



ISSUE BRIEF



From ANCOR's Government Relations Division

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House and Senate Economic Recovery Plans Include Temporary Injection of Additional Federal Medicaid Assistance (FMAP) to States.

Federal help is needed to address a significant deterioration in state and local government budget deficits. Absent federal intervention, these governments will need to make substantial policy changes in Medicaid programs. It is about saving Medicaid operating budgets—not growing budgets.

Our nation's fiscal situation is dire. President Obama and Congress agree that an economic rescue plan is needed. However, there are differences within Congress over the size and scope of a fiscal recovery plan. Both Congressional chambers have begun work on an economic recovery package that includes on a temporary basis, approximately \$88 billion in additional federal Medicaid matching funds to help states in the face of recession-driven revenue declines and enrollment increases. The Medicaid help could keep states from rushing into short-term fixes to meet their state constitutional requirements to balance their budgets—helping to pay for Medicaid costs that states otherwise would incur and to avert cuts. Congress must make a rapid and significant federal investment to protect people with disabilities and ensure the survival of Medicaid's provider infrastructure.

This Issue Brief provides legislative process and timeframes, compares House and Senate FMAP provisions, and provides state-by-state estimates of the assistance. Check for online revisions that update the Issue Brief.

Background

The rapidly deteriorating economy confronts states with their toughest budget decisions in years. Forty-five states report budget gaps for the present year and most expect to struggle with shortfalls. The Center on Budget Policy and Priorities projects that these deficits may reach \$350 billion. The U.S. Government Accountability Office (GAO) estimates operating deficits for the state and local government sector of \$131 billion for 2009 and a \$181 billion for 2010—for a cumulative two-year deficit of \$312 billion. The GAO estimate represents a significant deterioration from its November 2008 update depicting a deficit in the \$100-\$200 billion range.

The recession contributes to declining state and local revenues in the midst of increased demand for state and local services, many of which are provided to low-income vulnerable populations. Recent financial market turmoil places additional limitations on attempts to address this imbalance as state and local governments face increased borrowing costs and reduced access to capital.

Since most state and local governments are required to balance their operating budgets, absent any intervention or policy changes, state and local governments would face an increasing gap between receipts and expenditures in the coming years. Medicaid is the largest source of financing for disability services, providing health and long-term services and supports to nearly 14 million individuals who have disabilities or are elderly. In order to cope with the current recession, many states have already cut health care spending—decreasing Medicaid eligibility, benefits and services, and provider payments. Some states are making budget adjustments for the second time. Medicaid not only finances essential services, but it also serves as an economic engine—helping to create jobs and generate economic activity in every community.

The House unveiled its version of its \$825 billion American Recovery and Reinvestment Act of 2009 on January 15, 2009 that includes Medicaid and health care, tax relief, energy, transportation, and job provisions. The individual committees of jurisdiction completed markups of their relevant provisions January 22nd and 23rd. The House has scheduled a floor vote on the entire rescue package on Wednesday, January 28th.

The Senate released summaries of its plan on Friday, January 23rd and has scheduled committee mark-ups with jurisdiction over relevant provisions beginning Tuesday, January 27th.

While similar plans emerged, the House and Senate plans do differ. The differences will require that House- and Senate-passed versions will have to be ironed out, with the reconciled version passed on the floor of each chamber before final legislation can be sent to the President.

President Obama has asked Congress to send him a final bill by February 13th –before the Congressional recess begins on February 14th.

This *Issue Brief* provides information on the House and Senate Medicaid FMAP provisions only. It will be revised as committee work unfolds and floor votes occur. Additional briefs are available on other Medicaid and health-related and other provisions of interest to ANCOR members.

