Medicaid's Federal Medical Assistance Percentage (FMAP), FY2014

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January 30, 2013

Congressional Research Service
7-5700
www.crs.gov
R42941

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term care. Medicaid is jointly funded by the federal government and the states. The federal government's share of a state's expenditures is called the federal medical assistance percentage (FMAP) rate. The remainder is referred to as the nonfederal share, or state share.

Generally determined annually, the FMAP formula is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). FMAP rates have a statutory minimum of 50% and a statutory maximum of 83%. For FY2014, regular FMAP rates range from 50.00% to 73.05%. The FMAP rate is used to reimburse states for the federal share of most Medicaid expenditures, but exceptions to the regular FMAP rate have been made for certain states, situations, populations, providers, and services.

Some recent issues related to FMAP include FMAP changes in the Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended), federal deficit reduction proposals that would amend the FMAP rate, and the disaster-related FMAP adjustment.

The ACA contains a number of provisions affecting FMAP rates. Most notably, the ACA provides initial FMAP rates of up to 100% for certain "newly eligible" individuals. Also, under the ACA, "expansion states" receive an enhanced FMAP rate for certain individuals. In addition, ACA provides increased FMAP rates for certain disaster-affected states, primary care payment rate increases, specified preventive services and immunizations, smoking cessation services for pregnant women, specified home and community-based services, health home services for certain people with chronic conditions, home and community-based attendant services and supports, and state balancing incentive payments.

Since federal Medicaid expenditures are a large and growing portion of the federal budget, controlling federal Medicaid spending has been included in some federal deficit reduction proposals. Some of the federal deficit reduction proposals include provisions that would amend the current FMAP structure through either a blended FMAP or a reduction to the statutory FMAP floor.

The ACA included a provision providing a disaster-recovery FMAP adjustment for states that have experienced a major, statewide disaster. Louisiana is the only state that has been eligible for the disaster-recovery adjusted FMAP since the fourth quarter of FY2011 (when the adjustment was first available). Both the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) and the Moving Ahead for Progress in the 21st Century Act (MAP-21, P.L. 112-141) amended the formula for the disaster-recovery adjusted FMAP.

This report describes the FMAP calculation used to reimburse states for most Medicaid expenditures, and it lists the statutory exceptions to the regular FMAP rate. In addition, this report discusses other FMAP-related issues, including FMAP changes in ACA, federal deficit reduction proposals affecting the FMAP rate, and the disaster-recovery FMAP adjustment.

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Introduction

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term care.[1] Medicaid is jointly funded by the federal government and the states. Participation in Medicaid is voluntary for states, though all states, the District of Columbia, and the territories choose to participate. Each state designs and administers its own version of Medicaid under broad federal rules. While states that choose to participate in Medicaid must comply with all federal mandated requirements, state variability is the rule rather than the exception in terms of eligibility levels, covered services, and how those services are reimbursed and delivered. Historically, eligibility was generally limited to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities; however, recent changes will soon add coverage for individuals under the age of 65 with income up to 133% of the federal poverty level.[2] The federal government pays a share of each state's Medicaid costs; states must contribute the remaining portion in order to qualify for federal funds.[3]

This report describes the federal medical assistance percentage (FMAP) calculation used to reimburse states for most Medicaid expenditures, and it lists the statutory exceptions to the regular FMAP rate. In addition, this report discusses other FMAP-related issues, including FMAP changes in the Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended), federal deficit reduction proposals that would amend the FMAP rate, and the disaster-recovery FMAP adjustment.

The Federal Medical Assistance Percentage

The federal government's share of most Medicaid service costs is determined by the FMAP rate, which varies by state and is determined by a formula set in statute. The FMAP rate is used to reimburse states for the federal share of most Medicaid expenditures, but exceptions to the regular FMAP rate have been made for certain states, situations, populations, providers, and services.[4]

An enhanced FMAP (E-FMAP) rate is provided for both services and administration under the State Children's Health Insurance Program (CHIP), subject to the availability of funds from a state's federal allotment for CHIP. When a state expands its Medicaid program using CHIP funds (rather than Medicaid funds), the E-FMAP rate applies and is paid out of the state's federal

[1] For more information about the Medicaid program, see CRS Report RL33202, *Medicaid: A Primer*, by Elicia J. Herz.

[2] The Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended) establishes 133% of federal poverty level (FPL) based on modified adjusted gross income (MAGI) as the new mandatory minimum Medicaid income eligibility level starting in 2014. On June 28, 2012, the United States Supreme Court issued its decision in *National Federation of Independent Business (NFIB) v. Sebelius* finding that the federal government cannot terminate the federal Medicaid funding a state receives for its current Medicaid program if a state refuses to implement the ACA Medicaid expansion. If a state accepts the new ACA Medicaid expansion funds, it must abide by the new expansion coverage rules. However, based on the Court's opinion, it appears that a state can refuse to participate in the ACA Medicaid expansion without losing any of its current federal Medicaid matching funds.

[3] For a broader overview of financing issues, see CRS Report R42640, *Medicaid Financing and Expenditures*, by Alison Mitchell.

[4] More detail about the exceptions to the regular FMAP rate is provided under the heading "FMAP Exceptions".

allotment. The E-FMAP rate is calculated by reducing the state share under the regular FMAP rate by 30%.[5]

The FMAP rate is also used in determining the phased-down state contribution ("clawback") for Medicare Part D, the federal share of certain child support enforcement collections, Temporary Assistance for Needy Families (TANF) contingency funds, a portion of the Child Care and Development Fund (CCDF), and foster care and adoption assistance under Title IV-E of the Social Security Act.

How FMAP Rates Are Calculated

The FMAP formula compares each state's per capita income relative to U.S. per capita income. The formula provides higher reimbursement to states with lower incomes (with a statutory maximum of 83%) and lower reimbursement to states with higher incomes (with a statutory minimum of 50%). The formula[6] for a given state is:

$$FMAP_{state} = 1 - ((\text{Per capita income}_{state})^2/(\text{Per capita income}_{U.S.})^2 * 0.45)$$

The use of the 0.45 factor in the formula is designed to ensure that a state with per capita income equal to the U.S. average receives an FMAP rate of 55% (i.e., state share of 45%). In addition, the formula's squaring of income provides higher FMAP rates to states with below-average incomes (and vice versa, subject to the 50% minimum).[7]

The Department of Health & Human Services (HHS) usually publishes FMAP rates for an upcoming fiscal year in the *Federal Register* during the preceding November. This time lag between announcement and implementation provides an opportunity for states to adjust to FMAP rate changes, but it also means that 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.

In the **Appendix** to this report, **Table A-1** shows regular FMAP rates for each of the 50 states and the District of Columbia from FY2006-FY2014.

Data Used to Calculate State FMAP Rates

As specified in Section 1905(b) of the Social Security Act, 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. In its FY2014 FMAP calculations, HHS used state per capita personal income data for 2009, 2010, and 2011 that became available from the Department of Commerce's Bureau of Economic Analysis (BEA) in September 2012. The use of a three-year average helps to moderate fluctuations in a state's FMAP rate over time.

[5] For more information about CHIP, see CRS Report R40444, *State Children's Health Insurance Program (CHIP): A Brief Overview*, by Elicia J. Herz and Evelyne P. Baumrucker.

[6] Section 1905(b) of the Social Security Act.

[7] For example, assume that U.S. per capita income is $40,000. In state A with an *above-average* per capita income of $42,000, the FMAP formula produces an FMAP rate of 50.39%; if the formula did not include a squaring of per capita income, it would instead produce a higher FMAP rate of 52.75%. In state B with a *below-average* per capita income of $38,000, the FMAP formula produces an FMAP rate of 59.39%; if the formula did not include a squaring of per capita income, it would instead produce a lower FMAP rate of 57.25%.

