



Georgetown University
Health Policy Institute
CENTER FOR CHILDREN
AND FAMILIES

Medicaid Learning Lab

A yellow lightbulb icon with a brain inside, symbolizing ideas and learning.

Session 2: Medicaid and CHIP Financing

Edwin Park
03-18-2021

Session 1: Medicaid and CHIP Financing

- How does the federal-state financial partnership for Medicaid work?
- How does the federal financing of CHIP differ from Medicaid?
- What are other Medicaid and CHIP financing issues that may be considered or debated at the federal and state levels?

Poll

- What kind of organization do you work for?



MEDICAID FINANCING: How Does the Federal-State Financial Partnership for Medicaid Work?

Poll

- How would you describe your level of knowledge about the Medicaid financing system?

Overview

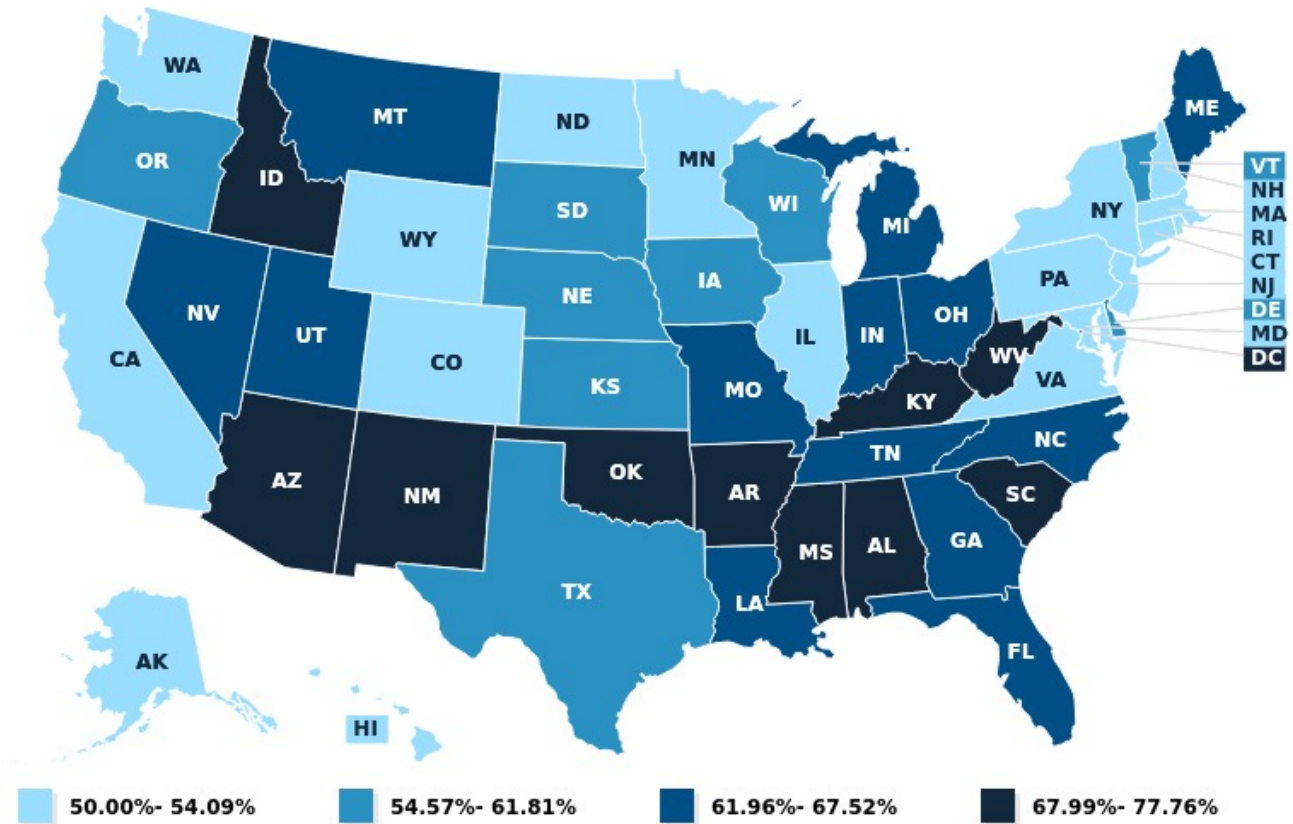
- Mandatory federal funding not subject to annual Congressional discretionary appropriations
- Open-ended financing
- Federal government picks up fixed percentage of state Medicaid costs
- Federal-state partnership that requires state matching contributions

