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# Medicaid's Federal Medical Assistance Percentage (FMAP), FY2016

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January 5, 2015

**Congressional Research Service**
7-5700
www.crs.gov
R43847

**CRS REPORT**
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 services and supports. Medicaid is jointly funded by the federal government and the states. The federal government's share of most Medicaid 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 FY2016, regular FMAP rates range from 50.00% to 74.17%. 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 changes to the federal matching rate in the Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended) and the disaster-related FMAP adjustment.

The ACA contains a number of provisions affecting FMAP rates. Most notably, the ACA provides initial federal matching rates of up to 100% for certain "newly eligible" individuals. Also, under the ACA, "expansion states" receive an enhanced federal matching rate for certain individuals. In addition, ACA provided increased federal matching 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.

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 was eligible for the disaster-recovery adjusted FMAP from the fourth quarter of FY2011 (when the adjustment was first available) through FY2014. No state met the requirements for the disaster-recovery FMAP adjustment in FY2015 and FY2016.

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 federal matching rate changes in ACA 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 services and supports.[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. 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.[2]

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 federal matching rate changes in the Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended) 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.[3]

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.

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 allotment. The E-FMAP rate is calculated by reducing the state share under the regular FMAP rate by 30%.[4]

[1] For more information about the Medicaid program, see CRS Report R43357, *Medicaid: An Overview*, coordinated by Alison Mitchell.

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

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

[4] For more information about CHIP, see CRS Report R43627, *State Children's Health Insurance Program: An Overview*, by Evelyne P. Baumrucker and Alison Mitchell.

## 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[5] 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).[6]

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.

In the **Appendix A** to this report, **Table A-1** shows regular FMAP rates for each of the 50 states and the District of Columbia from FY2006-FY2016.

## Data Used to Calculate State FMAP Rates

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 because, 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 FY2016 FMAP calculations, HHS used state per capita personal income data for 2011, 2012, and 2013 that became available from the Department of Commerce's Bureau of Economic Analysis (BEA) in September 2014. The use of a three-year average helps to moderate fluctuations in a state's FMAP rate over time.

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.[7] 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:

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

[6] 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%.

[7] 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.

- 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).[8]

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 2011 state per capita personal income data published by BEA in September 2013 (used in the calculation of FY2013 FMAP rates) differed from the 2011 state per capita personal income data published in September 2014 (used in the calculation of FY2016 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, 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).

[8] 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).

