



Statement of

Alison Mitchell

Analyst in Health Care Financing

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“Examining Medicaid and CHIP’s Federal Medical Assistance Percentage”

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Chairman Pitts, Ranking Member Green, and Members of the Subcommittee, my name is Alison Mitchell. I am an Analyst in Health Care Financing with the Congressional Research Service. Thank you for the opportunity to appear before you today to provide an overview of the federal medical assistance percentage (FMAP) and some exceptions to the FMAP.

Federal Medical Assistance Percentage

Medicaid is jointly financed by the federal government and the states. The federal government's share of most Medicaid expenditures is determined by the FMAP. The remainder is the state share.¹

FMAP rates vary by state and have a statutory minimum of 50% and a statutory maximum of 83%. For a state with an FMAP of 60%, the state gets 60 cents back from the federal government for every dollar the state spends on its Medicaid program.

The FMAP is also used to determine the federal share of other programs, such as Temporary Assistance for Needy Families contingency funds and Foster Care Title IV-E Maintenance payments. The FMAP is used to calculate the enhanced FMAP (E-FMAP), which determines the federal share of the State Children's Health Insurance Program (CHIP) expenditures (subject to the availability of funds from a state's federal allotment for CHIP).

How FMAP Rates Are Calculated

The FMAP rates are calculated annually by the Department of Health and Human Services and vary according to each state's per capita income. The FMAP formula compares each state's per capita income with the average per capita income across all states. The formula provides higher rates to states with lower incomes and lower rates to states with higher incomes. For FY2016, regular FMAP rates range from 50% in 13 states to 74% in Mississippi.

The E-FMAP used for CHIP is higher than the FMAP, and it is calculated by reducing the state share under the regular FMAP by 30%. For FY2016 through FY2019, the E-FMAP for most CHIP expenditures is increased by 23 percentage points (not to exceed 100%). With this provision, the statutory range for the E-FMAP is 88% to 100%. In FY2016, 12 states have an E-FMAP of 100%.

Data Used to Calculate State FMAP Rates

The per capita income amounts used in the FMAP formula are equal to the average of the three most recent calendar years of data available from the Department of Commerce. The use of the three-year average helps to moderate fluctuations in states' FMAP rate over time. The per capita income amounts used to calculate FMAP rates for a given fiscal year are several years old by the time the FMAP rates take effect. For example, the FY2016 FMAP calculations are based on state per capita income data for 2011, 2012, and 2013.

Factors that Affect FMAP Rates

The FMAP is impacted by each state's income and population relative to the national average. The impact of a national economic downturn or upturn on a particular state will be related to the structure of the state economy and its business sectors. For example, a national decline in automobile sales, while having an

¹ For more information about the FMAP, see CRS Report R43847, *Medicaid's Federal Medical Assistance Percentage (FMAP), FY2016*, by Alison Mitchell.

impact on all state economies, will have a larger impact in states that manufacture automobiles as production is reduced and workers are laid off.

The FMAP changes from year to year for most states. Usually, this change is less than one percentage point. However, even these small changes to the FMAP can have major budgetary implications.

FMAP Exceptions

The federal government's share of most Medicaid expenditures is determined by the FMAP, but exceptions to the regular FMAP rate have been made under Medicaid for certain states, situations, populations, providers, and services. There are currently more than 20 exceptions to the regular FMAP. Some of these exceptions have been around for a while, and some exceptions have been added more recently.

Since the beginning of the Medicaid program, most administrative expenditures have been reimbursed at 50% for all states. Beginning in the 1970s, services provided to Medicaid enrollees at Indian Health Service facilities have been reimbursed at 100%.

The District of Columbia's FMAP rate has not been calculated according to the regular FMAP formula since 1998. Instead, the FMAP rate for the District of Columbia has been set in statute at 70% since that time for the purposes of Title XIX and XXI of the Social Security Act. However, for other purposes, the percentage for the District of Columbia is 50%, unless otherwise specified by law.

The Patient Protection and Affordable Care Act (ACA; P.L. 111-148 as amended) added a couple of new FMAP exceptions, including enhanced matching rates for states that have implemented the ACA Medicaid expansion. For individuals newly eligible for Medicaid due to the expansion, states receive 100% federal match for 2014 through 2016. This matching rate phases down to 90% for 2020 and subsequent years.

The federal share of Medicaid expenditures used to be about 57% on average in a typical year, which meant the state share was about 43% on average. However, with the exceptions to the FMAP added by the ACA, the federal share of Medicaid expenditures has increased. In FY2014, the federal share of Medicaid expenditures was 60% on average. It is expected to remain around 60% through at least FY2023.

This concludes my statement. I would be happy to answer any questions you may have at the appropriate time.