

**Preliminary Projections of FY 2014 Federal Medical
Assistance Percentages**

by

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Summary

The Federal Medical Assistance Percentage (FMAP), the share of each state's Medicaid costs borne by the federal government, is recalculated each year. Preliminary projections of federal fiscal year (FY) 2014 FMAPs show a continuation of the recent pattern in which substantially more states experience reductions than increases. About 30 states are projected to experience a decline and about 4 to 7 an increase. This reflects personal income shifts among the states as well as an unusual population growth pattern reported by the Census Bureau for 2009-2011. Overall, the shifts are estimated to decrease federal Medicaid grants in FY 2014 by \$1.1 to \$1.9 billion when compared to the FMAPs for the current FY 2012, with decreases of \$2 to \$3 billion offset by somewhat more than \$1 billion of increases for gaining states.

Background

Medicaid is a joint federal-state program of health insurance, primarily for those of low income. Costs of health benefits are shared between the federal government and each state depending on a state's FMAP.¹ The FMAP, which is recalculated each year, is based on each state's per capita personal income over the most recent three calendar years compared to the national average for those years.³

$$\text{FMAP} = 1 - .45 \times [(\text{State PCI})^2 / (\text{U.S. PCI})^2]$$

A state with average per capita income receives an FMAP of 55.00 percent, and itself pays 45.00 percent of the cost. No state may receive an FMAP less than 50.00 (where the federal government provides one dollar for each state dollar) or higher than 83.00 (where the federal government provides \$4.88 for each state dollar). On average, this formula has resulted in the federal government paying for about 57 percent of spending on Medicaid benefits nationally and states 43 percent.

The per capita personal income data used to develop the FMAPs are based on a three-year average of data published by the Department of Commerce's Bureau of Economic Analysis (BEA). FMAPs are recalculated each year and published annually between October 1 and November 30 in the *Federal Register* for the federal fiscal year that begins the following October. For example, the FMAPs that apply in FY 2012, which began October 1, 2011, were published in November 2010, and were calculated using the latest per capita personal income available at that time, for calendar years 2007, 2008, and 2009.

In reality, the per capita income data reflect two separate data streams—income and population—produced by separate Department of Commerce entities, BEA and the Bureau of the Census. The two streams are combined by BEA to produce the per capita income estimates.

The current FY 2012 FMAPs are the first to fully incorporate state income data from the recent economic downturn. While the recession is estimated to have ended in June 2009, states experienced much of the worst impacts from the recession into 2010, both in terms of increased service demands and lost revenues. There have been discussions over the history of the Medicaid program to change the formula to

¹ Administrative cost-sharing is done under a different structure.

² The District of Columbia has a statutory 70.00 FMAP. Five federal insular areas also have Medicaid programs, but they are reimbursed under a different structure. In addition, disaster relief FMAP provisions have increased FMAPs for Louisiana but are not reflected in this paper

³ All FMAP references in this paper are to the base FMAPs established in the Social Security Act, not the increased FMAPs provided for in the American Recovery and Reinvestment Act of 2009.

incorporate more timely data, but changes would result in substantially different results across states, and these efforts have not borne fruit.⁴

The FY 2013 FMAPs, published in November 2011, are the first to incorporate population data from the 2010 decennial population census. The FY 2014 FMAPs will use per capita income from 2009-2011.

Population Data

Population data for 2011 were released by the Census Bureau in December 2011. These data are unusual in that they display extremely slow growth between 2010 and 2011.⁵ The release notes that the 2011 increase was the lowest since the 1940s, before the baby boom. What it does not point out is that the 2011 estimate of very slow growth follows a slow-growth estimate for 2010.

Unless the Census Bureau publishes again,⁶ the currently published 2009-2011 state population estimates will be the ones used by BEA to produce the per capita income estimates used for the FY 2014 FMAPs.

The low-growth estimates for 2010 had an impact on state FMAPs for FY 2013. Low population growth estimates for a state result in increased per capita income estimates, resulting in a reduced FMAP for states not at the minimum 50.00. The very slow population growth estimated for 2011 could have an even more substantial impact on FY 2014 FMAPs.

Table 1. United States Population and Annual Growth, 2000-2011
(Population in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. Population	282	285	288	290	293	296	298	301	304	307	309	312
Annual Percent Change		0.99%	0.93%	0.86%	0.93%	0.93%	0.97%	0.96%	0.95%	0.88%	0.83%	0.73%

Sources: Census Bureau web site (2000-2009); December 21, 2011, press release (2010-2011)

Historical Perspective

When the Medicaid program began in the 1960s, the range of FMAPs was much greater than it is today. Mississippi received the statutory maximum of 83.00 in FY 1968-1969,⁷ and the average FMAP was 61.33.⁸ By FY 2009, Mississippi still had the highest rate, but it had fallen to 75.84. This change resulted in a change from \$4.88 in federal funds for each state dollar to \$3.14. The average state FMAP fell from 61.33 to 59.97. The number of states with FMAPs above 72.00 fell from nine to three.