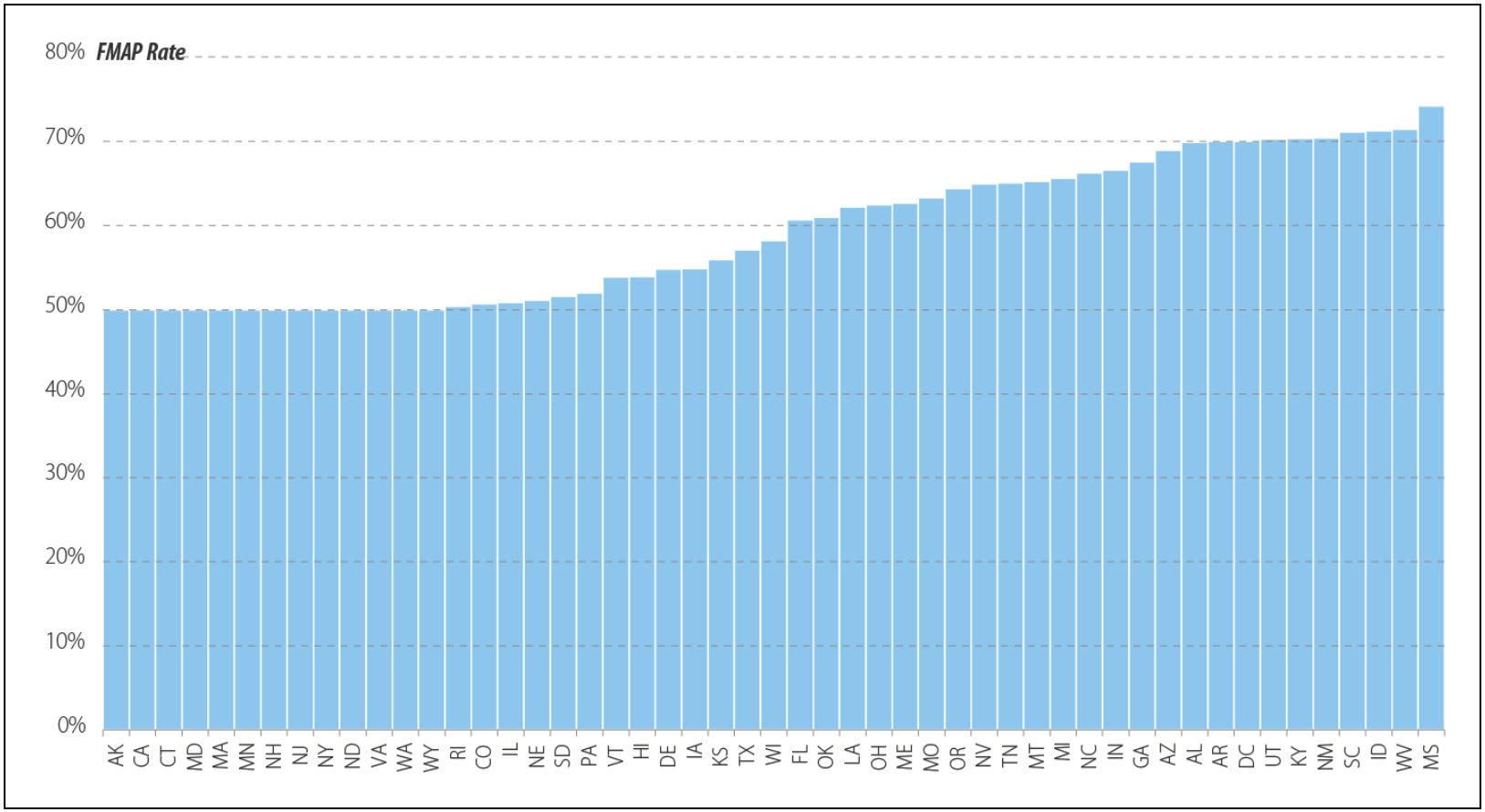
## FY2016 Regular FMAP Rates

Regular FMAP rates for FY2016 (the federal fiscal year that begins on October 1, 2015) were calculated and published December 2, 2014, in the *Federal Register*.[9] In the **Appendix A** to this report, **Table A-1** shows regular FMAP rates for each of the 50 states and the District of Columbia for FY2011 through FY2016. **Figure 1** shows the state distribution of regular FMAP rates for FY2016. Thirteen states will have the statutory minimum FMAP rate of 50.00% (Rhode Island, Colorado, and Illinois are very close at 50.42%, 50.72%, and 50.89%, respectively), and Mississippi will have the highest FMAP rate of 74.17%.

[9] 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, 2015 Through September 30, 2016," 79 *Federal Register* 71426, December 2, 2014.

