Previous Temporary Increases to the Federal Medicaid Match Have Been Critical to Pandemics and Economic Downturns and Have Phased Out Without Controversy

As Congress considers an urgently needed package of pandemic response measures, questions have arisen regarding whether a temporary increase to the federal Medicaid matching percentage will become permanent. This fact sheet clarifies that there has never been any significant effort to make a temporary increase to the Medicaid match permanent. Therefore, this concern has no basis in recent history.

When a deep recession hits, state budgets are hit very hard. State revenues are particularly dependent on sales taxes and excise taxes that are tied to retail sales. The pandemic has also hit other major state revenue sources, such as gas taxes and mining fees. This is happening at the same time that state costs for income-based programs have increased dramatically.[1] One of the largest budget items for states is their share of Medicaid, and the demand for Medicaid coverage rises during recessions.

Increasing the Medicaid match helps ensure that states can deal with budgetary stressors and increased demand for services, which is why such increases have become a regular part of how the federal government responds to recessions. The federal government temporarily increased the Federal Medical Assistance Percentage (FMAP) in response to the 2001 recession through the Jobs and Growth Tax Relief Reconciliation Act of 2003, and in response to the 2008 recession through the American Recovery and Reinvestment Act (ARRA) of 2009.

Concerns that states or others will seek to make FMAP increases to permanent have no basis in recent history.

- The 2003 FMAP increase sunset after five quarters, as originally written in the statute.
- Similarly, the 2009 FMAP increase under the ARRA sunset without any discussion of a permanent FMAP increase, phasing down over the course of fiscal year 2011.

Indeed, there was no significant political effort by states or members of Congress to eliminate the statutory phasedowns of these temporary FMAP increases.

The 2020 recession produced by the public health crisis is having an unprecedented impact on state budgets. The increase Congress passed in March is not enough to prevent massive state budget cuts at the worst time. The current 6.2% increase parallels the increase in 2009. But state revenues are projected to fall by substantially more than they did in 2009-2010,[2] while Medicaid enrollment growth is accelerating this summer by over 10%.[3]

Ultimately, Congress can create an automatic increase to the FMAP in response to recessions, with the increase made temporary by definition based on the state of the economy, as recommended by the nonpartisan Government Accountability Office (GAO) and many others.[4] But in the absence of a permanent fix, Congress should consider adjusting the FMAP to address the economic and public health crisis with confidence, knowing that temporary FMAP increases have always remained temporary.

Endnotes

[1] Bill McBride, Matthew Chase, Clarence Anthony, Marc A. Ott, Tim Storey, David Adkins, and Tom Cochran, "If State and Local Governments Continue to Struggle, So Will America," July 31, 2020, https://www.nga.org/news/commentary/if-state-and-local-governments-continue-to-struggle-so-will-america/.

[2] Elizabeth McNichol and Michael Leachman, *States Continue to Face Large Shortfalls Due to COVID-19 Effects* (Washington, DC: Center on Budget and Policy Priorities, July 7, 2020), https://www.cbpp.org/research/state-budget-and-tax/states-continue-to-face-large-shortfalls-due-to-covid-19-effects.

[3] Rapid and Accelerating Increases in Medicaid Enrollment: A Review of Six-Months of Data since COVID-19 (Washington, DC: Families USA, to be published in September 2020).

[4] Carolyn L. Yocom, Medicaid: *Changes to Funding Formula Could Improve Allocation of Funds to States, Testimony before the Subcommittee on Health, Committee on Energy and Commerce, House of Representatives* (Washington, DC: Government Accountability Office, Feb 10, 2016), https://www.gao.gov/products/GAO-16-377T.

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