

Extending the Temporary FMAP Increase is Good Medicine for State Economies and Workers

The 2009 American Recovery and Reinvestment Act (ARRA) recognized that temporarily increasing the federal matching rate for Medicaid (FMAP) is one of the most effective ways to stimulate the economy. State experience with ARRA relief over the past year has proven that temporarily increasing the federal share of Medicaid costs allows states to sustain their programs—rather than cutting them when families most need help—while simultaneously facilitating national economic recovery. However, the temporary increase in the FMAP is scheduled to end on December 31, 2010—right in the middle of most states’ 2011 fiscal year. For the third consecutive year, states are facing vast revenue shortfalls, and as governors begin to craft their fiscal year 2011 budgets, it is apparent that states need additional relief. A six month extension of the temporary increase in the FMAP will help states continue to protect their Medicaid program and bolster economic recovery.

States are developing FY 2011 budgets now, and revenue projections show gaping shortfalls. Congress can’t wait until the end of 2010 to extend Medicaid fiscal relief.

- At least 30 states are proposing cuts to their Medicaid programs for fiscal year 2011 that will be harmful to individuals and families.
 - At least 15 states are proposing cuts to benefits.
 - At least 10 states are proposing cuts to eligibility.
 - At least 10 states are proposing increases in cost-sharing.
 - At least 18 states are proposing cuts in provider reimbursement rates.
- Most states are facing budget deficits for fiscal years 2010-2011, and state budget decisions are being made now. If Congress fails to enact an extension of the FMAP increase, additional Medicaid cuts are likely.

Temporarily increasing the FMAP is a *proven strategy* for stimulating the economy.

- ARRA increased the federal matching rate by at least 6.2 percent in each state from October 2008 to December 2010. The increase in federal dollars helped states protect their Medicaid programs and generated business activity, jobs, and wages that states would not have otherwise seen.
- Because of ARRA Medicaid fiscal relief, states were able to “undo” Medicaid cuts they’d previously enacted and avoid cuts that had been proposed.

Extending the temporary FMAP increase provides *immediate relief to state and local economies*.

- Medicaid enrollment has continued to increase as the economy has declined. States and localities have been forced to spend more money at a time when they have less revenue and strained budgets. Extending the FMAP increase will allow them to sustain Medicaid without making additional eligibility or enrollment cuts.
- Extending the FMAP increase would also extend ARRA’s maintenance of effort requirement, which has prevented states from making cuts to eligibility or making it harder to enroll (and stay enrolled) in Medicaid.

Extending the temporary FMAP increase is an *effective way* to stimulate the economy.

- For every dollar a state spends on Medicaid, the federal government contributes a matching amount of money that the state would not otherwise get. This matching percentage (the FMAP) varies by state, with the lowest-income states receiving the largest matching rates.
- This injection of new federal dollars into state economies has a measurable effect on states’ business activity, wages, and jobs. The new dollars pass from one person to another in successive rounds of spending, generating additional business activity, jobs, and wages. Economists call this the “multiplier effect.” Increasing federal Medicaid spending by increasing the FMAP amplifies this effect.

**Effect of a Six-Month Extension of Fiscal Relief for Medicaid (as Proposed in the President's Budget)
January 2011 – July 2011**

State	Federal Support for Medicaid (millions)	Business Activity (millions)	Jobs	Wages (millions)
Alabama	\$301.4	\$634.5	6,800	\$231.0
Alaska	\$76.9	\$145.3	1,400	\$53.1
Arizona	\$654.5	\$1,388.7	12,700	\$522.4
Arkansas	\$246.5	\$485.7	5,300	\$177.9
California	\$3,070.5	\$7,643.6	66,600	\$2,716.8
Colorado	\$240.5	\$582.1	5,400	\$206.2
Connecticut	\$342.7	\$716.7	6,300	\$257.9
Delaware	\$81.3	\$153.9	1,200	\$49.4
Florida	\$1,105.2	\$2,450.8	24,900	\$915.4
Georgia	\$506.0	\$1,245.2	11,400	\$437.2
Hawaii	\$84.0	\$177.1	1,700	\$65.9
Idaho	\$91.6	\$186.1	2,200	\$69.5
Illinois	\$941.1	\$2,352.2	20,800	\$808.1
Indiana	\$440.2	\$958.2	9,500	\$338.8
Iowa	\$206.3	\$418.2	4,700	\$150.9
Kansas	\$156.5	\$331.5	3,300	\$112.6
Kentucky	\$377.1	\$776.0	7,600	\$268.0
Louisiana	\$427.4	\$909.4	10,200	\$329.9
Maine	\$167.1	\$351.0	4,000	\$132.8
Maryland	\$474.9	\$1,054.9	9,000	\$363.0
Massachusetts	\$782.2	\$1,706.5	14,600	\$605.3
Michigan	\$709.7	\$1,487.8	14,800	\$554.8
Minnesota	\$539.3	\$1,197.7	11,200	\$440.1
Mississippi	\$294.3	\$580.2	6,600	\$209.1
Missouri	\$515.3	\$1,137.1	10,600	\$372.6
Montana	\$63.3	\$126.2	1,500	\$47.1
Nebraska	\$112.5	\$228.2	2,500	\$82.0
Nevada	\$108.7	\$211.3	2,000	\$77.2
New Hampshire	\$93.9	\$194.3	1,700	\$66.4
New Jersey	\$673.4	\$1,586.6	12,800	\$528.1
New Mexico	\$241.1	\$480.1	5,200	\$177.1
New York	\$3,477.5	\$7,233.9	60,400	\$2,505.2
North Carolina	\$620.9	\$1,359.4	14,100	\$497.2
North Dakota	\$44.5	\$84.6	900	\$29.7
Ohio	\$976.6	\$2,190.6	21,700	\$782.1
Oklahoma	\$293.4	\$661.8	7,500	\$240.1
Oregon	\$284.1	\$597.8	5,800	\$214.2
Pennsylvania	\$1,164.1	\$2,737.1	24,400	\$939.1
Rhode Island	\$123.1	\$247.1	2,300	\$84.6
South Carolina	\$349.8	\$779.7	8,500	\$279.0
South Dakota	\$48.7	\$93.2	1,000	\$34.5
Tennessee	\$472.6	\$1,063.4	9,400	\$371.7
Texas	\$1,696.7	\$4,283.9	40,700	\$1,510.5
Utah	\$117.4	\$277.8	3,000	\$100.0
Vermont	\$81.6	\$150.6	1,500	\$55.7
Virginia	\$435.1	\$944.0	8,600	\$324.2
Washington	\$457.5	\$1,023.9	9,500	\$365.1
West Virginia	\$165.1	\$301.4	3,100	\$105.3
Wisconsin	\$409.7	\$859.3	8,700	\$316.8
Wyoming	\$35.4	\$62.1	700	\$23.6

Source: Families USA calculations based on the Bureau of Economic Analysis' Regional Input-Output Modeling System (RIMS II) and the latest state spending patterns in Medicaid, as reported in the November CMS-37. See: Laura Parisi, *States in Need: Congress Should Extend Temporary Increase in Medicaid Funding* (Washington: Families USA, 2010).