3.5	5.7	2.2	59.03	59.45	58.73	59.45	59.45	65.65	65.65	67.71	68.83	68.83
Virginia	2.9	4.8	1.9	50.00	50.00	50.00	50.00	50.00	56.20	56.20	58.78	58.78	60.19
Washington	4.4	6.6	2.2	51.52	50.94	50.12	51.52	51.52	57.72	57.72	60.22	61.58	61.58
West Virginia	4.4	4.7	0.3	74.25	73.73	74.04	74.25	74.25	80.45	80.45	80.45	80.45	80.45
Wisconsin	4.5	5.7	1.2	57.62	59.38	60.21	59.38	60.21	65.58	66.41	65.58	67.64	67.64
Wyoming	2.8	3.3	0.5	50.00	50.00	50.00	50.00	50.00	56.20	56.20	56.20	56.20	58.78

1/ This level is the enhanced FMAPs for the Title IV-E foster care and adoption assistance programs for the 27-month period.

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Table 2**Potential Medicaid Grant Increases from FMAP Stimulus Provisions**

(federal fiscal years; dollars in thousands)

	Actual Release Q I & Q II	FY 2009				Total 2010/2011	Total	
		Q I	Q II	Q III	Q IV			
Alabama	\$169,785	\$82,530	\$82,530	\$82,530	\$82,530	\$330,120	\$486,639	\$816,760
Alaska	41,574	20,369	20,369	20,369	26,467	87,574	138,951	226,525
Arizona	351,481	188,091	188,091	188,091	188,091	752,364	1,018,743	1,771,107
Arkansas	109,874	56,724	56,724	56,724	68,553	238,724	378,599	617,323
California	1,991,908	1,171,656	1,171,656	1,171,656	1,171,656	4,686,625	6,121,078	10,807,704
Colorado	140,912	75,238	75,238	75,238	87,321	313,036	513,624	826,659
Connecticut	274,618	128,542	128,542	128,542	128,542	514,170	653,523	1,167,692
Delaware	60,653	30,260	30,260	30,260	30,260	121,040	176,159	297,198
District of Columbia	58,882	28,966	28,966	28,966	32,022	118,921	165,086	284,007
Florida	817,027	464,709	464,709	464,709	464,709	1,858,837	2,346,782	4,205,619
Georgia	339,608	162,462	162,462	162,462	162,462	649,848	982,414	1,632,262
Hawaii	70,573	35,598	35,598	35,598	35,598	142,392	179,770	322,163
Idaho	53,438	27,554	27,554	27,554	27,554	110,217	166,931	277,149
Illinois	470,902	268,083	268,083	268,083	305,023	1,109,271	1,633,830	2,743,100
Indiana	247,163	136,724	136,724	136,724	136,724	546,896	826,912	1,373,808
Iowa	89,098	46,556	46,556	46,556	46,556	186,223	327,012	513,235
Kansas	71,575	35,675	35,675	35,675	35,675	142,701	239,148	381,849
Kentucky	205,301	96,339	96,339	96,339	96,339	385,356	543,619	928,975
Louisiana	229,959	120,529	120,529	120,529	130,781	492,368	813,310	1,305,678
Maine	94,547	43,801	43,801	43,801	43,801	175,203	248,048	423,251
Maryland	275,509	141,181	141,181	141,181	141,181	564,722	752,984	1,317,706
Massachusetts	594,257	276,756	276,756	276,756	276,756	1,107,024	1,622,065	2,729,089
Michigan	464,364	222,346	222,346	222,346	248,617	915,654	1,295,410	2,211,064
Minnesota	356,191	188,858	188,858	188,858	188,858	755,432	1,158,905	1,914,337
Mississippi	137,061	71,922	71,922	71,922	71,922	287,687	423,486	711,173
Missouri	270,529	137,214	137,214	137,214	154,600	566,242	859,734	1,425,976
Montana	34,249	16,928	16,928	16,928	16,928	67,714	96,959	164,672
Nebraska	47,843	24,857	24,857	24,857	24,857	99,427	175,077	274,504
Nevada	90,310	45,966	45,966	45,966	45,966	183,865	252,040	435,905
New Hampshire	31,531	17,598	17,598	17,598	17,598	70,391	137,553	207,944
New Jersey	362,235	182,685	182,685	182,685	212,022	760,077	1,163,669	1,923,745
New Mexico	95,240	50,322	50,322	50,322	61,557	212,523	332,105	544,629
New York	2,070,833	1,065,818	1,065,818	1,065,818	1,236,981	4,434,436	7,465,349	11,899,785
North Carolina	439,570	223,486	223,486	223,486	247,458	917,918	1,337,537	2,255,455
North Dakota	18,837	9,469	9,469	9,469	9,469	37,878	51,995	89,872
Ohio	500,170	266,978	266,978	266,978	301,215	1,102,150	1,582,931	2,685,081
Oklahoma	174,758	87,443	87,443	87,443	87,443	349,773	488,763	838,536
Oregon	155,827	79,866	79,866	79,866	79,866	319,464	463,295	782,759
Pennsylvania	680,279	349,169	349,169	349,169	401,155	1,448,661	2,154,483	3,603,144
Rhode Island	93,509	49,324	49,324	49,324	49,324	197,295	254,230	451,525
South Carolina	172,959	85,538	85,538	85,538	85,538	342,153	431,968	774,121
South Dakota	20,496	10,362	10,362	10,362	10,362	41,447	68,564	110,011
Tennessee	331,284	156,802	156,802	156,802	156,802	627,208	914,077	1,541,285
Texas	952,186	504,634	504,634	504,634	504,634	2,018,536	2,998,676	5,017,212
Utah	53,363	28,697	28,697	28,697	34,300	120,392	186,213	306,605
Vermont	45,464	23,138	23,138	23,138	26,276	95,691	138,342	234,033
Virginia	252,659	123,239	123,239	123,239	123,239	492,955	791,813	1,284,768
Washington	339,331	167,154	167,154	167,154	191,650	693,112	1,041,841	1,734,953
West Virginia	76,480	39,371	39,371	39,371	39,371	157,485	208,038	365,523
Wisconsin	163,110	88,581	88,581	88,581	118,013	383,757	614,053	997,810
Wyoming	15,922	7,945	7,945	7,945	7,945	31,779	64,068	95,847
Puerto Rico	39,125	21,852	21,852	21,852	21,852	87,407	100,855	188,262
Amer. Samoa	666	744	744	744	744	2,975	3,433	6,408
Guam	925	1,043	1,043	1,043	1,043	4,174	4,816	8,989
N. Mariana Islands	264	395	395	395	395	1,580	1,823	3,403
Virgin Islands	607	837	837	837	837	3,347	3,861	7,208
Total	\$15,205,236	\$7,964,055	\$7,964,055	\$7,964,055	\$8,472,567	\$32,364,732	\$47,486,401	\$79,851,133

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