

CRS Report for Congress

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Federal Medical Assistance Percentage (FMAP) for Medicaid

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Summary

Medicaid is a health insurance program jointly funded by the federal government and the states. Generally, eligibility for Medicaid is limited to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities. The federal government's share of a state's expenditures for Medicaid is called the federal medical assistance percentage (FMAP). Determined annually, the FMAP is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita income relative to the national average (and vice versa for states with higher per capita incomes). For FY2005, state FMAPs range from 50% to 77%; that is, the federal government's share of Medicaid costs for FY2005 ranges from 50% to 77% depending on the state. For FY2006, the state FMAPs range from 50% to 76%.

The current fiscal situation of the states has focused attention on Medicaid costs. In the 107th Congress, legislation to increase the FMAP passed the Senate. Legislation was introduced in the House but did not pass. In the 108th Congress, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA, P.L. 108-027) contained a provision for temporary fiscal relief to states that included increased payments under Medicaid. This report will be updated as legislative activities warrant.

Introduction

Medicaid is a health insurance program jointly funded by the federal government and the states. Although states have considerable flexibility to design and administer their Medicaid programs, certain groups of individuals must be covered for certain categories of services. Generally, eligibility is limited to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities. The federal government's share of Medicaid costs is determined by a formula included in statute; states must contribute the remaining portion of costs in order to qualify for federal funds.

Federal Medical Assistance Percentage (FMAP)

The federal government's share of a state's expenditures for Medicaid is called the federal medical assistance percentage (FMAP). The FMAP for each of the 50 states and the District of Columbia is determined annually based on a statutory formula that uses the average per capita income of each state and the United States for the three most recent calendar years for which data are available from the Department of Commerce. This formula is designed to pay a higher FMAP to states with lower per capita income relative to the national average (and vice versa for states with higher per capita incomes). The Secretary of Health and Human Services (HHS) must promulgate the FMAP between October 1 and November 1 of each year. This FMAP is in effect for the one-year period beginning the following October. Thus, the FMAP for FY2003, the year beginning October 2002, was promulgated in 2001. FMAPs must not fall below 50% or exceed 83%.¹ Overall, the federal government finances about 57% of all Medicaid costs annually.

In the 50 states and the District of Columbia, Medicaid is an individual entitlement. There are no limits on the federal payments for Medicaid as long as the state is able to contribute its share of the matching funds. In contrast, Medicaid programs in the territories are subject to spending caps. The spending caps for FY2003 are \$201.4 million for Puerto Rico, \$6.14 million for Guam, \$6.35 million for the Virgin Islands, \$3.62 million for American Samoa, and \$2.19 million for the Northern Mariana Islands. For subsequent fiscal years, these caps are increased by the percentage change in the medical care component of the Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics). The FMAP is statutorily set at 50% for the territories. Therefore, the federal government pays 50% of the cost of Medicaid items and services in the territories up to the spending caps. In addition, for disproportionate share to hospital (DSH) adjustments, the federal government matches state payments using the FMAP, but the total DSH adjustment payments in a state are subject to an annual limit at the state and facility level.

Legislative Developments

The recent fiscal crisis for states has focused attention on the impact of Medicaid spending on state budgets.²

During the 107th Congress, the Senate passed legislation (S. 812) that would have provided fiscal relief to the states through a temporary increase in the federal government's share of Medicaid program costs by increasing each state's FMAP. The Senate-passed bill would have maintained a state's FY2002 FMAP for FY2003 if the FY2003 FMAP was lower ("hold-harmless"). In addition, each state would have received an increase in their FMAP of 1.35 percentage points for FY2003. Although bills were

¹ For the District of Columbia, the FMAP is permanently set to 70.00% starting in FY1998. For Alaska, the state percentage is calculated using the three-year average per capita income for the state divided by 1.05, for FY2001 through FY2005 only. For FY2006, the FMAP for Alaska is calculated using the standard formula.

² For more information on the role of Medicaid in state budgets, see CRS Report RL31773, *Medicaid and the Current State Fiscal Crisis*, by Christine Scott.

introduced in the House to also provide a temporary increase in the FMAP, no further action occurred. Other proposals were considered that would have provided grants to states for general fiscal relief but did not specify that funds would be for Medicaid purposes.

In the 108th Congress, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA, P.L. 108-027) contained a provision providing temporary fiscal relief for states and local governments. JGTRRA provided \$10 billion to the states through changes in Medicaid financing and direct grants. The FMAPs for the last two quarters of FY2003 and the first three quarters of FY2004 were held harmless for declines from the prior year, and 2.95 percentage points were added to the FMAPs. In addition, the spending caps for the territories were raised by 5.9% for the last two quarters of FY2003 and first three quarters of FY2004. JGTRRA also provided \$5 billion in grants to the states (including the District of Columbia, Puerto Rico, and the territories) in both FY2003 and FY2004 based on population. The grant funds had to be used for improving education or job training, health care services, transportation or other infrastructure, law enforcement or public safety, and maintaining essential government services.

