



From Families USA

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

February 24, 2009

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). In other words, 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. 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).

5. 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.

6. What will my state's new FMAP be?

First, states will be protected from any scheduled decreases in their FMAP rates, called a “hold harmless” provision (see question 7). Then, the law provides for an “across-the-board” increase in every state’s FMAP (see question 8). 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 (see question 9). There are three tiers of additional assistance for states with high unemployment rates (see question 10).

We suggest using our worksheet (available at <http://www.familiesusa.org/assets/pdfs/fmap-worksheets.pdf>) to follow along with the remainder of the FAQ. The calculations are very complicated, and the worksheet may help clarify how the process works.

7. 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 for 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.

8. How does the “across-the-board” increase work?

After a state’s “hold harmless” FMAP rate is determined, the state 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 (55 + 6.2).

9. How do I know if my state qualifies for additional assistance due to high unemployment?

Under the law, each state’s unemployment rate in a given quarter (three month period) is compared to the rate for the quarter after January 1, 2006 in which the state had the lowest average unemployment rate (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.

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.

10. If my state qualifies for additional assistance, how much will it get?

To determine the amount of additional assistance, you first have to determine how much the unemployment rate has risen. 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 (Tier 1).
- **2.5 – 3.5 percentage points**, the state's share of Medicaid will be lowered by 8.5 percent (Tier 2).
- **3.5 or more percentage points**, the state's share of Medicaid will be reduced by 11.5 percent (Tier 3).

Once the tier of additional assistance has been determined, it is applied as follows:

1. apply the "hold harmless" provision to the state's FMAP
2. add 3.1 percentage points (representing one-half of the 6.2 percentage point across-the-board FMAP increase)
3. figure out the corresponding state percentage (100 minus the sum in 2, above)
4. multiply the state percentage calculated in 3, above by the percent reduction shown in the appropriate tier of assistance, above. This is the amount of additional assistance the state will receive due to high unemployment.

For example:

A state with an FMAP rate of 55 percent would normally pay 45 percent of its Medicaid costs. Once 3.1 percentage points are added ($55 + 3.1 = 58.1$), the state percentage would be 41.9 percent ($100 - 58.1 = 41.9$). If the state qualifies for the first tier of additional assistance, the 5.5 percent reduction of the 41.9 percent state share would amount to 2.3 percentage points ($41.9 \times 0.055 = 2.3$). Finally, these 2.3 percentage points would be added to the federal share of Medicaid after the hold-harmless and 6.2 percentage-point increase have been applied:

55.0	Current FMAP
+ <u>6.2</u>	Across-the-board increase
61.2	Subtotal
+ <u>2.3</u>	Additional assistance for high unemployment
63.5	New FMAP