This compression of FMAPs has continued in the past few years. Mississippi will again have the highest FMAP in FY 2013, but it will fall to 73.43, or \$2.76 for every state dollar. Mississippi will be the only state above 72.00. The average FMAP will fall to 59.39. The number of states with the statutory minimum of 50.00 will have grown from twelve in FY 1968-69 to thirteen in FY 2009 to fourteen in FY 2013.

⁴ See Miller, Vic and Schneider, Andy; *The Medicaid Matching Formula, Policy Considerations and Options for Modification*; AARP Public Policy Institute; 2004.

⁵ Population data used in the per capita income calculation reflect July Census surveys. Since the decennial census is conducted in April, those data must be aged by the Census Bureau to produce an equivalent July estimate.

⁶ There are a number of court challenges to the 2010 decennial census count.

⁷ At the beginning of the Medicaid program, FMAPs were effective for two fiscal years.

⁸ For further historical background, see Miller Vic, *An Overview of Changes in the Federal Medical Assistance Percentages (FMAPs) for Medicaid*; The Kaiser Commission on Medicaid and the Uninsured; July 2011.

FY 2014 FMAP Projections

The 2009, 2010 and 2011 per capita personal income estimates necessary for calculating the FY 2014 FMAPs are expected to be published in September 2012. While state-level personal income data have been published for 2009 and 2010, as have quarterly estimates for the first three quarters of 2011, all three years of estimates are subject to revision. As such, any projections of FY 2014 FMAPs at this point should be considered tentative at best.

Nonetheless, making alternative assumptions based on the currently available data produces a range of estimates that can indicate at least nationally the direction of FMAPs and their changes. For this analysis, four sets of assumptions were tested, all which assume no change in the currently available 2009 and 2010 annual data. These alternate assumptions for 2011 include:

- That 2011 state incomes are the average of 2009 and 2010 incomes.
- That 2011 state incomes are the same as 2010 incomes.
- That the annual rate of change in state incomes between 2009 and 2010 continues for an additional year.
- That the three quarterly state income estimates for 2011 will accurately reflect the full-year levels when published.

Table 2 presents the maximum and minimum FY 2014 state FMAPs generated by these four sets of assumptions and compares them to recent FMAPs. Under these assumptions, 4-7 states are projected to gain under at least one of the calculations, and 29-32 are projected to lose, many substantially. The number of 50.00 states would grow from 14 to 16 with the addition of North Dakota and Rhode Island. The average FMAP would again fall, with losses ranging from -0.35 to -0.54 percentage points. The highest FMAP—for Mississippi—would fall to 72.76 or lower.

While two-thirds of states not at the 50.00 minimum will experience declines in their FMAPs in FY 2013, increases in a number of larger states like Florida and Texas will largely offset these losses. As a result, national net Medicaid grant reductions from FY 2013 FMAP changes are expected to be relatively small. The same pattern is true for FY 2014, except that the projected financial increases are smaller and the projected losses greater. Overall, the FY 2014 projected FMAPs are estimated to decrease Medicaid grants from \$903 million to \$1.7 billion compared to FY 2013 levels.

Concluding Observation

Reductions in FMAPs in FY 2013 continue the ongoing compression of FMAPs since the Medicaid program began; reductions in FY 2014 would accelerate it. As a result, the extent of additional assistance to low-income states via higher FMAPs intended in the initial Social Security Act formulation has declined, and probably will continue to decline. States whose FMAP declines result from population data shifts may not experience the kind of economic growth—and accompanying own-source revenue increases—one generally associates with increases in per capita incomes.

The Affordable Care Act provides for substantial Medicaid expansions for most states in January of 2014. Adjusting to substantial FMAP financial adjustments for their base Medicaid programs at the same time could cause financial and program disruptions, as the federal government attempts to derive blended FMAPs for the two parts of the program.

Table 2. Possible Changes in 2014 FMAPs and Potential Financial Impacts
(federal fiscal years; dollars in millions)