**Figure 1. State Distribution of Regular FMAP Rates**

FY2016

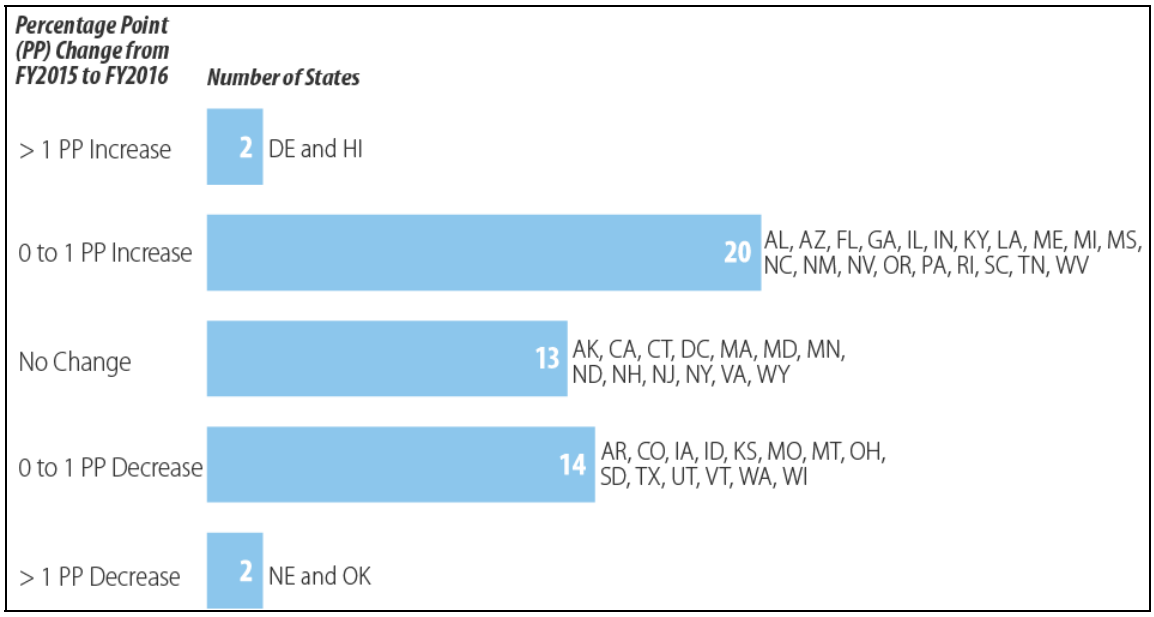



**Source:** Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2015 Through September 30, 2016," 79 *Federal Register* 71426, December 2, 2014.

**Note:** State-by-state FY2016 regular FMAP rates are listed in **Table A-1**.

As shown in **Figure 2**, from FY2015 to FY2016, the regular FMAP rates for 38 states will change, while the regular FMAP rates for the remaining 13 states (including the District of Columbia) will remain the same.[10]

**Figure 2. FMAP Rate Changes for States from FY2015 to FY2016**




**Source:** Prepared by CRS using FY2015 and FY2016 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 FY2015 to FY2016, the change will be less than one percentage point. The regular FMAP rate for 20 states will increase by as much as one percentage point, and the FMAP rate for 14 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 FY2015 to FY2016, two states will experience an FMAP rate increase of greater than one percentage point, and two states will experience an FMAP rate decrease of greater than one percentage point. Hawaii will have the largest FMAP rate increase of 1.75 percentage point increase with the FMAP rate increasing from 52.23% to 53.98% Nebraska will have the largest FMAP rate decrease of 2.11 percentage point decrease with the FMAP rate decreasing from 53.27% to 51.16%.

The District of Columbia's FY2016 FMAP rate was not calculated according to the regular FMAP formula because the FMAP rate for the District of Columbia has been set in statute at 70% since 1998 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.

[10] 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 current exceptions that have been added to the Medicaid statute and regulations over the years. Past FMAP exceptions are listed in **Table B-1**.

**Table 1. Current Exceptions to the Regular FMAP Rates for Medicaid**

| Exception | Description | Citations |
|---|---|---|
| **Territories and Certain States** | | |
| Territories | As of July 1, 2011, FMAP rates for the territories (Puerto Rico, American Samoa, the Commonwealth of 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 E-FMAP rate for CHIP. | Most recently P.L. 111-148, as amended by P.L. 111-152; SSA §1905(b), 1108(f) and (g) |
| 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 E-FMAP rate for CHIP. | P.L. 105-33; SSA §1905(b) |
| **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 "Disaster-Recovery Adjusted FMAP Rate"..) | 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) |
| 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) |

