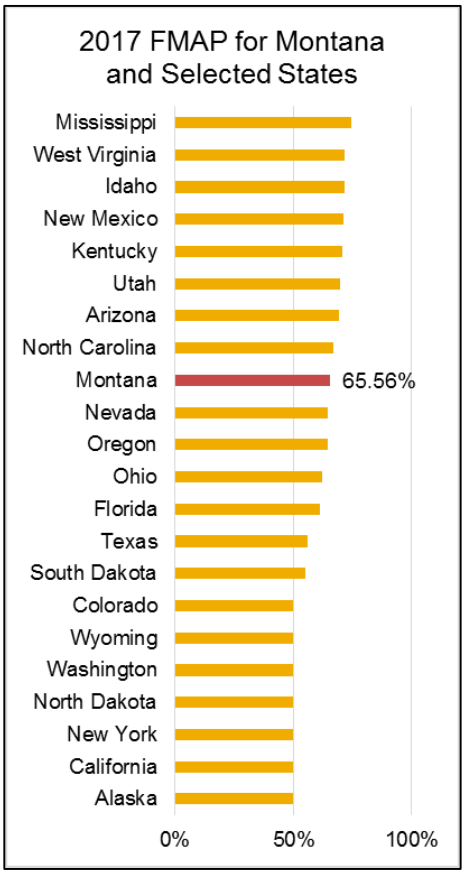
FMAP Overview

Most Medicaid expenditures are jointly funded by states and the federal government. The federal medical assistance percentage (FMAP) is calculated by the federal government and used to determine federal reimbursement to states for eligible Medicaid expenditures. FMAP rates are limited in federal statute to between 50% and 83% federal share. The Affordable Care Act (ACA) significantly impacts FMAPs for Medicaid expansion populations. Montana's HELP Act enrollees have an elevated federal share ranging from 100% to 90% over time. An enhanced federal FMAP (E-FMAP) is provided for the State Children's Health Insurance Program (CHIP). Standard Medicaid administration is 50% federal share.

FMAP Calculation

The FMAP calculation compares the per capita income (PCI) for each state to the U.S. PCI, while factoring in the statutory limitations mentioned above. The formula is designed to ensure that a state with a PCI equal to the U.S. PCI receives an FMAP of 55%, or a federal share of 55% and a state share of 45%. The U.S. Dept. of Health and Human Services publishes FMAPs for the upcoming fiscal year in November. The 2018 FFY FMAP was published in November of 2016.



Montana FMAPs / E-FMAPs, 2016-2019

	2016	2017	2018	2019*
FFY FMAP	65.24	65.56	65.38	65.38*
SFY FMAP***	65.405	65.48	65.425	65.38*
FFY E-FMAP**	98.67	98.89	98.77	98.77*
FFY HELP Act FMAP	100	95	94	93

*2019 figures are projections based on 2018
**The current E-FMAP for CHIP will expire at the end of FFY 2019
***SFY FMAPs account for the difference between SFY and FFY

Exceptions to the Standard FMAP

There are several types of cases in which an alternative to the standard FMAP may apply. For example, the Montana HELP Act population is eligible for an enhanced federal match. These exceptions to the standard FMAP include:

- Special Situations – FMAPs were increased from 2009-2011 as part of the American Recovery and Reinvestment Act. FMAPs may be increased as a response to natural disasters.
- Certain Populations – Medicaid expansion (HELP Act) enrollees are eligible for an enhanced FMAP (detail above). Women with breast or cervical cancer who are not otherwise eligible for Medicaid and are uninsured have their expenditures reimbursed at the E-FMAP (CHIP) rate.
- Certain Providers – Indian Health Service Facilities receive 100% federal reimbursement for Medicaid services.
- Certain Services – Some preventative services and immunizations receive a one percentage point increase in FMAP, as does smoking cessation for pregnant women. Family planning receives a 90% federal match. Health Homes for chronic conditions receive a 90% federal match. Community First Choice services receive a six percentage point increase.
- Administrative Activities – Some administrative activities receive an enhanced federal match. Medicaid claims and eligibility systems are matched at 90% for development and 75% for operation.

