

The Basics

FMAP: The Federal Share of Medicaid Costs

Medicaid is a means-tested individual entitlement program that is jointly financed by the federal and state governments. The federal medical assistance percentage (FMAP) is the share of total Medicaid expenditures the federal government pays. The FMAP varies from state to state and is determined annually by a statutory formula designed to account for income variation across the states. For fiscal year (FY) 2009, the FMAP ranges from 50 percent in California and several other states to 75.84 percent in Mississippi. (Table 1, next page, lists the FY 2009 FMAP for all states.) Overall, the federal government finances an average of 57 percent of all Medicaid costs annually.¹ There is no cap on the amount the federal government pays: the more a state spends the more it receives from the federal government.

This financial arrangement provides an incentive for states to commit resources to their Medicaid programs: the higher the FMAP, the stronger the incentive. With an FMAP of 50 percent, for every dollar a state spends on Medicaid, the federal government contributes one dollar; with an FMAP of 75 percent, the federal contribution is three dollars per state dollar. Likewise, whenever a state cuts its Medicaid spending, it will forgo its federal share. A state with an FMAP of 75 percent, for example, will lose three federal dollars for every state dollar it cuts, for a total reduction in Medicaid spending of four dollars.

THE FMAP FORMULA

Personal income is the key variable in the FMAP formula. The formula is based on rolling three-year average per capita income data for each state and the United States, produced by the Department of Commerce's Bureau of Economic Analysis.² There is a time lag for data collection and calculation. As a result, FMAP percentages are based on income data from three to six years earlier.³ The Medicaid statute sets forth how a state's share of Medicaid costs is to be calculated: the state share equals the square of a state's per capita income divided by the square of U.S. per capita income, multiplied by 0.45. It also defines the federal share as 100 percent minus the state share.

The formula for the state share can be expressed as follows.⁴

$$\text{STATE SHARE} = 0.45 \times [\text{State Per Capita Income}^2 / \text{U.S. Per Capita Income}^2]$$

Therefore, the federal share can be expressed as:

$$\text{FMAP} = 1 - 0.45 \times [\text{State Per Capita Income}^2 / \text{U.S. Per Capita Income}^2]$$

The formula was established in statute when Medicaid was authorized in 1965.⁵ It is designed to pay a higher FMAP to states with lower per capita income relative to the national average, such as Mississippi, and a lower

TABLE 1
Federal Medical Assistance Percentages (FMAP),
FY 2009

(Effective October 1, 2008 - September 30, 2009)

State	FMAP	State	FMAP
Alabama	67.98	Montana	68.04
Alaska	50.53	Nebraska	59.54
American Samoa	50.00	Nevada	50.00
Arizona	65.77	New Hampshire	50.00
Arkansas	72.81	New Jersey	50.00
California	50.00	New Mexico	70.88
Colorado	50.00	New York	50.00
Connecticut	50.00	North Carolina	64.00
Delaware	50.00	North Dakota	63.15
D.C.	70.00	No. Mariana Islands	50.00
Florida	55.40	Ohio	62.14
Georgia	64.49	Oklahoma	65.90
Guam	50.00	Oregon	62.45
Hawaii	55.11	Pennsylvania	54.52
Idaho	69.77	Puerto Rico	50.00
Illinois	50.32	Rhode Island	52.59
Indiana	64.26	South Carolina	70.07
Iowa	62.62	South Dakota	62.55
Kansas	60.08	Tennessee	64.28
Kentucky	70.13	Texas	59.44
Louisiana	71.31	Utah	70.71
Maine	64.41	Vermont	59.45
Maryland	50.00	Virgin Islands	50.00
Massachusetts	50.00	Virginia	50.00
Michigan	60.27	Washington	50.94
Minnesota	50.00	West Virginia	73.73
Mississippi	75.84	Wisconsin	59.38
Missouri	63.19	Wyoming	50.00

Source: Federal Register 72, no. 228, November 28, 2007, p. 67304.

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FMAP to states with higher per capita income relative to the national average, such as Washington. The state multiplier of 0.45 ensures that states with average per capita income, such as Florida, receive a federal share of 55 percent.

The statute establishes a minimum FMAP of 50 percent for states, stipulating that no state shall bear more than 50 percent of total costs, regardless of the result of applying the formula. Thirteen states have FMAPs equal to the 50 percent floor in FY 2009. The statute also contains an upper FMAP limit of 83 percent. The FMAP formula does not apply to the territories, which are subject to an annual cap on federal Medicaid matching funds. Their FMAP is defined in the statute as 50 percent: the federal government pays 50 percent of the cost of Medicaid items and services up to the spending caps. In addition, the statute sets a 70 percent FMAP for the District of Columbia.

The FMAP applies to state expenditures for most medical services and medical insurances services.⁶ It does not apply to expenditures for certain services (for example, family planning services and supplies), certain populations (for example, uninsured women with breast or cervical cancer and Native Americans), or Medicaid administrative costs.⁷ Federal matching percentages for these services and populations are specified separately under federal law.

The Secretary of Health and Human Services publishes the FMAP between October 1 and November 30 each year. The FMAP is in effect for a one-year period, beginning the following federal fiscal year. FMAP percentages for FY 2009 were published in the *Federal Register* in November 2007 and went into effect October 1, 2008.

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ENDNOTES

1. Christine Scott, Federal Medical Assistance Percentage (FMAP) for Medicaid, CRS Report for Congress RS21262, March 1, 2005.
2. Section 1101(a)(8)(B) and section 1905(b) of the Social Security Act instruct how the FMAP is to be calculated.
3. For example, FMAP percentages for FY 2009 are based on state per capita data over the three-year calendar period of 2004–2006.
4. State per capita income is the sum of the average annual per capita income over three years.
5. The FMAP formula was adapted from a per capita income formula originally used to fund hospital construction under the Hill Burton Act of 1946.
6. The FMAP percentages also are used to determine the amount of federal matching for state expenditures for assistance payments for Temporary Assistance for Needy Families (TANF) Contingency Funds, the Child Care and Development Fund, and Title IV-E Foster Care Maintenance payments.

Endnotes / continued ►

Endnotes / continued

7. Family planning services and supplies are reimbursed at 90 percent; enhanced FMAP percentages used for the State Children’s Health Insurance Program are used to reimburse costs for screening and diagnosis of women with breast or cervical cancer through the National Breast and Cervical Cancer Early Detection Program funded by the Centers for Disease Control and Prevention; services delivered at Indian Health Service facilities are reimbursed 100 percent by the federal government; most state administrative costs are reimbursed at 50 percent, although certain administrative activities (for example, development of mechanized claims processing systems) and functions may receive a higher reimbursement.



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