| Exception | Description | Citations |
|---|---|---|
| **Certain Populations** | | |
| "Newly eligible" individuals enrolled in new eligibility group through 133% FPL | Since January 1, 2014 states have had the option to expand Medicaid coverage to nonelderly, nonpregnant adults at or below 133% FPL. An increased federal matching rate is 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 December 1, 2009 or were eligible under a waiver but not enrolled because of limits or caps on waiver enrollment. The federal matching rates for "newly eligible" individuals equal:<br>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) |
| "Expansion state" individuals enrolled in new eligibility group through 133% FPL | Prior to the ACA Medicaid expansion, some states provided health coverage for all low-income individuals using Medicaid waivers. As a result, these states have few or no individuals who qualify for the "newly eligible" federal matching rate. To address this issue, as of CY2014, an increased federal matching rate is available for individuals in "expansion states" who were eligible for Medicaid as of March 23, 2010 (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 March 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" federal matching rates is [regular FMAP + (newly eligible federal matching rate – 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+]. Since the formula for the "expansion state" federal matching rate is based on the regular FMAP rate, the "expansion state" federal matching rates vary based on a states' regular FMAP rates until CY2019, at which point they will equal the "newly eligible" federal matching rates:<br>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) |
| 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 federal matching 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. Vermont is the only state that has been confirmed as meeting the criteria for the additional FMAP increase for certain "expansion states." | P.L. 111-148, as amended by P.L. 111-152; SSA §1905(z)(1) |
| 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 E-FMAP rate that applies to CHIP. | P.L. 106-354, as amended by P.L. 107-121; SSA §1905(b) |

| Exception | Description | Citations |
|---|---|---|
| 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 March 31, 2015. | P.L. 105-33, most recently extended via P.L. 112-240; SSA §1933(d) |
| **Certain Providers** | | |
| Indian Health Service facility | States receive 100% federal reimbursement for Medicaid services provided through an Indian Health Service facility. | P.L. 94-437; SSA §1905(b) |
| **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) 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) |
| Smoking cessation for pregnant women | As of CY2013, states that opt to cover USPSTF preventive services and ACIP adult immunizations as noted above 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) |
| Family planning | States receive 90% federal reimbursement for family planning services and supplies. | P.L. 92-603; SSA §1903(a)(5) |
| Health homes | As of CY2011, states have an option for providing "health home" and associated services to certain individuals with chronic conditions. They 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) |
| Home and community-based attendant services and supports | As of FY2011, states have an 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 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) |
| 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 |

| Exception | Description | Citations |
|---|---|---|
| **Administrative Activities** | | |
| Training of Medical Personnel | States receive a 75% federal matching 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) |
| 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) |
| Fraud Control Unit | States receive 75% federal matching rate for state expenditures related to the operation of a state Medicaid fraud control unit. | SSA §1903(a)(6) |
| 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% federal matching rate. | SSA §1903(a)(2)(C) |
| Survey and Certification | States receive 75% federal matching rate for state expenditures related to survey and certification of nursing facilities. | SSA §1903(a)(2)(D) |
| Managed Care Review Activities | States receive 75% federal matching 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) |
| Claims and Eligibility Systems | States receive 90% federal matching rate for the design, development, or installation of mechanized claims systems and 75% federal matching 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% federal matching rate available for the design, development and installation or enhancement of eligibility determination systems until December 31, 2015, and 75% federal matching rate for maintenance and operations available for such systems beyond that date as long as certain requirements are met.[a] | SSA §1903(a)(3)(A) and (B); 76 *Federal Register* 21950 (April 19, 2011) |
| 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% federal matching rate. For CHIP, the increased match is 75%, or the state's E-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 federal matching 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. |

| Exception | Description | Citations |
|---|---|---|
| General Administration | Remaining state expenditures found necessary for the proper and efficient administration of the state plan receive a 50% federal matching rate. | SSA §1903(a)(7) |

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

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

a. In a letter to the American Public Human Services Association and the National Association of Medicaid Directors from October 28, 2014, CMS stated its intention to issue new regulations that will codify the availability of the 90% federal matching rate for Medicaid eligibility and enrollment systems on a permanent basis.

# Recent Issues

Some recent issues related to the FMAP rate include FMAP changes in the ACA 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 (which began in 2014)gives states the option to implement the ACA Medicaid expansion, which expands Medicaid eligibility to all adults under age 65 with income up to 133% of the federal poverty level (FPL) (effectively 138% of FPL with 5% of FPL income disregard).[11] In addition to the ACA Medicaid expansion, the ACA made a number of programmatic changes to the Medicaid program.[12] For instance, the ACA contains a number of provisions that affect federal matching rates for Medicaid and CHIP discussed below.