BEA revises its most recent estimates of state per capita personal income on an annual basis to incorporate revised and newly available source data on population and income.[8] It also undertakes a comprehensive data revision—reflecting methodological and other changes—every few years that may result in upward and downward revisions to each of the component parts of personal income (as defined in BEA's national income and product accounts, or NIPA). These components include:

- earnings (wages and salaries, employer contributions for employee pension and insurance funds, and proprietors' income);
- dividends, interest, and rent; and
- personal current transfer receipts (e.g., government social benefits such as Social Security, Medicare, Medicaid, state unemployment insurance).[9]

As a result of these annual and comprehensive revisions, it is often the case that the value of a state's per capita personal income for a given year will change over time. For example, the 2009 state per capita personal income data published by BEA in September 2011 (used in the calculation of FY2013 FMAP rates) differed from the 2009 state per capita personal income data published in September 2012 (used in the calculation of FY2014 FMAP rates).

It should be noted that the NIPA definition of personal income used by BEA is not the same as the definition used for personal income tax purposes. Among other differences, NIPA personal income excludes capital gains (or losses) and includes transfer receipts (e.g., government social benefits), while income for tax purposes includes capital gains (or losses) and excludes most of these transfers.

Factors that Affect FMAP Rates

Several factors affect states' FMAP rates. The first is the nature of the state economy and, to the extent possible, a state's ability to respond to economic changes (i.e., downturns or upturns). The impact on a particular state of a national economic downturn or upturn 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 impact on all state economies, will have a larger impact in states that manufacture automobiles as production is reduced and workers are laid off.

Second, the FMAP formula relies on per capita personal income *in relation to the U.S. average per capita personal income*. The national economy is basically the sum of all state economies. As a result, the national response to an economic change is the sum of the state responses to economic change. If more states (or larger states) experience an economic decline, the national economy reflects this decline to some extent. However, the national decline will be lower than some states' declines because the total decline has been offset by states with small decreases or even increases (i.e., states with growing economies). The U.S. per capita personal income,

[8] Preliminary estimates of state per capita personal income for the latest available calendar year—as well as revised estimates for the two preceding calendar years—are released in April. Revised estimates for all three years are released in September.

[9] Employer and employee contributions for government social insurance (e.g., Social Security, Medicare, unemployment insurance) are excluded from personal income, and earnings are counted based on residency (i.e., for individuals who live in one state and work in another, their income is counted in the state where they reside).

because of this balancing of positive and negative, has only a small percentage change each year. Since the FMAP formula compares state changes in per capita personal income (which can have large changes each year) to the U.S. per capita personal income, this comparison can result in significant state FMAP rate changes.

In addition to annual revisions of per capita personal income data, comprehensive NIPA revisions undertaken every four to five years may also influence regular FMAP rates (e.g., because of changes in the definition of personal income). The impact on FMAP rates will depend on whether the changes are broad (affecting all states) or more selective (affecting only certain states or industries).

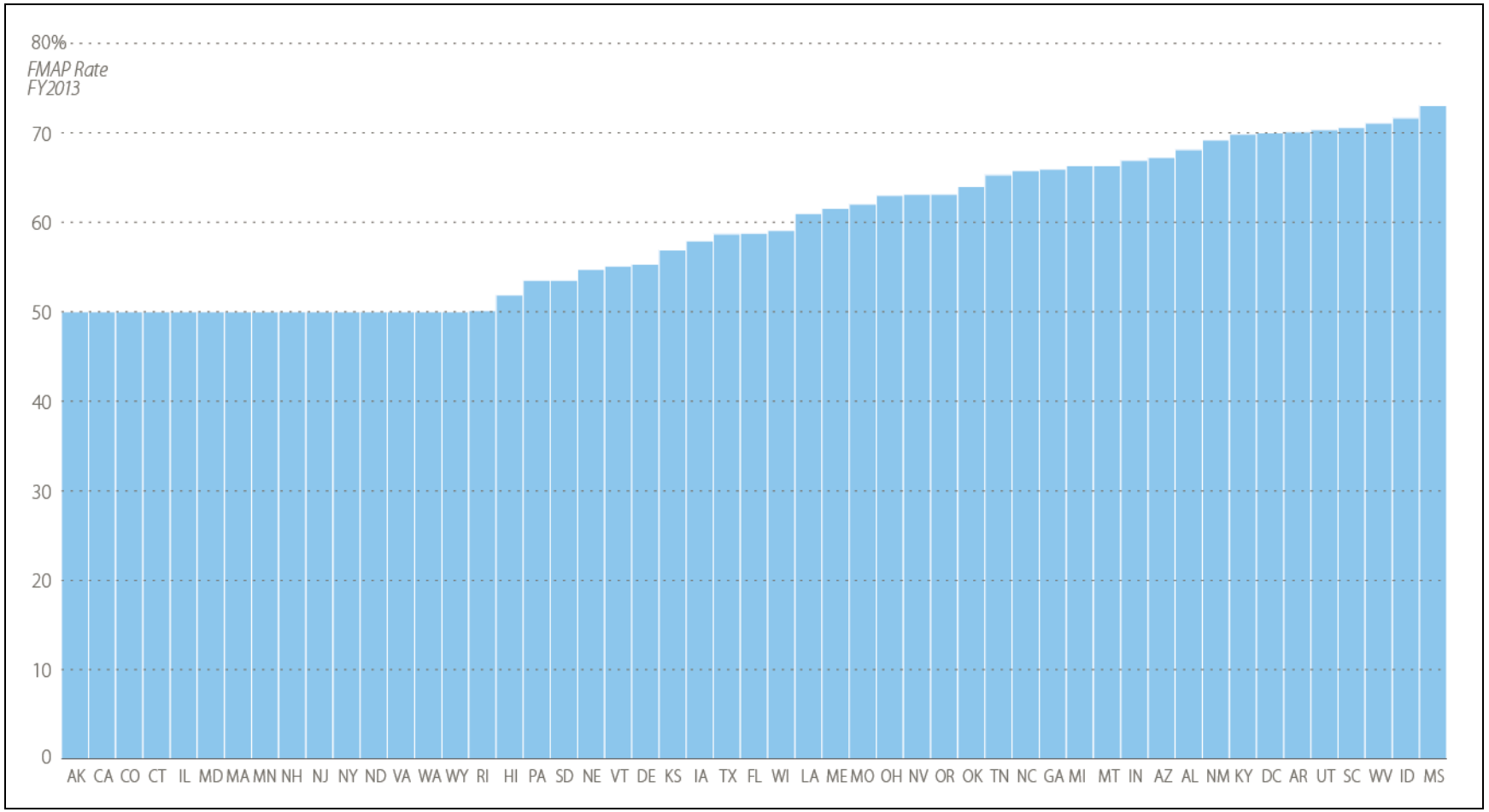
FY2014 Regular FMAP Rates

Regular FMAP rates for FY2014 (the federal fiscal year that begins on October 1, 2013) were calculated and published November 30, 2012, in the *Federal Register*.[10] In the **Appendix** to this report, **Table A-1** shows regular FMAP rates for each of the 50 states and the District of Columbia for FY2006 through FY2014. **Figure 1** shows the state distribution of regular FMAP rates for FY2014. Fifteen states will have the statutory minimum FMAP rate of 50.00% (Rhode Island is very close at 50.11%), and Mississippi will have the highest FMAP rate of 73.05%.

[10] Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2013 Through September 30, 2014," 77 *Federal Register* 71420, November 30, 2012.