Table 1 provides the FMAP for each state, the District of Columbia, and the territories for FY2003-FY2006, including the rates under H.R. 2 for FY2003 and FY2004.

**Table 1. Federal Medical Assistance Percentage (FMAP)
for FY2003-FY2006, by State**

State	FY2003 First 2 Quarters	FY2003 Last 2 Quarters (H.R. 2)	FY2004 First 3 Quarters (H.R. 2)	FY2004 Last Quarter	FY2005	FY2006
Alabama	70.60	73.55	73.70	70.75	70.83	69.51
Alaska	58.27	61.22	61.34	58.39	57.58	50.16
Arizona	67.25	70.20	70.21	67.26	67.45	66.98
Arkansas	74.28	77.23	77.62	74.67	74.75	73.77
California	50.00	54.35	52.95	50.00	50.00	50.00
Colorado	50.00	52.95	52.95	50.00	50.00	50.00
Connecticut	50.00	52.95	52.95	50.00	50.00	50.00
Delaware	50.00	52.95	52.95	50.00	50.38	50.09
District of Columbia	70.00	72.95	72.95	70.00	70.00	70.00
Florida	58.83	61.78	61.88	58.93	58.90	58.89
Georgia	59.60	62.55	62.55	59.58	60.44	60.60
Hawaii	58.77	61.72	61.85	58.90	58.47	58.81
Idaho	70.96	73.97	73.91	70.46	70.62	69.91
Illinois	50.00	52.95	52.95	50.00	50.00	50.00
Indiana	61.97	64.99	65.27	62.32	62.78	62.98
Iowa	63.50	66.45	66.88	63.93	63.55	63.61
Kansas	60.15	63.15	63.77	60.82	61.01	60.41
Kentucky	69.89	72.89	73.04	70.09	69.60	69.26
Louisiana	71.28	74.23	74.58	71.63	71.04	69.79
Maine	66.22	69.53	69.17	66.01	64.89	62.90
Maryland	50.00	52.95	52.95	50.00	50.00	50.00
Massachusetts	50.00	52.95	52.95	50.00	50.00	50.00
Michigan	55.42	59.31	58.84	55.89	56.71	56.59
Minnesota	50.00	52.95	52.95	50.00	50.00	50.00
Mississippi	76.62	79.57	80.03	77.08	77.08	76.00
Missouri	61.23	64.18	64.42	61.47	61.15	61.93
Montana	72.96	75.91	75.91	72.85	71.90	70.54
Nebraska	59.52	62.50	62.84	59.89	59.64	59.68
Nevada	52.39	55.34	57.88	54.93	55.90	54.76
New Hampshire	50.00	52.95	52.95	50.00	50.00	50.00
New Jersey	50.00	52.95	52.95	50.00	50.00	50.00
New Mexico	74.56	77.51	77.80	74.85	74.30	71.15
New York	50.00	52.95	52.95	50.00	50.00	50.00
North Carolina	62.56	65.51	65.80	62.85	63.63	63.49
North Dakota	68.36	72.82	71.31	68.31	67.49	65.85
Ohio	58.83	61.78	62.18	59.23	59.68	59.88
Oklahoma	70.56	73.51	73.51	70.24	70.18	67.91
Oregon	60.16	63.11	63.76	60.81	61.12	61.57
Pennsylvania	54.69	57.64	57.71	54.76	53.84	55.05
Rhode Island	55.40	58.35	58.98	56.03	55.38	54.45

State	FY2003 First 2 Quarters	FY2003 Last 2 Quarters (H.R. 2)	FY2004 First 3 Quarters (H.R. 2)	FY2004 Last Quarter	FY2005	FY2006
South Carolina	69.81	72.76	72.81	69.86	69.89	69.32
South Dakota	65.29	68.88	68.62	65.67	66.03	65.07
Tennessee	64.59	67.54	67.54	64.40	64.81	63.99
Texas	59.99	63.12	63.17	60.22	60.87	60.66
Utah	71.24	74.19	74.67	71.72	72.14	70.76
Vermont	62.41	66.01	65.36	61.34	60.11	58.49
Virginia	50.53	54.40	53.48	50.00	50.00	50.00
Washington	50.00	53.32	52.95	50.00	50.00	50.00
West Virginia	75.04	78.22	78.14	75.19	74.65	72.99
Wisconsin	58.43	61.52	61.38	58.41	58.32	57.65
Wyoming	61.32	64.92	64.27	59.77	57.90	54.23
America Samoa	50.00	52.95	52.95	50.00	50.00	50.00
Guam	50.00	52.95	52.95	50.00	50.00	50.00
N. Marina Islands	50.00	52.95	52.95	50.00	50.00	50.00
Puerto Rico	50.00	52.95	52.95	50.00	50.00	50.00
Virgin Islands	50.00	52.95	52.95	50.00	50.00	50.00

Source: Table prepared by the Congressional Research Service (CRS).