**ACA Medicaid Expansion.** There are three enhanced federal matching rates potentially available to states that implement the ACA Medicaid expansion: the "newly eligible" federal matching rate, the "expansion state" federal matching rate, and the additional FMAP increase for certain "expansion states."[13]

Under the "newly eligible" federal matching rate, from 2014 through 2016, states receive a 100% federal funding for the cost of individuals who are "newly eligible" for Medicaid due to the ACA Medicaid expansion. This "newly eligible" federal matching rate phases down to 95% in 2017, 94% in 2018, 93% in 2019, and 90% thereafter.

For more information about the ACA Medicaid expansion, see CRS Report R43564, *The ACA Medicaid Expansion*, by Alison Mitchell.

[12] 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.

[13] For more information about these federal matching rates for the ACA Medicaid expansion, see CRS Report R43564, *The ACA Medicaid Expansion*, by Alison Mitchell.

The "expansion state" federal matching rate is 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[14] used to calculate the "expansion state" federal matching rates is based on a state's regular FMAP rate.

The additional FMAP increase for certain expansion states is an FMAP rate increase of 2.2 percentage points available in CY2014 and CY2015 for "expansion states" that (1) will not receive the "newly eligible" FMAP rate (i.e., all of the territories) 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 (i.e., all of the territories). The 2.2 percentage point increase to the FMAP rate is available to match expenditures for all Medicaid enrollees. Vermont is the only state that has been confirmed as meeting the criteria for the additional FMAP increase for certain "expansion states."

**Additional Medicaid Changes.** As noted in **Table 1**, ACA also provided—subject to various requirements—an increased federal matching 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.

**CHIP.** The ACA included a provision to increase the E-FMAP rate by 23 percentage points (not to exceed 100%) for most CHIP expenditures from FY2016 through FY2019. This would increase the statutory range of the E-FMAP rate to 88% through 100%. With this 23 percentage point increase, the federal share of CHIP will be significantly higher, which means states are expected to spend through their limited federal CHIP funding (i.e., state CHIP allotments) faster when the enhanced rate takes effect.

It is important to note that the E-FMAP rate is supposed to increase by 23 percentage points in FY2016 even though FY2015 is the last year federal CHIP funding is provided under current law. Since CHIP allotment funding is available to states for two years, under current law, there are expected to be federal CHIP outlays in FY2016 because states will have access to unspent funds from their FY2015 allotments and unspent FY2014 allotments redistributed to shortfall states (if any). However, federal CHIP funding is not expected to be sufficient to cover the federal share of states' CHIP programs for the entire year, especially with the 23 percentage point increase in the E-FMAP.[15]

## 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.[16]

[14] 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+].

[15] For more information about CHIP financing, see CRS Report R43627, *State Children's Health Insurance Program: An Overview*, by Evelyne P. Baumrucker and Alison Mitchell.

[16] Initially, the disaster-recovery FMAP adjustment was supposed to be available beginning January 1, 2011. However, (continued...)

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.[17]

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 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, and no state met the requirements for the disaster-recovery adjusted FMAP for FY2015 and FY2016.[18] **Table 2** shows the calculation for Louisiana's disaster-recovery adjusted FMAP rate for FY2011 through FY2014.

**Table 2. 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** |

(...continued)

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.

[17] 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.

[18] 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, 2015 Through September 30, 2016," 79 *Federal Register* 71426, December 2, 2014; 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, 2014 Through September 30, 2015," 79 *Federal Register* 71426, January 21, 2014.

| | 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),[19] 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 2**, 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 2**, 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 met 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 Louisiana's disaster-recovery adjusted FMAP rate for FY2012 (69.78%). As shown in **Table 2**, Louisiana's FY2013 regular FMAP rate was increased by 4.27 percentage points for a total FMAP rate of 65.51%.

For FY2014, Louisiana met 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 2**, Louisiana's FY2014 regular FMAP rate was 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 FY2016, thirteen states will have the statutory minimum FMAP rate of 50%, and Mississippi will have the highest FMAP rate of 74.17%. From FY2015 to FY2016, the regular FMAP rates for 38 states will change, while the regular FMAP rates for the remaining 13 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.