Figure 1. State Distribution of Regular FMAP Rates

FY2014

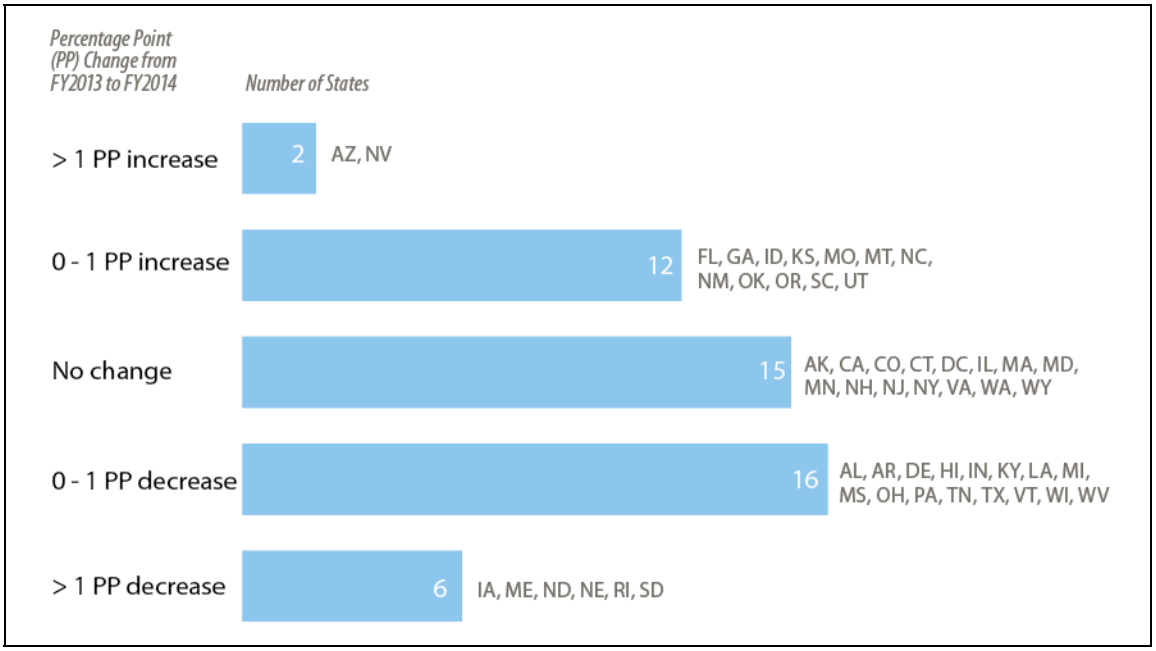


Source: Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2013 Through September 30, 2014," 77 *Federal Register* 71420, November 30, 2012.

Note: State-by-state FY2014 regular FMAP rates are listed in **Table A-1**.

As shown in **Figure 1**, from FY2013 to FY2014, the regular FMAP rates for 36 states will change, while the regular FMAP rates for the remaining 15 states (including the District of Columbia) will remain the same.[11]

Figure 2. FMAP Rate Changes for States from FY2013 to FY2014



Source: Prepared by CRS using FY2013 and FY2014 regular FMAP rates.

Note: Specific FMAP rate changes for each state are listed in **Table A-1**.

For most of the states experiencing an FMAP rate change from FY2013 to FY2014, the change will be less than one percentage point. The regular FMAP rate for 12 states will increase by as much as one percentage point, and the FMAP rate for 16 states will decrease by as much as one percentage point.

For states that will experience an FMAP rate change greater than one percentage point from FY2013 to FY2014, two states will experience an FMAP rate increase of greater than one percentage point, and six states will experience an FMAP rate decrease of greater than one percentage point. Nevada will have the largest FMAP rate increase with a 3.36 percentage point increase, and South Dakota will have the largest FMAP rate decrease with a 2.65 percentage point decrease.

Two states will have FY2014 FMAP rates that are not calculated according to the regular FMAP formula: the District of Columbia and Louisiana. The FMAP rate for the District of Columbia has been set in statute at 70% since 1998, and Louisiana will receive a disaster-recovery FMAP adjustment (discussed in further detail below) increase over its FY2014 regular FMAP rate.

[11] All the states with no change to their regular FMAP rates from FY2012 to FY2013 receive the statutory minimum FMAP rate of 50%, and the regular FMAP rate for the District of Columbia is statutorily set at 70%.

FMAP Exceptions

Although FMAP rates are generally determined by the formula described above, **Table 1** lists exceptions that have been added to the Medicaid statute over the years. **Table 1** identifies whether the exception is a current (i.e., the exception currently applies), future (i.e., the exception will apply beginning at the specified date), or past (i.e., the exception no longer applies) FMAP rate exception.

Table 1. Exceptions to the Regular FMAP Rates for Medicaid

Exception	Description	Citations	Past, Current, or Future Exception
Territories and Certain States			
Territories	As of July 1, 2011, FMAP rates for the territories (Puerto Rico, American Samoa, the Northern Mariana Islands, Guam, and the Virgin Islands) were increased from 50% to 55%. Unlike the 50 states and the District of Columbia, the territories are subject to federal spending caps. The 55% also applies for purposes of computing the enhanced FMAP rate for CHIP.	Most recently P.L. 111-148, as amended by P.L. 111-152; SSA §1905(b), 1108(f) and (g)	Current
District of Columbia	As of FY1998, the District of Columbia's FMAP rate is set at 70% (without this exception, it would be at the statutory minimum of 50%). The 70% also applies for purposes of computing the enhanced FMAP rate for CHIP.	P.L. 105-33; SSA §1905(b)	Current
Alaska	Alaska's FMAP rate was set in statute for FY1998-FY2000 at 59.80%; used an alternative formula for FY2001-FY2005 that reduced the state's per capita income by 5% (thereby increasing its FMAP rate); and was held at its FY2005 level for FY2006-FY2007. These provisions also applied for purposes of computing the enhanced FMAP rate for CHIP.	P.L. 105-33 §4725(a); P.L. 106-554 Appendix F §706; P.L. 109-171 §6053(a)	Past
Special Situations			
Adjustment for disaster recovery	Beginning in CY2011, a disaster-recovery FMAP adjustment is available for states in which (1) during one of the preceding seven years, the President declared a major disaster under the Stafford Act and every county in the state warranted at least public assistance under that act and (2) the regular FMAP rate declines by a specified amount. To trigger the adjustment, a state's regular FMAP rate must be at least three percentage points less than such state's last year's regular FMAP rate plus (if applicable) any hold harmless increase under P.L. 111-5; the adjustment is an FMAP rate increase equal to 50% of the difference between the two. To continue receiving the adjustment, the state's regular FMAP rate must be at least three percentage points less than last year's adjusted FMAP rate; the adjustment is an FMAP rate increase equal to 25% of the difference between the two. (Discussed in further detail in the text.)	P.L. 111-148, as amended by P.L. 111-152, P.L. 112-96 P.L, and 112-141; SSA §1905(aa); 75 *Federal Register* 80501 (December 22, 2010)	Current

Exception	Description	Citations	Past, Current, or Future Exception
Adjustment for certain employer contributions	As of FY2006, significantly disproportionate employer pension and insurance fund contributions will be excluded from the calculation of Medicaid FMAP rates. This will have the effect of reducing certain states' per capita personal income relative to the national average, which in turn could increase their Medicaid FMAP rates. Any identifiable employer contributions towards pensions or other employee insurance funds are considered to be significantly disproportionate if the increase in the amount of employer contributions accrued to residents of a state exceeds 25% of the total increase in personal income in that state for the year involved. To date, no state has qualified for this adjustment.	P.L. 111-3 §614; 75 *Federal Register* 63482 (October 15, 2010)	Current
State fiscal relief, FY2009-FY2011	FMAP rates were increased from the first quarter of FY2009 through the third quarter of FY2011, providing states with more than $100 billion (about $84 billion for the original provision and $16 billion for a six-month extension) in additional funds. All states received a hold harmless to prevent any decline in regular FMAP rates and an across-the-board increase of 6.2 percentage points until the last two quarters of the period, at which point the across-the-board percentage point increase phased down to 3.2 and then 1.2; qualifying states received an additional unemployment-related increase. Each territory could choose between an FMAP increase of 6.2 percentage points along with a 15% increase in its spending cap, or its regular FMAP rate along with a 30% increase in its cap; all chose the latter. States were required to meet certain requirements in order to receive the increase.	P.L. 111-5 §5001, as amended by P.L. 111-226 §201	Past
Adjustment for Hurricane Katrina	In computing FMAP rates for any year after 2006 for a state that the Secretary of HHS determines has a significant number of Hurricane Katrina evacuees as of October 1, 2005, the Secretary must disregard such evacuees and their incomes. Although it was labeled as a "hold harmless for Katrina impact," the provision language required evacuees to be disregarded even if their inclusion would increase a state's FMAP rate. Due to lags in the availability of data used to calculate FMAP rates, FY2008 was the first year to which the provision applied. HHS proposed and finalized a methodology that prevented the lowering of any FY2008 FMAP rates and increased the FY2008 FMAP rate for one state (Texas). The methodology took advantage of a data timing issue that does not apply after FY2008. HHS had initially expressed concern that some states could see lower FMAP rates in later years as a result of the provision, but the final methodology indicated that there is no reliable way to track the number and income of evacuees on an ongoing basis and therefore no basis for adjusting FMAP rates after FY2008. The provision also applied for purposes of computing the enhanced FMAP rate for CHIP.	P.L. 109-171 §6053(b); 72 *Federal Register* 3391 (January 25, 2007) and 44146 (August 7, 2007)	Past

