Wyoming Department of Health, ARRA Impact – Unemployment Related Federal Match Increase for Medicaid

Medicaid is a federal-state program providing medical assistance for specified groups of low-income persons who are aged, blind, disabled, or members of families with children. Within federal guidelines, each state designs and administers its own program. The federal government shares in the cost of Medicaid services through a variable matching formula. After a state pays for a Medicaid-covered service, it makes a claim for the federal share of the payment and is reimbursed at the federal matching rate for that state. The federal matching rate, known as the federal medical assistance percentage (FMAP), is inversely related to a state's per capita income and may range from 50% to 83%.

Pursuant to the American Recovery and Reinvestment Act, (ARRA) each state will receive a FMAP increase of 6.2 %, effective October 1, 2008 and extending through December 31, 2010. This increase (total $87 billion) will provide, on a temporary basis, additional federal matching funds to help states maintain their Medicaid programs in the face of recession-driven revenue declines and caseload increases. The FMAP increase applies to Medicaid, Foster Care and Adoption Assistance. Two types of temporary FMAP assistance are available during the period October 1, 2008, through December 31, 2010.

1.) *FMAP Increase (6.2 percentage poin*ts) - Will potentially result in up to $59 million for Wyoming Medicaid, based upon current budget. The state budget impact will be directly proportionate to the increased match. It will be important to remember that we may see an increase in Medicaid enrollees, which will increase both state general fund expenditures and federal match.

2.) *Unemployment-Related FMAP Increase –F*urther opportunities in the ARRA indicate opportunities for additional FMAP if a state experienced at least a 1.5 percentage point growth in its unemployment rate calculated as the growth between the state's average monthly unemployment rate for the three-consecutive-month period and the lowest average monthly unemployment rate for the state for any three-consecutive-month period proceeding the most recent period, but beginning on or after Jan. 1, 2006.

There is a special rule with respect to the first two calendar quarters of the recession adjustment period where the most recent previous 3 consecutive month period is the 3 consecutive month period beginning October 2008 and for the last 2 calendar quarters of the recession adjustment period, the most recent 3 consecutive month period is the period beginning with December 2009, or if it results in a higher applicable percent for purposes of the unemployment increase, the 3 month period beginning with January 2010.

The FMAP would be increased by the number percentage points equal to the product of (A) the state's percentage applicable for the State after the hold harmless clause is applied and after ½ of the 6.2% increase is applied and (B) the applicant percent (as discussed below). The "applicable percentages" are:

- 5.5% (Tier 1 – 2.58%) if the unemployment rate growth is at least 1.5 percentage points but less than 2.5 percentage points;
- 8.5% (Tier 2 - 3.99%) if the unemployment rate growth is at least 2.5 percentage points but less than 3.5 percentage points;
- 11.5% (Tier 3 – 5.39%) if unemployment rate growth is at least 3.5 percentage points.

In accordance with section 5001 of the American Recovery and Reinvestment Act of 2009 for the 4 quarters of FY 2009, respectively, as determined and provided by the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in the Department of Health and Human Services we have been provided with data on an informational basis in advance of the official final publication of these rates in the Federal Register. As of July 1, 2009 Wyoming qualifies for the Tier 1 additional increase of 2.58 which when combined with the original 6.2% enhanced match equals an enhanced match of 58.78%. This will amount to approximately $12 million additional through June of 2010 (current biennium) and an additional $6 million through December 2010.

- States will become ineligible for the increased FMAP if any of the funds **directly or indirectly attributable to the FMAP increase** are deposited or credited to any reserve or rainy day fund. *(Note: The Department of Health has requested a written explanation from our federal partners regarding this provision).*