State Medicaid Fiscal Relief Provisions American Economic Recovery and Reinvestment Act

The House and Senate share three elements in common in approaching Medicaid fiscal relief assistance to states:

- **Hold harmless** provision against drops in federal share of Medicaid (FMAP) that states would otherwise automatically experience this year (federal fiscal year 2009) and into federal fiscal year 2011. This is necessary to prevent states from losing federal funding as a result of much stronger economic conditions that may have prevailed in a state three years ago, since FMAP is calculated based on a state’s per capita income and with a substantial lag.
- **Base increase** in each state’s FMAP rate.
- **Additional unemployment assistance** for states that are experiencing particularly poor economic conditions, as indicated by a significant increase in unemployment.
- **FMAP assistance effective** for the period October 1, 2008, through December 31, 2010.
- **Maintenance of effort requirement** that prohibits a state from receiving any increased FMAP if it has Medicaid eligibility levels more restrictive than those in effect on July 1, 2008. Restrictions on eligibility include changes that make it more difficult for beneficiaries to meet procedural requirements for enrollment or periodic renewal of their coverage. States that restrict eligibility can reverse their actions and qualify for increased FMAP in the first calendar quarter they restore Medicaid eligibility.

However, there are differences as noted below in the comparison of House and Senate approaches.

Provision	House	Status	Senate	Senate Status
Increase federal share of Medicaid funding (FMAP) to states	4.9% increase to each state	Energy and Commerce Committee 1/22 adopted 32-11 Title V Medicaid provisions, as amended	5.6% increase to each state	Senate Finance Committee Text Not Yet Available; mark-up scheduled 1/28/09
Hold Harmless FMAP Formula	States that would experience a drop in their normal FMAP formula would be held harmless		same	

Maintenance of Effort Condition	Requires state to maintain eligibility no more restrictive than in effect on July 1, 2008.		same	
Application to Rainy Day Fund Condition	A state is ineligible if FMAP increase is deposited or credited directly or indirectly into any reserve or rainy day fund of the state		same	
State Flexibility for Benefits Condition	Maintains a state's flexibility with respect to benefits offered under state plan or any waiver		Same	
Application to Political Subdivision Condition	States are ineligible for any FMAP if they require political subdivisions that contribute to pay greater % of Medicaid expenditure than they would have under state plan on September 30,2008		Text not available	
Moratoria on Six Regulations	Extends current moratoria on six CMS regulations from March 31 st through June 30, 2009		Contains no moratoria	
Moratoria on Outpatient Hospital Services Regulation	Places a moratoria on seventh CMS regulation through June 30, 2009		Contains no moratoria	
Additional Adjustment to High Unemployment Rate that Exceeds by at Least 1.5%, 2.5%, or 3.5% Lowest Average Monthly Unemployment Rate for Any 3-Month Period After January 1, 2006 (the base period)	Depending on increase in unemployment rate, a state could receive an additional 6%, 12%, and 14% reduction in the share of Medicaid that the state pays after the application of the hold harmless and the base increase		Depending on increase in unemployment rate, a state could receive an additional 5%, 10%, or 13% reduction in the share of Medicaid that the state pays after the application of the hold harmless but before the base FMAP increase	
Increase in FMAP Application	Implies to the costs of Medicaid benefits, Title IV-E foster care and adoption assistance.		Text not available	
Administration	FMAP increase does not apply to administration		Text not available	
SCHIP	FMAP increase does not apply to SCHIP		Text not available	
Disproportionate Hospital Payments	Committee amended to provide DSH increase		Text not available	

**TABLE 2:
FEDERAL FUNDING FOR STATE MEDICAID COSTS UNDER THE
HOUSE STIMULUS BILL, BY STATE FISCAL YEAR
(in \$ thousands)**