Exception	Description	Citations	Past, Current, or Future Exception
State fiscal relief, FY2003-FY2004	FMAP rates for the last two quarters of FY2003 and the first three quarters of FY2004 were not allowed to decline (i.e., were held harmless) and were increased by an additional 2.95 percentage points, providing states with about $10 billion in additional funds (they also received $10 billion in direct grants). Although Medicaid disproportionate share hospital (DSH) payments are reimbursed using the FMAP rate, the increase did not apply to DSH. States had to meet certain requirements in order to receive an increase (e.g., they could not restrict eligibility after a specified date).	P.L. 108-27 §401(a)	Past
Certain Populations			
"Newly eligible" individuals enrolled in new eligibility group through 133% FPL	Historically, Medicaid eligibility generally has been limited to low-income individuals who fall into specified categories (typically children, parents, pregnant women, disabled, and elderly). As of CY2014, Medicaid coverage will be available to individuals under a new eligibility group for nonelderly, nonpregnant adults at or below 133% FPL at state option. The law specifies an income disregard in the amount of 5% FPL will be deducted from an individual's income when determining Medicaid eligibility based on MAGI, thus the effective upper income eligibility threshold for such individuals in this new eligibility group will be 138% FPL. An increased FMAP rate will be provided for services rendered to "newly eligible" individuals in this group. The "newly eligible" are defined as those who would not have been eligible for Medicaid in the state as of 12/1/2009 or were eligible under a waiver but not enrolled because of limits or caps on waiver enrollment. The FMAP rates for "newly eligible" individuals will equal: CY2014-CY2016 = 100%; CY2017 = 95%; CY2018 = 94%; CY2019 = 93%; CY2020+ = 90%.	P.L. 111-148, as amended by P.L. 111-152; SSA §1905(y)	Future
"Expansion state" individuals enrolled in new eligibility group through 133% FPL	Although Medicaid eligibility has generally been limited to certain categories of individuals, some states provide health coverage for all low-income individuals using Medicaid waivers. As a result, they have few or no individuals who will qualify for the "newly eligible" FMAP rate beginning in CY2014. To address this issue, as of CY2014, an increased FMAP rate will be provided for individuals in "expansion states" who were eligible for Medicaid as of 3/23/10 (P.L. 111-148's enactment date) in the new eligibility group for nonelderly, nonpregnant adults at or below 133% FPL. "Expansion states" are defined as those that, as of 3/23/2010, offered health benefits coverage meeting certain criteria statewide to parents and nonpregnant childless adults at least through 100% FPL. The formula used to calculate "expansion state" FMAP rates is [regular FMAP + (newly eligible FMAP – regular FMAP) * transition percentage equal to 50% in CY2014, 60% in CY2015, 70% in CY2016, 80% in CY2017, 90% in CY2018, and 100% in CY2019+] will lead the "expansion state" FMAP rates to vary based on a state's regular FMAP rate until CY2019, at which point they will equal "newly eligible" FMAP rates: CY2014 = at least 75%; CY2015 = at least 80%; CY2016 = at least 85%; CY2017 = at least 86%; CY2018 = at least 90%; CY2019 = 93%; CY2020+ = 90%.	P.L. 111-148, as amended by P.L. 111-152; SSA §1905(z)(2)	Future

Exception	Description	Citations	Past, Current, or Future Exception
Other "expansion state" individuals	During CY2014 and CY2015, an FMAP rate increase of 2.2 percentage points is available for "expansion states" that (1) the Secretary of HHS determines will not receive any FMAP rate increase for "newly eligible" individuals and (2) have not been approved to divert Medicaid disproportionate share hospital funds to pay for the cost of health coverage under a waiver in effect as of July 2009. The FMAP rate increase applies to those who are *not* "newly eligible" individuals as described in relation to the new eligibility group for nonelderly, nonpregnant adults at or below 133% FPL. It appears that Vermont meets the criteria for this increase.	P.L. 111-148, as amended by P.L. 111-152; SSA §1905(z)(1)	Future
Certain women with breast or cervical cancer	For states that opt to cover certain women with breast or cervical cancer who do not qualify for Medicaid under a mandatory eligibility pathway and are otherwise uninsured, expenditures for these women are reimbursed using the enhanced FMAP rate that applies to CHIP.	P.L. 106-354, as amended by P.L. 107-121; SSA §1905(b)	Current
Qualifying Individuals program	States are required to pay Medicare Part B premiums for Medicare beneficiaries with income between 120% and 135% FPL and limited assets (referred to as "qualifying individuals"), up to a specified dollar allotment. They receive 100% federal reimbursement for these costs, which are financed at the federal level by a transfer of funds from Medicare to Medicaid. This provision has been extended numerous times and is currently funded through December 31, 2013.	P.L. 105-33, most recently extended via P.L. 112-240; SSA §1933(d)	Current
Certain Providers			
Primary care payment rates	During CY2013 and CY2014, states are required to provide Medicaid payments that are at or above Medicare rates for primary care services (defined as evaluation and management and certain administration of immunizations) furnished by a physician with a primary specialty designation of family, general internal, or pediatric medicine. States will receive 100% federal reimbursement for expenditures attributable to the amount by which Medicare exceeds their Medicaid payment rates in effect on 7/1/2009.	P.L. 111-148, as amended by P.L. 111-152; SSA §1902(a)(13)(C); 77 *Federal Register* 66670.	Current
Indian Health Service facility	States receive 100% federal reimbursement for services provided through an Indian Health Service facility.	P.L. 94-437; SSA §1905(b)	Current
Certain Services			
Certain preventive services and immunizations	As of CY2013, states that opt to cover—with no cost sharing—clinical preventive services recommended with a grade of A or B by the United States Preventive Services Task Force (USPSTF) and adult immunizations recommended by the Advisory Committee on Immunization Practices (ACIP) will receive a one percentage point increase in their FMAP rate for those services.	P.L. 111-148, as amended by P.L. 111-152; SSA §1905(b)	Current
Smoking cessation for pregnant women	As of CY2013, states that opt to cover USPSTF preventive services and ACIP adult immunizations as noted above will also receive a one percentage point increase in their FMAP rate for smoking cessation services that are mandatory for pregnant women.	P.L. 111-148, as amended by P.L. 111-152; SSA §1905(b)	Current
Family planning	States receive 90% federal reimbursement for family planning services and supplies.	P.L. 92-603; SSA §1903(a)(5)	Current

Exception	Description	Citations	Past, Current, or Future Exception
Health homes	As of CY2011, states have a new option for providing "health home" and associated services to certain individuals with chronic conditions. They will receive 90% federal reimbursement for these services for the first eight quarters that the health home option is in effect in the state.	P.L. 111-148, as amended by P.L. 111-152; SSA §1945(c)(1)	Current
Home and community-based attendant services and supports	As of FY2011, states have a new option for providing home and community-based attendant services and supports for certain individuals at or below 150% FPL, or a higher income level applicable to those who require an institutional level of care. They will receive a six percentage point increase in their regular FMAP rate for these services.	P.L. 111-148, as amended by P.L. 111-152; SSA §1915(k)(2)	Current
State balancing incentive payments	During FY2011-FY2015, state balancing incentive payments are available under certain conditions for states in which less than 50% of Medicaid expenditures for long-term services and supports (LTSS) are non-institutional. Qualifying states with less than 25% non-institutional LTSS must plan to achieve a 25% target and can receive a five percentage point increase in their FMAP rate for non-institutional LTSS; those with less than 50% must plan to achieve a 50% target and can receive a two percentage point increase. Federal spending on these increased FMAP rates is limited to $3 billion during the period.	P.L. 111-148, as amended by P.L. 111-152, §10202	Current
Administrative Activities			
Training of Medical Personnel	States receive a 75% FMAP rate for costs attributable to compensation or training of skilled professional medical personnel, and staff directly supporting such personnel.	SSA §1903(a)(2)(A)&(B)	Current
Immigration Verification System	States receive 100% federal reimbursement for the cost of implementation and operation of an immigration status verification system.	SSA §1903(a)(4)	Current
Fraud Control Unit	States receive 75% FMAP rate for state expenditures related to the operation of a state Medicaid fraud control unit.	SSA §1903(a)(6)	Current
Preadmission Screening	State expenditures attributable to preadmission screening and resident review for individuals with mental illness or mental retardation who are admitted to a nursing facility receive 75% FMAP rate.	SSA §1903(a)(2)(C)	Current
Survey and Certification	States receive 75% FMAP rate for state expenditures related to survey and certification of nursing facilities.	SSA §1903(a)(2)(D)	Current
Managed Care Review Activities	States receive 75% FMAP rate for state expenditures related to performance of medical and utilization review activities or external independent review of managed care activities.	SSA §1903(a)(3)(C)	Current