United States	2011	2012	2013	Change		2014 Estimates		Possible 2013-14 Change		Possible 2012-	Possible 2013-2014 Impact	
	FMAP	FMAP	FMAP	2011-12	2012-13	Maximum	Minimum	Maximum	Minimum	2013 Impact	Maximum	Minimum
Alabama	68.54	68.62	68.53	0.08	-0.09	68.15	67.82	-0.38	-0.71	-\$5.0	-\$22.4	-\$42.6
Alaska	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Arizona	65.85	67.30	65.68	1.45	-1.62	66.03	65.75	0.35	0.07	-135.6	31.9	6.7
Arkansas	71.37	70.71	70.17	-0.66	-0.54	69.72	69.36	-0.45	-0.81	-24.2	-21.5	-38.8
California	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Colorado	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Connecticut	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Delaware	53.15	54.17	55.67	1.02	1.50	55.12	54.99	-0.55	-0.68	21.8	-8.5	-10.6
District of Columbia	70.00	70.00	70.00	0.00	0.00	70.00	70.00	0.00	0.00	0.0	0.0	0.0
Florida	55.45	56.04	58.08	0.59	2.04	58.42	58.24	0.34	0.16	410.1	73.9	34.3
Georgia	65.33	66.16	65.56	0.83	-0.60	65.56	65.34	0.00	-0.22	-50.2	-0.3	-19.7
Hawaii	51.79	50.48	51.86	-1.31	1.38	50.56	50.34	-1.30	-1.52	23.1	-23.4	-27.5
Idaho	68.85	70.23	71.00	1.38	0.77	70.86	70.72	-0.14	-0.28	14.0	-2.8	-5.5
Illinois	50.20	50.00	50.00	-0.20	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Indiana	66.52	66.96	67.16	0.44	0.20	67.06	66.68	-0.10	-0.48	15.1	-7.8	-38.7
Iowa	62.63	60.71	59.59	-1.92	-1.12	58.65	58.36	-0.94	-1.23	-42.5	-38.3	-50.2
Kansas	59.05	56.91	56.51	-2.14	-0.40	56.58	56.25	0.07	-0.26	-11.2	2.0	-8.0
Kentucky	71.49	71.18	70.55	-0.31	-0.63	70.26	69.75	-0.29	-0.80	-36.9	-18.6	-50.3
Louisiana	63.61	61.09	61.24	-2.52	0.15	60.88	60.75	-0.36	-0.49	10.1	-26.0	-35.2
Maine	63.80	63.27	62.57	-0.53	-0.70	61.86	61.10	-0.71	-1.47	-15.4	-16.7	-34.8
Maryland	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Massachusetts	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Michigan	65.79	66.14	66.39	0.35	0.25	65.78	65.63	-0.61	-0.76	32.5	-86.0	-106.1
Minnesota	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Mississippi	74.73	74.18	73.43	-0.55	-0.75	72.76	72.48	-0.67	-0.95	-42.1	-40.2	-57.5
Missouri	63.29	63.45	61.37	0.16	-2.08	61.08	60.66	-0.29	-0.71	-194.2	-28.7	-71.4
Montana	66.81	66.11	66.00	-0.70	-0.11	65.16	64.80	-0.84	-1.20	-1.2	-9.5	-13.5
Nebraska	58.44	56.64	55.76	-1.80	-0.88	55.02	54.78	-0.74	-0.98	-16.1	-14.5	-19.3
Nevada	51.61	56.20	59.74	4.59	3.54	61.36	60.64	1.62	0.90	59.2	29.1	16.2
New Hampshire	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
New Jersey	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
New Mexico	69.78	69.36	69.07	-0.42	-0.29	68.26	68.02	-0.81	-1.05	-13.0	-38.8	-50.4
New York	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
North Carolina	64.71	65.28	65.51	0.57	0.23	65.24	65.05	-0.27	-0.46	25.8	-32.5	-55.0
North Dakota	60.35	55.40	52.27	-4.95	-3.13	50.00	50.00	-2.27	-2.27	-25.2	-19.7	-19.7
Ohio	63.69	64.15	63.58	0.46	-0.57	62.76	62.51	-0.82	-1.07	-101.3	-156.6	-204.5
Oklahoma	64.94	63.88	64.00	-1.06	0.12	64.51	63.96	0.51	-0.04	5.7	26.2	-2.2
Oregon	62.85	62.91	62.44	0.06	-0.47	62.23	62.03	-0.21	-0.41	-22.8	-11.0	-21.2
Pennsylvania	55.64	55.07	54.28	-0.57	-0.79	53.06	52.87	-1.22	-1.41	-171.9	-286.4	-328.8
Rhode Island	52.97	52.12	51.26	-0.85	-0.86	50.00	50.00	-1.26	-1.26	-18.6	-29.3	-29.3
South Carolina	70.04	70.24	70.43	0.20	0.19	69.99	69.91	-0.44	-0.52	9.4	-23.4	-27.5
South Dakota	61.25	59.13	56.19	-2.12	-2.94	55.51	55.06	-0.68	-1.13	-25.3	-6.3	-10.4
Tennessee	65.85	66.36	66.13	0.51	-0.23	65.25	65.07	-0.88	-1.06	-23.0	-94.8	-114.0
Texas	60.56	58.22	59.30	-2.34	1.08	59.78	59.17	0.48	-0.13	336.0	161.6	-42.8
Utah	71.13	70.99	69.61	-0.14	-1.38	69.83	69.78	0.22	0.17	-27.6	4.8	3.7
Vermont	58.71	57.58	56.04	-1.13	-1.54	54.15	54.02	-1.89	-2.02	-22.1	-29.2	-31.2
Virginia	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Washington	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
West Virginia	73.24	72.62	72.04	-0.62	-0.58	70.83	70.68	-1.21	-1.36	-17.8	-39.8	-44.9
Wisconsin	60.16	60.53	59.74	0.37	-0.79	58.45	58.38	-1.29	-1.36	-56.4	-99.3	-104.3
Wyoming	50.00	50.00	50.00	0.00	0.00	50.00	50.00	0.00	0.00	0.0	0.0	0.0
Average FMAP	59.89	59.62	59.39	-0.27	-0.23	59.03	58.84	-0.35	-0.54			
Totals										-\$136.7	-\$902.6	-\$1,654.9

Note: Financial impacts are based on state CMS-37 reports for FY 2013, and assume a 7.5 percent increase for FY 2014.

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