STATE	SFY09	SFY10	SFY11	TOTAL
Alabama (a)	\$304,121	\$378,779	\$100,365	\$783,265
Alaska	\$58,612	\$120,176	\$67,534	\$246,321
Arizona	\$574,437	\$851,879	\$453,475	\$1,879,792
Arkansas	\$135,625	\$304,248	\$174,989	\$614,862
California	\$3,612,818	\$4,911,064	\$2,545,330	\$11,069,212
Colorado	\$227,926	\$413,516	\$214,193	\$855,635
Connecticut	\$331,769	\$569,075	\$306,343	\$1,207,187
Delaware	\$79,417	\$151,013	\$83,715	\$314,145
District of Columbia (a)	\$114,100	\$137,174	\$36,960	\$288,235
Florida	\$1,397,307	\$1,883,953	\$973,819	\$4,255,079
Georgia	\$495,803	\$750,027	\$391,598	\$1,637,428
Hawaii	\$94,592	\$160,729	\$84,860	\$340,182
Idaho	\$81,105	\$127,836	\$67,918	\$276,859
Illinois	\$881,106	\$1,311,197	\$686,745	\$2,879,048
Indiana	\$323,329	\$578,157	\$300,123	\$1,201,609
Iowa	\$108,062	\$219,255	\$114,213	\$441,529
Kansas	\$83,746	\$192,180	\$112,597	\$388,522
Kentucky	\$250,803	\$438,715	\$232,633	\$922,150
Louisiana	\$339,286	\$774,318	\$438,514	\$1,552,118
Maine	\$116,056	\$209,458	\$108,901	\$434,414
Maryland	\$371,181	\$664,190	\$371,118	\$1,406,488
Massachusetts	\$554,879	\$1,361,344	\$720,329	\$2,636,552
Michigan (a)	\$964,393	\$1,002,009	\$262,860	\$2,229,262
Minnesota	\$490,780	\$919,917	\$481,477	\$1,892,174
Mississippi	\$164,959	\$347,217	\$185,294	\$697,470
Missouri	\$402,175	\$713,927	\$378,536	\$1,494,639
Montana	\$44,706	\$84,344	\$45,029	\$174,078
Nebraska	\$59,193	\$121,558	\$63,032	\$243,783
Nevada	\$140,589	\$197,135	\$103,187	\$440,910
New Hampshire	\$49,659	\$113,188	\$68,816	\$231,664
New Jersey	\$554,530	\$1,029,288	\$551,329	\$2,135,147
New Mexico	\$133,951	\$250,001	\$144,534	\$528,486
New York (b)	\$1,940,569	\$5,848,185	\$4,663,241	\$12,451,995
North Carolina	\$702,147	\$1,028,683	\$536,209	\$2,267,040
North Dakota (c)	\$22,981	\$43,131	\$24,357	\$90,469
Ohio	\$780,600	\$1,341,859	\$704,414	\$2,826,874
Oklahoma	\$191,907	\$429,750	\$238,373	\$860,029
Oregon (c)	\$249,599	\$364,575	\$188,397	\$802,571
Pennsylvania	\$1,062,155	\$1,902,492	\$1,010,246	\$3,974,892
Rhode Island	\$148,809	\$201,224	\$104,096	\$454,129
South Carolina	\$211,876	\$342,265	\$178,337	\$732,477
South Dakota	\$24,463	\$47,654	\$24,544	\$96,661
Tennessee	\$408,664	\$707,616	\$364,259	\$1,480,539
Texas (d)	\$1,491,757	\$2,658,083	\$965,358	\$5,115,199
Utah	\$76,326	\$138,968	\$78,163	\$293,457
Vermont	\$61,955	\$124,180	\$68,012	\$254,147
Virginia	\$339,795	\$705,969	\$377,455	\$1,423,220

Washington (c)	\$504,133	\$960,921	\$520,531	\$1,985,585
West Virginia	\$95,649	\$182,762	\$103,888	\$382,299
Wisconsin	\$241,882	\$538,209	\$313,342	\$1,093,433
Wyoming (c)	\$18,479	\$51,996	\$31,802	\$102,277