Exception	Description	Citations	Past, Current, or Future Exception
Claims and Eligibility Systems	States receive 90% FMAP rate for the design, development, or installation of mechanized claims systems and 75% FMAP rate for operating mechanized claims systems. Both federal reimbursement percentages are subject to certain criteria set by the Secretary of HHS, which includes whether the activity is likely to provide more efficient, economical, and effective administration of claims processing. CMS published a final rule to amend the definition of Mechanized Claims Processing and Information Retrieval systems to include systems used for eligibility determination, enrollment, and eligibility reporting activities thereby making the 90% FMAP rate available for the design, development and installation or enhancement of eligibility determination systems until December 31, 2015, and 75% FMAP rate for maintenance and operations available for such systems beyond that date as long as certain requirements are met.	SSA §1903(a)(3)(A) and (B); 76 *Federal Register* 21950 (April 19, 2011)	Current
Translation or Interpretation Services	Administrative expenditures for translation or interpretation services in connection with the "enrollment of, retention of, and use of services" under Medicaid receive 75% FMAP rate. For CHIP, the increased match is 75%, or the state's enhanced FMAP rate plus 5 percentage points, whichever is higher, and the CHIP increased match is subject to the 10% cap on administrative expenditures. The increased FMAP rate for translation or interpretation services is only available for eligible expenditures claimed as administrative and not expenditures claimed as medical assistance-related (which receive each state's regular FMAP rate).	P.L. 111-3; SSA §1903(a)(2)(E); State Medicaid Director Letter, State Health Official 10-007, CHIPRA 18, July 1, 2010.	Current
General Administration	Remaining state expenditures found necessary for the proper and efficient administration of the state plan receive a 50% FMAP rate.	SSA §1903(a)(7)	Current

Source: Congressional Research Service, based on sources noted in the table.

Notes: Unless noted, exceptions do not apply for purposes of computing the enhanced FMAP rate for CHIP. SSA = Social Security Act; FPL = federal poverty level; CHIPRA = Children's Health Insurance Program Reauthorization Act.

Recent Issues

Some recent issues related to the FMAP rate include FMAP changes in the ACA, federal deficit reduction proposals impacting the FMAP rate, and the disaster-related FMAP adjustment.

FMAP Changes in the ACA

The Medicaid provisions in ACA represent the most considerable reform to Medicaid since its enactment in 1965. The most noteworthy change begins in 2014, or sooner at state option, when the ACA expands Medicaid to include a new mandatory eligibility group: all adults under age 65 with income up to 133% of the federal poverty level (FPL) (effectively 138% FPL with the

Modified Adjusted Gross Income or MAGI 5% FPL income disregard).[12] Originally, it was assumed that all states would implement the ACA Medicaid expansion in 2014 as required by statute because implementing the ACA Medicaid expansion was required in order for states to receive any federal Medicaid funding. However, on June 28, 2012, the United States Supreme Court issued its decision in *National Federation of Independent Business (NFIB) v. Sebelius*[13] finding that the federal government cannot terminate the federal Medicaid funding a state receives for its current Medicaid program if a state refuses to implement the ACA Medicaid expansion. If a state accepts the new ACA Medicaid expansion funds, it must abide by the new expansion coverage rules. However, based on the Court's opinion, it appears that a state can refuse to participate in the ACA Medicaid expansion without losing any of its current federal Medicaid matching funds.[14]

While not all states are expected to implement the ACA Medicaid expansion, the Congressional Budget Office (CBO) estimates the Medicaid expansion will increase Medicaid enrollment by 7 million in FY2014, which is a 20% increase over the Medicaid enrollment estimated for FY2014 without the ACA Medicaid expansion.[15] As a result, the expansion will significantly increase Medicaid expenditures, and the federal government will cover a vast majority of the costs for individuals who are "newly eligible" due to ACA.

ACA contains a number of provisions that affect FMAP rates, such as the "newly eligible" FMAP rates, the "expansion state" FMAP rates, and other FMAP rate changes discussed below.

"Newly Eligible" FMAP Rates. An increased FMAP rate will be provided for "newly eligible" individuals who will gain Medicaid eligibility due to the ACA Medicaid expansion. The "newly eligible" are defined as nonelderly, nonpregnant adults with family income below 133% FPL who would not have been eligible for Medicaid in the state as of December 1, 2009, or were eligible under a waiver but not enrolled because of limits or caps on waiver enrollment. States will receive 100% FMAP rate for the cost of providing benchmark or benchmark-equivalent coverage[16] to "newly eligible" individuals, from 2014 through 2016. For "newly eligible" individuals, the FMAP rate will phase down to 95% in 2017, 94% in 2018, 93% in 2019, and 90% afterward (See **Table 2**).[17]

[12] Historically, Medicaid eligibility was generally limited to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities. For more information about the ACA changes to Medicaid, see CRS Report R41210, *Medicaid and the State Children's Health Insurance Program (CHIP) Provisions in ACA: Summary and Timeline*, by Evelyne P. Baumrucker et al. When determining Medicaid eligibility for this group (and others) beginning in CY2014, states will be required to disregard a dollar amount of income equal to 5% FPL. The disregard will allow individuals at or below 138% FPL to enroll in the new eligibility group by reducing their countable income to 133% FPL or less.

[13] 132 S. Ct. 2566 (2012).

[14] For a discussion of the Supreme Court's decision on the Medicaid expansion, see CRS Report R42367, *Medicaid and Federal Grant Conditions After NFIB v. Sebelius: Constitutional Issues and Analysis*, by Kenneth R. Thomas.

[15] Congressional Budget Office, *Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court* Decision, July 2012.

[16] In general, benchmark benefit packages may cover fewer benefits than traditional Medicaid, but there are some requirements, such as coverage of EPSDT services and transportation to and from medical providers, that might make them more generous than private insurance. For more information about benchmark coverage, see CRS Report R42478, *Traditional Versus Benchmark Benefits Under Medicaid*, by Elicia J. Herz.

[17] The "newly eligible" FMAP rates are available for these specific years, regardless of whether a state implements the ACA Medicaid expansion in 2014 or 2017.

Table 2. FMAP Rates for ACA Medicaid Expansion

	2014	2015	2016	2017	2018	2019	2020+
"Newly eligible" Adults in all States	100%	100%	100%	95%	94%	93%	90%
Certain Individuals in "Expansion states"	75%-92%	80%-93%	85%-95%	86%-93%	90%-93%	93%	90%

Source: Prepared by CRS.

Note: For the calculation of the "expansion state" FMAP rates, the lower bound is a state with a regular FMAP rate of 50% (which is the statutory minimum), and the upper bound is a state with a regular FMAP rate of 83% (which is the statutory maximum).

"Expansion State" FMAP Rates. Although Medicaid eligibility has generally been limited to certain categories of individuals, some states provide health coverage for all low-income individuals using Medicaid waivers. As a result, they have few or no individuals who will qualify for the "newly eligible" FMAP rate. As of CY2014, these states will receive an increased FMAP rate, which is referred to as the "expansion states" FMAP rate.