[19] 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.

# Appendix A. FMAP Rates for Medicaid, by State

**Table A-1** shows regular FY2011-FY2016 FMAP rates calculated according to the formula described in the text of the report (see "How FMAP Rates Are Calculated"). In FY2016, FMAP rates range from 50% (13 states) to 74% (Mississippi). From FY2015 to FY2016, regular FMAP rates will decrease for 16 states, increase for 22 states, and remain the same for 12 states and the District of Columbia. Most of the states (12 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, FY2011-FY2016**

| State | FY2011[a] | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Change FY2015 to FY2016 |
|---|---|---|---|---|---|---|---|
| Alabama | 68.54 | 68.62 | 68.53 | 68.12 | 68.99 | 69.87 | 0.88 |
| Alaska | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Arizona | 65.85 | 67.30 | 65.68 | 67.23 | 68.46 | 68.92 | 0.46 |
| Arkansas | 71.37 | 70.71 | 70.17 | 70.10 | 70.88 | 70.00 | -0.88 |
| California | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Colorado | 50.00 | 50.00 | 50.00 | 50.00 | 51.01 | 50.72 | -0.29 |
| Connecticut | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Delaware | 53.15 | 54.17 | 55.67 | 55.31 | 53.63 | 54.83 | 1.20 |
| District of Columbia[b] | 70.00 | 70.00 | 70.00 | 70.00 | 70.00 | 70.00 | 0.00 |
| Florida | 55.45 | 56.04 | 58.08 | 58.79 | 59.72 | 60.67 | 0.95 |
| Georgia | 65.33 | 66.16 | 65.56 | 65.93 | 66.94 | 67.55 | 0.61 |
| Hawaii | 51.79 | 50.48 | 51.86 | 51.85 | 52.23 | 53.98 | 1.75 |
| Idaho | 68.85 | 70.23 | 71.00 | 71.64 | 71.75 | 71.24 | -0.51 |
| Illinois | 50.20 | 50.00 | 50.00 | 50.00 | 50.76 | 50.89 | 0.13 |
| Indiana | 66.52 | 66.96 | 67.16 | 66.92 | 66.52 | 66.60 | 0.08 |
| Iowa | 62.63 | 60.71 | 59.59 | 57.93 | 55.54 | 54.91 | -0.63 |
| Kansas | 59.05 | 56.91 | 56.51 | 56.91 | 56.63 | 55.96 | -0.67 |
| Kentucky | 71.49 | 71.18 | 70.55 | 69.83 | 69.94 | 70.32 | 0.38 |
| Louisiana[c] | 63.61/68.04 | 69.78 | 65.51 | 62.11 | 62.05 | 62.21 | 0.16 |
| Maine | 63.80 | 63.27 | 62.57 | 61.55 | 61.88 | 62.67 | 0.79 |
| Maryland | 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 | 0.00 |
| Michigan | 65.79 | 66.14 | 66.39 | 66.32 | 65.54 | 65.60 | 0.06 |
| Minnesota | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Mississippi | 74.73 | 74.18 | 73.43 | 73.05 | 73.58 | 74.17 | 0.59 |
| Missouri | 63.29 | 63.45 | 61.37 | 62.03 | 63.45 | 63.28 | -0.17 |