TABLE 2: FEDERAL FUNDING FOR STATE MEDICAID COSTS UNDER THE SENATE STIMULUS BILL, BY STATE FISCAL YEAR (in \$ thousands)				
STATE	SFY09	SFY10	SFY11	TOTAL
Alabama (a)	\$297,908	\$364,726	\$96,642	\$759,277
Alaska	\$61,980	\$115,312	\$64,837	\$242,129
Arizona	\$541,633	\$816,971	\$437,013	\$1,795,617
Arkansas	\$154,500	\$295,021	\$169,084	\$618,604
California	\$3,452,518	\$4,693,162	\$2,432,395	\$10,578,074
Colorado	\$219,218	\$395,169	\$204,689	\$819,076
Connecticut	\$319,094	\$534,445	\$292,751	\$1,146,290
Delaware	\$76,383	\$141,910	\$80,006	\$298,299
District of Columbia (a)	\$111,547	\$131,641	\$35,628	\$278,817
Florida	\$1,345,395	\$1,815,691	\$938,829	\$4,099,915
Georgia	\$464,944	\$721,027	\$376,512	\$1,562,483
Hawaii	\$92,139	\$154,055	\$81,895	\$328,089
Idaho	\$76,750	\$123,405	\$65,586	\$265,741
Illinois	\$822,538	\$1,253,707	\$656,724	\$2,732,969
Indiana	\$317,084	\$555,887	\$288,680	\$1,161,650
Iowa	\$123,500	\$220,817	\$127,904	\$472,221
Kansas	\$95,709	\$185,029	\$104,988	\$385,726
Kentucky	\$255,348	\$419,218	\$224,372	\$898,938
Louisiana	\$337,627	\$755,939	\$428,745	\$1,522,311
Maine	\$117,113	\$200,165	\$104,700	\$421,977
Maryland	\$367,422	\$620,295	\$341,837	\$1,329,554
Massachusetts	\$596,260	\$1,278,083	\$688,369	\$2,562,712
Michigan (a)	\$912,657	\$962,207	\$252,504	\$2,127,367
Minnesota	\$472,031	\$879,100	\$460,114	\$1,811,245
Mississippi	\$179,904	\$335,969	\$179,737	\$695,609
Missouri	\$393,761	\$682,104	\$363,849	\$1,439,714
Montana	\$45,353	\$81,184	\$43,547	\$170,084
Nebraska	\$67,649	\$121,901	\$63,254	\$252,804
Nevada	\$135,612	\$190,096	\$99,493	\$425,201
New Hampshire	\$53,363	\$107,447	\$63,387	\$224,197
New Jersey	\$533,346	\$975,802	\$526,867	\$2,036,014
New Mexico	\$146,069	\$244,843	\$149,015	\$539,927
New York (b)	\$1,920,918	\$5,542,476	\$4,456,334	\$11,919,728
North Carolina	\$664,287	\$988,942	\$515,560	\$2,168,788
North Dakota (c)	\$25,906	\$44,367	\$24,536	\$94,809
Ohio	\$763,062	\$1,280,855	\$676,733	\$2,720,651
Oklahoma	\$206,020	\$411,608	\$231,384	\$849,012
Oregon (c)	\$233,385	\$350,115	\$180,937	\$764,437
Pennsylvania	\$1,027,357	\$1,807,563	\$967,061	\$3,801,981

Rhode Island	\$142,333	\$192,468	\$99,567	\$434,368
South Carolina	\$209,773	\$328,485	\$171,940	\$710,197
South Dakota	\$27,958	\$47,963	\$24,706	\$100,628
Tennessee	\$400,783	\$680,299	\$350,308	\$1,431,390
Texas (d)	\$1,545,204	\$2,532,328	\$931,982	\$5,009,514
Utah	\$82,445	\$134,525	\$75,419	\$292,389
Vermont	\$62,078	\$117,795	\$65,402	\$245,275
Virginia	\$336,354	\$669,250	\$360,708	\$1,366,312
Washington (c)	\$486,909	\$916,321	\$500,135	\$1,903,365
West Virginia	\$108,003	\$180,105	\$106,795	\$394,903
Wisconsin	\$261,837	\$512,922	\$284,802	\$1,059,561
Wyoming (c)	\$21,119	\$49,346	\$29,293	\$99,758