"Expansion states" are defined as those that, as of March 23, 2010 (ACA's enactment date), provided health benefits coverage meeting certain criteria[18] statewide to parents and nonpregnant childless adults at least through 100% FPL. Although HHS will make the official determination, one source suggests that 11 states (Arizona, Delaware, Hawaii, Maine, Massachusetts, Minnesota, New York, Pennsylvania, Vermont, Washington, and Wisconsin) and the District of Columbia might meet the definition of an "expansion state."[19]

The "expansion state" FMAP rate will be available for individuals in "expansion states" who were eligible for Medicaid on March 23, 2010 and are in the new eligibility group for nonelderly, nonpregnant adults at or below 133% FPL. The formula[20] used to calculate the "expansion state" FMAP rates is based on a state's regular FMAP rate, so the "expansion state" FMAP rates will vary from state to state until CY2019, at which point the "newly eligible" FMAP rates and the "expansion state" FMAP rates will both be equal (see **Table 2**).

"Expansion states" are not excluded from receiving the "newly eligible" FMAP rates. Populations in an "expansion state" that meet the definition for the "newly eligible" FMAP rate will receive the "newly eligible" FMAP rate. For example, an "expansion state" that currently provides Medicaid coverage to childless adults and parents up to 100% FPL that chooses to implement the ACA Medicaid expansion will receive the higher "newly eligible" FMAP rate for individuals between 100% and 133% FPL. Also, "expansion states" will receive the "newly eligible" FMAP rate for individuals who received limited Medicaid benefits. In addition, "expansion states" that

[18] The coverage must include inpatient hospital services and cannot consist only of the following: premium assistance (or Medicaid coverage otherwise dependent on employer coverage or contribution), hospital-only plans, high-deductible health plans, or Health Opportunity Accounts under Section 1938 of the Social Security Act.

[19] However, by December 2009, the source notes that some (e.g., Maine, Pennsylvania, Washington) had closed enrollment in these programs. See Table 2 in Kaiser Commission on Medicaid and the Uninsured, *Where are States Today?*, December 2009.

[20] Expansion state FMAP formula = [regular FMAP + (newly eligible FMAP – regular FMAP) * transition percentage equal to 50% in CY2014, 60% in CY2015, 70% in CY2016, 80% in CY2017, 90% in CY2018, and 100% in CY2019+].

provided state-funded health benefits coverage will receive the "newly eligible" FMAP rate for individuals previously covered by the state-only program.[21]

Additional FMAP Increase for Certain "Expansion States." During CY2014 and CY2015, an FMAP rate increase of 2.2 percentage points is available for "expansion states" that (1) the Secretary of HHS determines will not receive any FMAP rate increase for "newly eligible" individuals and (2) have not been approved to divert Medicaid disproportionate share hospital funds to pay for the cost of health coverage under a waiver in effect as of July 2009. The FMAP rate increase applies to those who are *not* "newly eligible" individuals as described in relation to the new eligibility group for nonelderly, nonpregnant adults at or below 133% FPL. It appears that Vermont meets the criteria for this increase.

Additional Medicaid Changes. As noted in **Table 1**, ACA also provides—subject to various requirements—an increased FMAP rate for certain disaster-affected states, primary care payment rate increases, specified preventive services and immunizations, smoking cessation services for pregnant women, specified home and community-based services, health home services for certain people with chronic conditions, home and community-based attendant services and supports, and state balancing incentive payments. Three of these FMAP provisions went into effect on January 1, 2013: primary care payment rate increases, specified preventive services and immunizations, smoking cessation services for pregnant women. The other provisions have been in place for the past few years.

CHIP. Prior to ACA, federal CHIP allotments were provided through FY2013 and states received reimbursement for CHIP expenditures based on the E-FMAP rate described at the beginning of this report. Under ACA, the E-FMAP rate for CHIP expenditures in FY2016-FY2019 will be increased by 23 percentage points, up to 100%.[22] ACA also provides new federal CHIP allotments for FY2014 and FY2015. However, no federal CHIP allotments are provided during the period in which the 23 percentage point increase in the E-FMAP rate is slated to be in effect.

Federal Deficit Reduction

In a typical year, the federal government funds roughly 57% of the total cost for Medicaid,[23] and federal Medicaid expenditures account for almost 8% of all federal spending.[24] In FY2013, federal Medicaid payments to states are estimated to amount to $276 billion.[25] Federal Medicaid payments are anticipated to grow significantly beginning in FY2014 due to the expansion of Medicaid eligibility provided in the ACA.[26] As a percentage of gross domestic product (GDP),

[21] Centers for Medicare & Medicaid Services, *Frequently Asked Questions on Exchanges, Market Reforms and Medicaid*, December 10, 2012.

[22] Currently, E-FMAP rates can range from 65% to a maximum of 85%. If the ACA increase applied in FY2011, nine states (Alabama, Arkansas, Idaho, Kentucky, Mississippi, New Mexico, South Carolina, Utah, West Virginia) and the District of Columbia would have a CHIP matching rate of 100%.

[23] Office of the Actuary, *2010 Actuarial Report on the Financial Outlook for Medicaid*, Centers for Medicare and Medicaid Services, December 2010.

[24] Office of Management and Budget, *Historical Tables: Budget of the U.S. Government,* Fiscal Year 2012.

[25] Congressional Budget Office, *Medicaid Spending and Enrollment Detail for CBO's March 2012 Baseline,* March 13, 2012.

[26] Historically, Medicaid eligibility was generally limited to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities; however, ACA requires Medicaid coverage for individuals (continued...)

federal Medicaid expenditures are expected to increase from about 1.7% of GDP in FY2013 to 2.4% of GDP in FY2022.[27] As a result, controlling federal Medicaid spending has been a focus of federal deficit reduction proposals, and amending the FMAP structure has been identified as a way to reduce federal Medicaid spending by a reduction to the statutory FMAP floor.

Reduce the FMAP Floor

As mentioned above, the FMAP has a statutory maximum of 83% and a statutory minimum of 50%. In its *Choices for Deficit Reduction* report, CBO provided estimates for a series of options that Congress may choose to examine as it considers deficit reduction. One such option would reduce federal Medicaid spending by reducing the statutory FMAP floor, and CBO estimates this option would save $20 billion in federal Medicaid expenditures in FY2020.[28]

Regular FMAP rates for FY2014 range from 50% (15 states) to 73% (Mississippi). If this option were in place for FY2014, it would impact the 15 states that have FMAP rates of 50%. The other 35 states and the District of Columbia would not be impacted by this option.

Disaster-Recovery Adjusted FMAP Rate

The ACA added a disaster-recovery FMAP adjustment for states that have experienced a major, statewide disaster. This adjustment was available to states beginning the fourth quarter of FY2011.[29]

There are two criteria for states to qualify for the disaster-recovery FMAP adjustment. First, during the preceding seven years, the President must have declared a major disaster under the Stafford Act in the state where every county in the state was eligible for public assistance from the federal government. Second, the state's regular FMAP rate must have declined at least three percentage points from the prior year's FMAP rate.[30]

In the first year a state qualifies for the disaster-recovery adjusted FMAP rate, the FMAP rate shall be equal to the regular FMAP rate as determined for the fiscal year, plus 50% of the difference between the current year's regular FMAP rate and the preceding year's FMAP rate. For

(...continued)

under the age of 65 with income up to 133% of the federal poverty level. For more information about the ACA changes to Medicaid, CRS Report R41210, *Medicaid and the State Children's Health Insurance Program (CHIP) Provisions in ACA: Summary and Timeline*, by Evelyne P. Baumrucker et al.

[27] Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to* 2022, August 2012.

[28] CBO does not provide specifics about how far the FMAP floor would be lowered under their budget option. (Congressional Budget Office, *Choices for Deficit Reduction*, November 2012.)

[29] Initially, the disaster-recovery FMAP adjustment was supposed to be available beginning January 1, 2011. However, the disaster-recovery adjusted FMAP rate was not available until the fourth quarter of FY2011 due to the six month extension of the temporary FMAP rate increases provided through the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) and extended by P.L. 111-226.