LFD
MONTANA LEGISLATIVE FISCAL DIVISION

Use of FMAPs and FMAP Exceptions to Determine Funding for Medicaid Expenditures

Using the SFY FMAP and Exceptions to Calculate Funding

Once the standard SFY FMAP is calculated it can be used to determine federal/state fund splits for various categories of Medicaid expenditures. Consider the following example where the standard SFY FMAP applies (dollar values are examples only):

Inpatient hospital Medicaid expenditures in the Health Resources Division are projected to be:

FY 2018	FY 2019
$100m	$110m

and SFY FMAPs are

FY 2018	FY 2019 (projected)
65.425	65.38

Calculating the state and federal share is straightforward. For SFY 2018 the federal share is $100m*0.65425 = $65,425,000, and the state share is the remainder: $34,575,000.

There are exceptions to the standard FMAP: Indian Health Service Medicaid expenditures are 100% federal reimbursement. Community First Choice (CFC) services are another exception to the standard FMAP: these services receive an additional six points in federal match. When calculating funding for Medicaid expenditures in the Senior and Long Term Care Division one must account for the FMAPs associated with services eligible for an enhanced match (like CFC): using the standard FMAP for all Medicaid benefit expenditures in the Division would not lead to an accurate fund split.

Effective FMAP

Examining spending by fund type for Medicaid expenditures permits the calculation of an "effective," or practical FMAP. This step is backward-looking but may provide useful data on past federal/state fund splits. Consider the following data from the DPHHS fiscal year end (2016) Budget Status Report: the Senior and Long Term Care Division Medicaid expenditure projection for FY 2016.

SLTC	Projection
General Fund	59,144,182
State Special	26,482,999
Federal Funds	171,445,437
Total SLTC	257,072,617

Calculating the projected "effective" FMAP for this division is straightforward. Dividing the federal share by the total gives the proportion of all spending that is federal: 171,445,437 / 257,072,617 = 0.667.

In this case the projected "effective" federal share for this Division's Medicaid spending is 66.7%, which is above the standard SFY FMAP for 2016 of 65.405%. The difference is due to the presence of some Medicaid spending within SLTC that is matched at an enhanced rate, an example of which is the Community First Choice program (+6% to the federal share).

Example: Using FMAPs to Determine Funding Splits for Medicaid Core within the Senior and Long Term Care Division

Table 1	SFY 2018	SFY 2019
SLTC Nursing Homes	$163,254,999	$164,460,266
SLTC Home Based Services*	$22,872,743	$24,530,771
• Money Follows the Person	$2,479,525	$1,500,000
Community First Choice	$39,374,128	$41,123,549
Total: Medicaid Core	$228,341,395	$231,614,586
*Not including Money Follows the Person		

The LFD projections for spending areas within the "Medicaid Core" portion of SLTC (RL 22-01-01) are given in Table 1. Applying the standard FMAPs shown in Table 1 will give a federal/state fund split. However, there are two exceptions to the standard FMAP in the Medicaid expenditure categories within the "Medicaid Core." First, the Money Follows the Person program within Home Based Services has a 90% federal reimbursement. Second, the Community First Choice program receives an additional six points in federal match. Accurately determining funding splits requires splitting out these exceptions and specifying their non-standard FMAPs, as shown below in Table 2.

The projected funding amounts in Table 1 and SFY FMAPs in Table 2 may now be used to calculate the federal/state funding splits for each expenditure category. Results are given below in Table 3.

Table 2	SFY 2018 FMAP	SFY 2019 FMAP (projected)
SLTC Nursing Homes	65.425	65.38
SLTC Home Based Services*	65.425	65.38
• Money Follows the Person	90.00	90.00
Community First Choice	71.425	71.38
*Not including Money Follows the Person		

Table 3	SFY 2018 Federal Share	SFY 2018 State Share	SFY 2019 Federal Share	SFY 2018 State Share
SLTC Nursing Homes	$106,809,583	$56,445,416	$107,524,122	$56,936,144
SLTC Home Based Services*	$14,964,492	$7,908,251	$16,038,218	$8,492,553
• Money Follows the Person	$2,231,573	$247,953	$1,350,000	$150,000
Community First Choice	$28,122,971	$11,251,157	$29,353,989	$11,769,560
Total: Medicaid Core	$152,128,619	$75,852,776	$154,266,329	$77,348,257
*Not including Money Follows the Person				