| State | FY2011[a] | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Change FY2015 to FY2016 |
|---|---|---|---|---|---|---|---|
| Montana | 66.81 | 66.11 | 66.00 | 66.33 | 65.90 | 65.24 | -0.66 |
| Nebraska | 58.44 | 56.64 | 55.76 | 54.74 | 53.27 | 51.16 | -2.11 |
| Nevada | 51.61 | 56.20 | 59.74 | 63.10 | 64.36 | 64.93 | 0.57 |
| New Hampshire | 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 | 0.00 |
| New Mexico | 69.78 | 69.36 | 69.07 | 69.20 | 69.65 | 70.37 | 0.72 |
| New York | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| North Carolina | 64.71 | 65.28 | 65.51 | 65.78 | 65.88 | 66.24 | 0.36 |
| North Dakota | 60.35 | 55.40 | 52.27 | 50.00 | 50.00 | 50.00 | 0.00 |
| Ohio | 63.69 | 64.15 | 63.58 | 63.02 | 62.64 | 62.47 | -0.17 |
| Oklahoma | 64.94 | 63.88 | 64.00 | 64.02 | 62.30 | 60.99 | -1.31 |
| Oregon | 62.85 | 62.91 | 62.44 | 63.14 | 64.06 | 64.38 | 0.32 |
| Pennsylvania | 55.64 | 55.07 | 54.28 | 53.52 | 51.82 | 52.01 | 0.19 |
| Rhode Island | 52.97 | 52.12 | 51.26 | 50.11 | 50.00 | 50.42 | 0.42 |
| South Carolina | 70.04 | 70.24 | 70.43 | 70.57 | 70.64 | 71.08 | 0.44 |
| South Dakota | 61.25 | 59.13 | 56.19 | 53.54 | 51.64 | 51.61 | -0.03 |
| Tennessee | 65.85 | 66.36 | 66.13 | 65.29 | 64.99 | 65.05 | 0.06 |
| Texas | 60.56 | 58.22 | 59.30 | 58.69 | 58.05 | 57.13 | -0.92 |
| Utah | 71.13 | 70.99 | 69.61 | 70.34 | 70.56 | 70.24 | -0.32 |
| Vermont | 58.71 | 57.58 | 56.04 | 55.11 | 54.01 | 53.90 | -0.11 |
| Virginia | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Washington | 50.00 | 50.00 | 50.00 | 50.00 | 50.03 | 50.00 | -0.03 |
| West Virginia | 73.24 | 72.62 | 72.04 | 71.09 | 71.35 | 71.42 | 0.07 |
| Wisconsin | 60.16 | 60.53 | 59.74 | 59.06 | 58.27 | 58.23 | -0.04 |
| Wyoming | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 0.00 |
| Number with increase from previous year | 17 | 16 | 12 | 14 | 22 | 22 | |
| Number stayed the same from previous year | 12 | 14 | 15 | 15 | 13 | 13 | |
| Number with decrease from previous year | 22 | 21 | 24 | 22 | 16 | 16 | |

**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 from the fourth quarter of FY2011 through FY2014 due to the disaster-recovery FMAP adjustment. In FY2011, Louisiana's FMAP rate was its regular FMAP rate of 63.61% for the first three quarters of the year, and the disaster-recovery adjusted FMAP rate that took effect for the fourth quarter of the year was 68.04%. The table reflects the disaster-recovery adjusted FMAP rates for FY2012 through FY2014, but the regular FMAP rates for those years would have been 61.09% for FY2012, 61.24% for FY2013, and 60.98% for FY2014. The disaster-recovery FMAP adjustment is discussed in the text.

# Appendix B. Past FMAP Rate Exceptions

Although FMAP rates are generally determined by the statutory formula described above, **Table 1** lists current exceptions that have been added to the Medicaid statute and regulations over the years, and **Table B-1** lists past FMAP exceptions.

**Table B-1. Past Exceptions to the Regular FMAP Rates for Medicaid**

| Exception | Description | Citations |
|---|---|---|
| | **Territories and Certain States** | |
| 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 E-FMAP rate for CHIP. | P.L. 105-33 §4725(a); P.L. 106-554 Appendix F §706; P.L. 109-171 §6053(a) |
| | **Special Situations** | |
| 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 |
| 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; 72 Federal Register 3391 (January 25, 2007) and 44146 (August 7, 2007) |

| Exception | Description | Citations |
|---|---|---|
| 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) |
| | **Certain Providers** | |
| Primary care payment rates | During CY2013 and CY2014, states were required to provide Medicaid payments at or above the 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 received 100% federal reimbursement for expenditures attributable to the amount by which Medicare exceeds their Medicaid payment rates in effect on July 1, 2009. | P.L. 111-148, as amended by P.L. 111-152; SSA §1902(a)(13)(C); 77 *Federal Register* 66670. |

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

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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.