[30] To meet this criterion in the first year, a state's regular FMAP rate must have declined at least three percentage points relative to their regular FMAP rate from the preceding year. To meet this criterion in the second and subsequent years, a state's regular FMAP rate must have declined at least three percentage points relative to the preceding year's disaster-recovery adjusted FMAP rate.

the second and subsequent years a state qualifies for the adjustment, the FMAP rate shall be equal to the state's regular FMAP rate for that year plus 25% of the difference between the current year's regular FMAP rate and the preceding year's disaster-recovery adjusted FMAP rate.

Originally (i.e., as enacted by the ACA), for the second and subsequent years, the FMAP increase was applied to the prior year's disaster-recovery adjusted FMAP. However, this caused the state's FMAP rate to increase, rather than phase down as intended, each year a state qualifies for the adjustment. As a result, Section 3204 of the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) revised the formula so that for the second and subsequent years the increase will be applied to the regular FMAP as determined for the fiscal year. This provision had an effective date of October 1, 2013. The effective date was later amended by Section 100123 of the Moving Ahead for Progress in the 21st Century Act (MAP-21, P.L. 112-141) to October 1, 2012. In addition, MAP-21 amended the formula for FY2013 by changing the adjustment factor from 25% to 50% for only FY2013.

Louisiana was the only state that met both requirements for FY2011, FY2012, FY2013, and FY2014. **Table 3** shows the calculation for Louisiana's disaster-recovery adjusted FMAP rate for each of those years.

Table 3. Calculation for Louisiana's Disaster-Recovery Adjusted FMAP Rate

FY2011 to FY2014

First Year of Disaster-Recovery Adjustment

	Regular FMAP Rate	Prior Year FMAP Rate[a]	Difference in FMAP Rate	Disaster-Recovery Adjustment Increase	Disaster-Recovery Adjusted FMAP Rate
	A	B	C = B - A	D = 50% × C	E = A + D
FY2011[b]	63.61	72.47	8.86	4.43	68.04

Second and Subsequent Years of Disaster-Recovery Adjustment *Prior* to P.L. 112-96

	Regular FMAP Rate	Prior Year Disaster-Recovery Adjusted FMAP Rate	Difference in FMAP Rate	Disaster-Recovery Adjustment Increase	Disaster-Recovery Adjusted FMAP Rate
	A	B	C = B - A	D = 25% × C	E = B + D
FY2012	61.09	68.04	6.95	1.74	69.78

Special Formula for FY2013

	Regular FMAP Rate	Prior Year Disaster-Recovery Adjusted FMAP Rate	Difference in FMAP Rate	Disaster-Recovery Adjustment Increase	Disaster-Recovery Adjusted FMAP Rate
	A	B	C = B - A	D = 50% × C[c]	E = A + D[d]
FY2013	61.24	69.78	8.54	4.27	65.51

Second and Subsequent Years of Disaster-Recovery Adjustment *After* to P.L. 112-96

	Regular FMAP Rate	Prior Year Disaster-Recovery Adjusted FMAP Rate	Difference in FMAP Rate	Disaster-Recovery Adjustment Increase	Disaster-Recovery Adjusted FMAP Rate
	A	B	C = B - A	D = 25% × C	E = A + D[d]
FY2014	60.98	65.51	4.53	1.13	62.11

Source: Office of the Secretary, Department of Health and Human Services, "Adjustments for Disaster-Recovery States to the Fourth Quarter of Fiscal Year 2011 and Fiscal Year 2012 Federal Medical Assistance Percentage (FMAP) Rates for Federal Matching Shares for Medicaid and Title IV–E Foster Care, Adoption Assistance and Guardianship Assistance Programs," 75 *Federal Register* 80501; December 22, 2010. Office of the Secretary, Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2012 Through September 30, 2013," 76 *Federal Register* 74061, November 30, 2011; Office of the Secretary, Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2013 Through September 30, 2014," 77 *Federal Register 71420*, November 30, 2012.

a. For FY2011, the preceding fiscal year's regular FMAP rate includes the application of the "hold harmless" provision under the ARRA temporary FMAP rate increase.

b. Initially, the disaster-recovery FMAP adjustment was to go into effective on January 1, 2011. However, due to the extension of the ARRA FMAP adjustments, which extended the recession adjustment period to June 30, 2011 (the end of the third quarter of FY2011), no state qualified for the disaster-recovery adjustment until the fourth quarter of FY2011.

c. The Moving Ahead for Progress in the 21st Century Act (MAP-21, P.L. 112-141) amended the disaster-related adjusted FMAP formula for FY2013 by changing the adjustment factor from a 25% to a 50%.

d. The Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) revised the disaster-recovery adjustment formula so that for the second and subsequent years the increase will be applied to the regular FMAP for that year rather than the prior year's disaster-recovery adjusted FMAP rate. Originally, this change had an effective date of October 1, 2013, but the Moving Ahead for Progress in the 21st Century Act (MAP-21, P.L. 112-141) changed the effective date to October 1, 2012.

In the fourth quarter of FY2011, Louisiana met the Stafford Act criteria (due to Hurricane Katrina and Hurricane Gustav),[31] and its regular FY2011 FMAP rate (63.61%) was at least three percentage points less than its regular FY2010 FMAP rate plus hold harmless from the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) temporary FMAP rate increase (72.47%). As shown in **Table 3**, Louisiana's regular FMAP rate was adjusted 4.43 percentage points for a total FMAP rate of 68.04% for the fourth quarter of FY2011.

For FY2012, Louisiana met the Stafford Act criteria (due to Hurricane Katrina and Hurricane Gustav), and its regular FY2012 FMAP rate (61.09%) is at least three percentage points less than its FY2011 disaster-recovery adjusted FMAP rate (68.04%). As shown in **Table 3**, Louisiana's FY2012 disaster-recovery FMAP adjustment is 3.48 percentage points, which was applied to the FY2011 disaster-recovery adjusted FMAP rate for a total FMAP rate of 69.78%.

For FY2013, Louisiana meets the Stafford Act criteria (due to Hurricane Gustav), and Louisiana's regular FMAP rate for FY2013 (61.24%) is more than three percentage points lower than

[31] Hurricane Katrina was declared a major disaster under the Stafford Act on August 29, 2005, and Hurricane Gustav was declared a statewide disaster on September 2, 2008.

Louisiana's disaster-recovery adjusted FMAP rate for FY2012 (69.78%). As shown in **Table 3**, Louisiana's FY2013 regular FMAP rate is increased by 4.27 percentage points for a total FMAP rate of 65.51%.

For FY2014, Louisiana will meet the Stafford Act criteria (due to Hurricane Gustav), and Louisiana's regular FMAP rate for FY2014 (60.98%) is more than three percentage points lower than Louisiana's disaster-recovery adjusted FMAP rate for FY2012 (65.51%). As shown in **Table 3**, Louisiana's FY2014 regular FMAP rate will be increased by 1.13 percentage points for a total FMAP rate of 62.11%.

Conclusion

The FMAP rate is used to reimburse states for the federal share of most Medicaid expenditures. In FY2014, 15 states will have the statutory minimum FMAP rate of 50%, and Mississippi will have the highest FMAP rate of 73.05%. From FY2013 to FY2014, the regular FMAP rates for 36 states will change, while the regular FMAP rates for the remaining 15 states (including the District of Columbia) will remain the same.

Exceptions to the regular FMAP rate have been made for certain states, situations, populations, providers, and services. The ACA added a number of exceptions to the FMAP for "newly eligible" individuals, "expansion states," disaster-affected states, primary care payment rate increases, specified preventive services and immunizations, smoking cessation services for pregnant women, specified home and community-based services, health home services for certain people with chronic conditions, home and community-based attendant services and supports, and state balancing incentive payments.

Since federal Medicaid expenditures are a large and growing portion of the federal budget, controlling federal Medicaid spending has been a focus of federal deficit reduction proposals. Amending the FMAP structure has been identified as a way to reduce federal Medicaid spending by reducing the statutory FMAP floor.

