

## **Frequently Asked Questions about the Temporary Extra Medicaid Funding in the Economic Recovery Package**

The American Reinvestment and Recovery Act of 2009 (H.R. 1) provides \$87 billion in additional federal Medicaid funding for states. But how will states get this money, and how much will they get?

**1. How will states get the additional money?**

States will get the additional money in the form of an increase in the federal medical assistance percentage (FMAP). That means that the share of Medicaid costs that is paid for by the federal government will go up, and each state's share will go down.

**2. How long will the additional money be available?**

The increased federal Medicaid funding will be available for Medicaid expenditures between October 1, 2008, and December 31, 2010.

**3. Do all states qualify for the temporary increase?**

In order to qualify for Medicaid fiscal relief, states must maintain the income eligibility levels for Medicaid that were in place on July 1, 2008, and they cannot make it more difficult for individuals to apply for or keep Medicaid. States have until July 1, 2009, to undo any changes that would disqualify them from receiving the temporary additional Medicaid funding.

**4. What will my state's new FMAP be?**

States will first be protected from any scheduled decreases in their FMAP rates, called a "hold harmless" provision. Then, the law provides for an "across-the-board" increase in every state's FMAP rate. About 65 percent of the total \$87 billion is to be spent on these two provisions. On top of that "across-the-board" increase, states with higher unemployment rates will receive additional assistance. There are three tiers of additional assistance for states with high unemployment rates (see question 7).

## 5. **How does the “hold harmless” provision work?**

States are protected from otherwise scheduled decreases in their FMAP rates between October 1, 2008, and December 31, 2010. That means that, in fiscal year (FY) 2009, states will receive the higher of their FMAP rate for FY 2008 or FY 2009. In FY 2010, they will receive the highest of their FMAP rates for FY 2008, FY 2009, or FY 2010. In the first quarter of FY 2011, they will receive the highest of their FMAP rates from FY 2008, FY 2009, FY 2010, or FY 2011.

### **For example:**

A state that had an FMAP rate of 55 percent in FY 2008 but an FMAP rate of 53 percent in FY 2009 would be able to maintain its 55 percent FMAP rate in FY 2009.

## 6. **How does the “across-the-board” increase work?**

After a state’s “hold harmless” FMAP rate is determined, it will receive a 6.2 percentage point increase in its FMAP rate for all of FY 2009, all of FY 2010, and for the first quarter of FY 2011.

### **For example:**

A state with an FMAP rate of 55 percent in FY 2009 after the application of the “hold harmless” provision would then have an FMAP rate of 61.2 percent.

## 7. **How much additional assistance will states with high unemployment rates receive?**

The law uses a formula that compares each state’s unemployment rate in a given three-month period (a quarter) with the quarter in which the state had the lowest average unemployment rate after January 1, 2006 (known as its base quarter). If a state’s unemployment rate has gone up by at least 1.5 percentage points over its base quarter, the state will receive an additional increase in its federal match rate.

To determine the amount of additional assistance for each state, the “hold harmless” provision is applied first, and then one-half of the 6.2 percentage point across-the-board increase (3.1 percentage points) is added before the increased federal match is calculated. If a state’s unemployment rate in any quarter between October 1, 2008, and December 31, 2010, exceeds the average unemployment rate in its base quarter by:

- **1.5 – 2.5 percentage points**, the state’s share of Medicaid will be reduced by 5.5 percent.

### **For example:**

A state with an FMAP rate of 55 percent would normally pay 45 percent of its Medicaid costs. Once half of the 6.2 percentage point across-the-board FMAP increase (3.1 percentage points) is applied, the

state would pay 41.9 percent ( $45 - 3.1 = 41.9$ ). A 5.5 percent reduction of the 41.9 percent state share would amount to 2.3 percentage points, so the state would be responsible for 39.6 percent ( $41.9 - 2.3 = 39.6$ ) of its costs, and the federal government would pay the remaining 60.4 percent.

- **2.5 – 3.5 percentage points**, the state's share of Medicaid will be lowered by 8.5 percent.
- **3.5 or more percentage points**, the state's share of Medicaid will be reduced by 11.5 percent.

Once a state qualifies for increased assistance due to a high unemployment rate, that state will continue to qualify for that higher rate of assistance until July 1, 2010.

#### **8. Will my state get the additional money for all state spending that is related to our Medicaid program?**

States will not receive an increased FMAP for state spending that is related to the following:

- Disproportionate Share Hospital (DSH) payments;
- Eligibility expansions that were implemented after July 1, 2008;
- Claims for covered services that were submitted by a provider but that were not paid in a timely manner, starting on June 1, 2009;
- Any share of the \$87 billion that a state deposits into a rainy day or reserve fund, and;
- Any increase in a county or local match that was implemented after September 30, 2008.

The increased FMAP also does not apply to state spending for the state's Children's Health Insurance Program (CHIP).

#### **9. Is there any other Medicaid money for my state in the recovery package?**

The law provides states with a temporary increase in Disproportionate Share Hospital (DSH) payments. Your state will receive an increase of 2.5 percentage points for its FY 2009 DSH allotment and an additional 2.5 percentage points for its FY 2010 allotment. It is estimated that this provision will supply states with an additional \$500 million.