Federal Medical Assistance Percentage (FMAP)

- $FMAP = 1 - ((\text{state per capita})^2 / (\text{U.S. per capita})^2 * 0.45)$
- Minimum of 50% and maximum of 83%, states with average income receive FMAP of 55%
- Uses 3-year rolling average of per capita income but substantial data lag (~ 3 years) on per capita income
- Families First temporary increase of 6.2 percentage points during duration of public health emergency

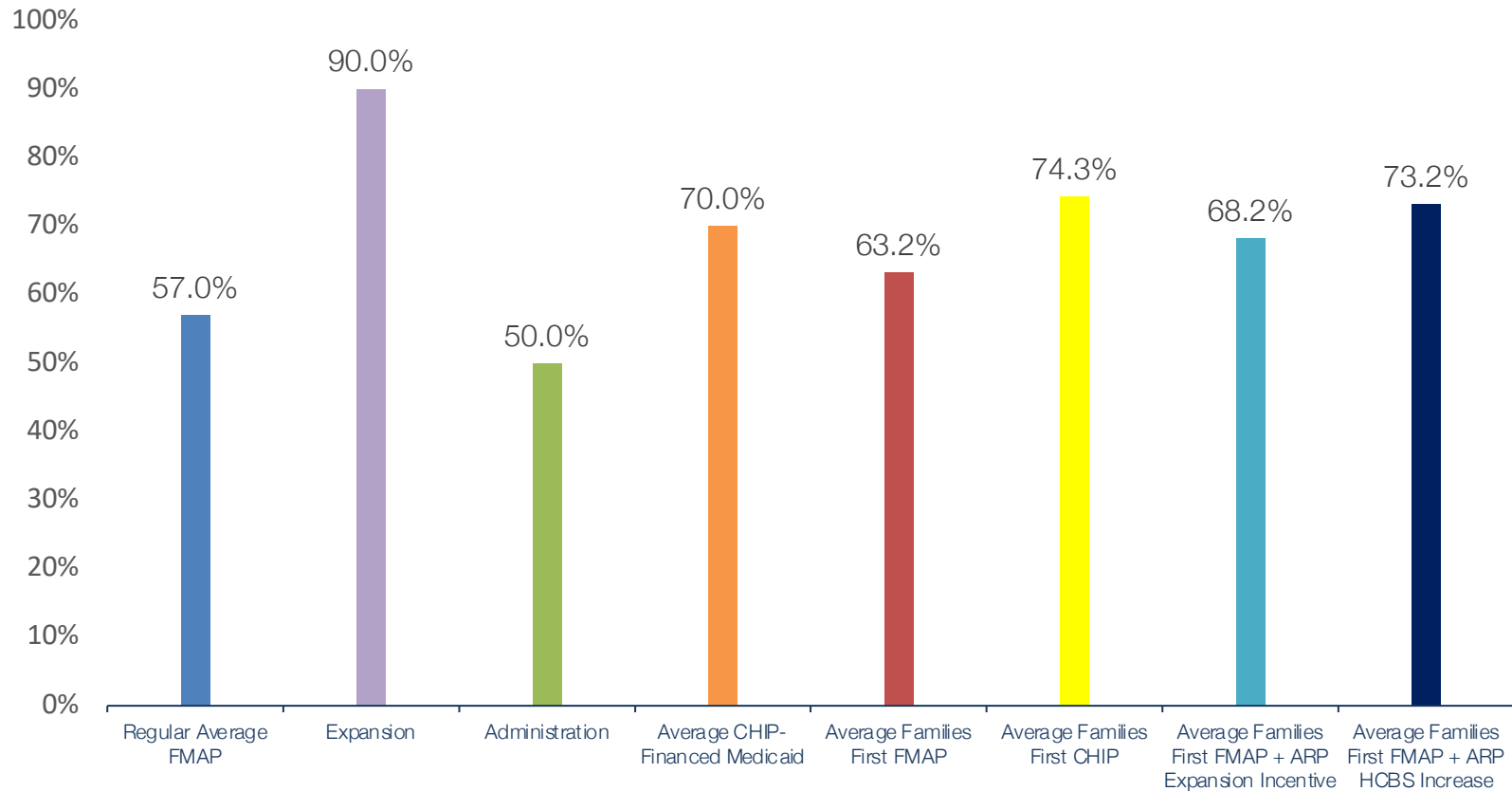
Regular FMAP by State (FFY 2021)