Appendix. Regular FMAP Rates for Medicaid, by State

Table A-1 shows regular FY2006-FY2014 FMAP rates calculated according to the formula described in the text of the report (see "How FMAP Rates Are Calculated"). In FY2014, FMAP rates range from 50% (15 states) to 73% (Mississippi). From FY2013 to FY2014, regular FMAP rates will decrease for 22 states,[32] increase for 14 states,[33] and remain the same for 14 states[34] and the District of Columbia. All of the 14 states for which the FMAP rates do not change have the statutory minimum FMAP rate of 50%, and the FMAP rate for the District of Columbia is statutorily set at 70%.

Table A-1. Regular FMAP Rates, by State, FY2006-FY2014

State	FY06	FY07	FY08	FY09[a]	FY10[a]	FY11[a]	FY12	FY13	FY14	Change FY13 to FY14
Alabama	69.51	68.85	67.62	67.98	68.01	68.54	68.62	68.53	68.12	-0.41
Alaska	57.58	57.58	52.48	50.53	51.43	50.00	50.00	50.00	50.00	0.00
Arizona	66.98	66.47	66.20	65.77	65.75	65.85	67.30	65.68	67.23	1.55
Arkansas	73.77	73.37	72.94	72.81	72.78	71.37	70.71	70.17	70.10	-0.07
California	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Colorado	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Connecticut	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Delaware	50.09	50.00	50.00	50.00	50.21	53.15	54.17	55.67	55.31	-0.36
District of Columbia[b]	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	0.00
Florida	58.89	58.76	56.83	55.40	54.98	55.45	56.04	58.08	58.79	0.71
Georgia	60.60	61.97	63.10	64.49	65.10	65.33	66.16	65.56	65.93	0.37
Hawaii	58.81	57.55	56.50	55.11	54.24	51.79	50.48	51.86	51.85	-0.01
Idaho	69.91	70.36	69.87	69.77	69.40	68.85	70.23	71.00	71.64	0.64
Illinois	50.00	50.00	50.00	50.32	50.17	50.20	50.00	50.00	50.00	0.00
Indiana	62.98	62.61	62.69	64.26	65.93	66.52	66.96	67.16	66.92	-0.24
Iowa	63.61	61.98	61.73	62.62	63.51	62.63	60.71	59.59	57.93	-1.66
Kansas	60.41	60.25	59.43	60.08	60.38	59.05	56.91	56.51	56.91	0.40

[32] The 22 states with regular FMAP rates decreasing from FY2013 to FY2014 are Alabama, Arkansas, Delaware, Hawaii, Indiana, Iowa, Kentucky, Louisiana, Maine, Michigan, Mississippi, Nebraska, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Vermont, West Virginia, and Wisconsin.

[33] The 14 states with regular FMAP rates increasing from FY2013 to FY2014 are Arizona, Florida, Georgia, Idaho, Kansas, Missouri, Montana, Nevada, North Carolina, New Mexico, Oklahoma, Oregon, South Carolina, and Utah.

[34] The 14 states with regular FMAP rates remaining the same from FY2012 to FY2013 are Alaska, California, Colorado, Connecticut, Illinois, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Virginia, Washington, and Wyoming.

State	FY06	FY07	FY08	FY09[a]	FY10[a]	FY11[a]	FY12	FY13	FY14	Change FY13 to FY14
Kentucky	69.26	69.58	69.78	70.13	70.96	71.49	71.18	70.55	69.83	-0.72
Louisiana	69.79	69.69	72.47	71.31	67.61	63.61[c]	61.09[c]	61.24[c]	60.98[c]	-0.26
Maine	62.90	63.27	63.31	64.41	64.99	63.80	63.27	62.57	61.55	-1.02
Maryland	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Massachusetts	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Michigan	56.59	56.38	58.10	60.27	63.19	65.79	66.14	66.39	66.32	-0.07
Minnesota	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Mississippi	76.00	75.89	76.29	75.84	75.67	74.73	74.18	73.43	73.05	-0.38
Missouri	61.93	61.60	62.42	63.19	64.51	63.29	63.45	61.37	62.03	0.66
Montana	70.54	69.11	68.53	68.04	67.42	66.81	66.11	66.00	66.33	0.33
Nebraska	59.68	57.93	58.02	59.54	60.56	58.44	56.64	55.76	54.74	-1.02
Nevada	54.76	53.93	52.64	50.00	50.16	51.61	56.20	59.74	63.10	3.36
New Hampshire	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
New Jersey	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
New Mexico	71.15	71.93	71.04	70.88	71.35	69.78	69.36	69.07	69.20	0.13
New York	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
North Carolina	63.49	64.52	64.05	64.60	65.13	64.71	65.28	65.51	65.78	0.27
North Dakota	65.85	64.72	63.75	63.15	63.01	60.35	55.40	52.27	50.00	-2.27
Ohio	59.88	59.66	60.79	62.14	63.42	63.69	64.15	63.58	63.02	-0.56
Oklahoma	67.91	68.14	67.10	65.90	64.43	64.94	63.88	64.00	64.02	0.02
Oregon	61.57	61.07	60.86	62.45	62.74	62.85	62.91	62.44	63.14	0.70
Pennsylvania	55.05	54.39	54.08	54.52	54.81	55.64	55.07	54.28	53.52	-0.76
Rhode Island	54.45	52.35	52.51	52.59	52.63	52.97	52.12	51.26	50.11	-1.15
South Carolina	69.32	69.54	69.79	70.07	70.32	70.04	70.24	70.43	70.57	0.14
South Dakota	65.07	62.92	60.03	62.55	62.72	61.25	59.13	56.19	53.54	-2.65
Tennessee	63.99	63.65	63.71	64.28	65.57	65.85	66.36	66.13	65.29	-0.84
Texas	60.66	60.78	60.56[d]	59.44	58.73	60.56	58.22	59.30	58.69	-0.61
Utah	70.76	70.14	71.63	70.71	71.68	71.13	70.99	69.61	70.34	0.73
Vermont	58.49	58.93	59.03	59.45	58.73	58.71	57.58	56.04	55.11	-0.93
Virginia	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00
Washington	50.00	50.12	51.52	50.94	50.12	50.00	50.00	50.00	50.00	0.00
West Virginia	72.99	72.82	74.25	73.73	74.04	73.24	72.62	72.04	71.09	-0.95
Wisconsin	57.65	57.47	57.62	59.38	60.21	60.16	60.53	59.74	59.06	-0.68
Wyoming	54.23	52.91	50.00	50.00	50.00	50.00	50.00	50.00	50.00	0.00

State	FY06	FY07	FY08	FY09[a]	FY10[a]	FY11[a]	FY12	FY13	FY14	Change FY13 to FY14
Number with *increase* from previous year	9	11	18	21	25	17	16	12	14	
Number stayed the *same* from previous year	14	13	13	13	12	12	14	15	15	
Number with *decrease* from previous year	28	27	20	17	14	22	21	24	22	

Source: Department of Health and Human Services, Annual *Federal Register* Notices.

Notes: Reflects FMAP rates calculated using the regular FMAP formula, with exceptions noted below.

a. FY2009-FY2011 FMAP rates do not reflect temporary increases provided under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) as amended by P.L. 111-226. In total, states received the temporary FMAP increase ran for 11 quarters, from the first quarter of FY2009 through the third quarter of FY2011 (i.e., October 2008 through June 2011).

b. Section 4725(b) of the Balanced Budget Act of 1997 amended Section 1905(b) to provide that the FMAP rate for the District of Columbia shall be set at 70% for purposes of titles XIX and XXI and for capitation payments and DSH allotments under those titles. For other purposes, the percentage for the District of Columbia is 50%, unless otherwise specified by law.

c. Louisiana's FMAP rate was higher than the regular FMAP rate for this year due to the disaster-recovery FMAP adjustment. Louisiana's adjusted FMAP rate was 68.04% for the fourth quarter of FY2011, 69.78% for FY2012, 65.51% for FY2013, and 62.11% for FY2014. The disaster-recovery FMAP adjustment is discussed in the text.

d. This FY2008 value of 60.56% was provided by HHS implementation of a DRA provision related to Hurricane Katrina. Using the regular FMAP formula, the state's FY2008 value would have been 60.53%.

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Acknowledgments

April Grady, former CRS Specialist in Health Care Financing, authored the original version of this report. Chris Peterson, former CRS Specialist in Health Care Financing, also contributed to the original version of this report.