- Minimum of 50%
- Maximum of 83%

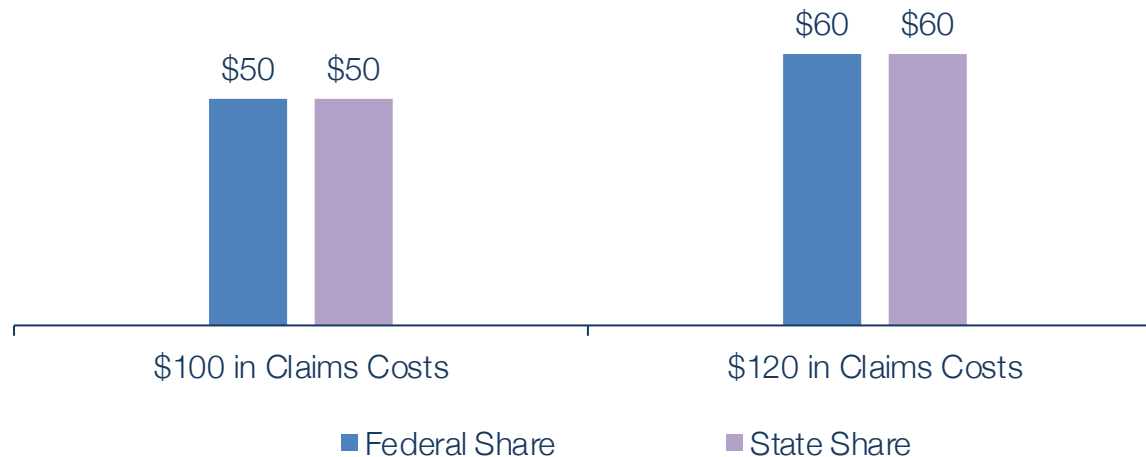


SOURCE: Kaiser Family Foundation's State Health Facts.

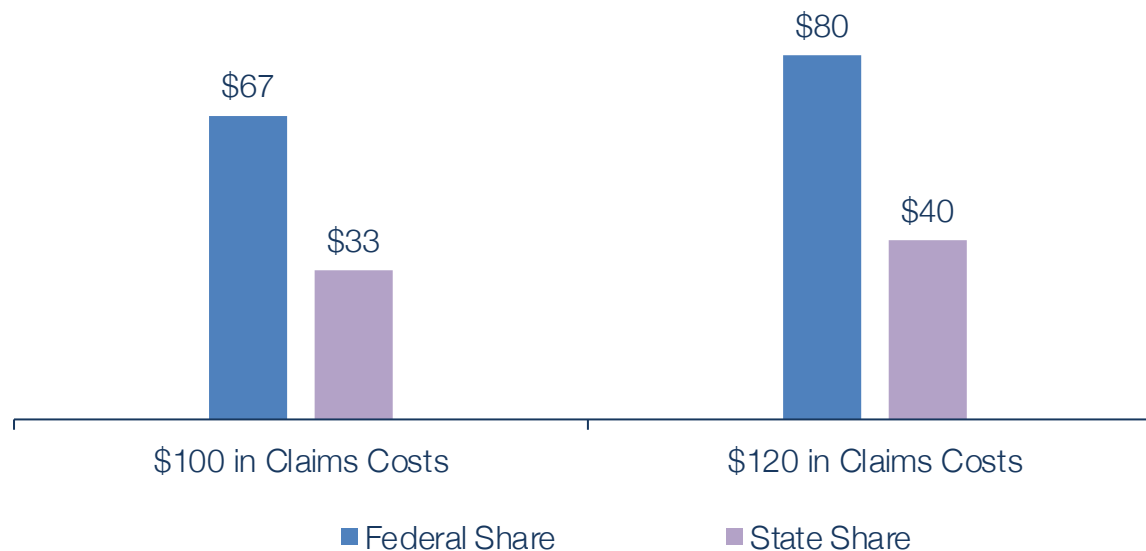
Other Medicaid Matching Rates



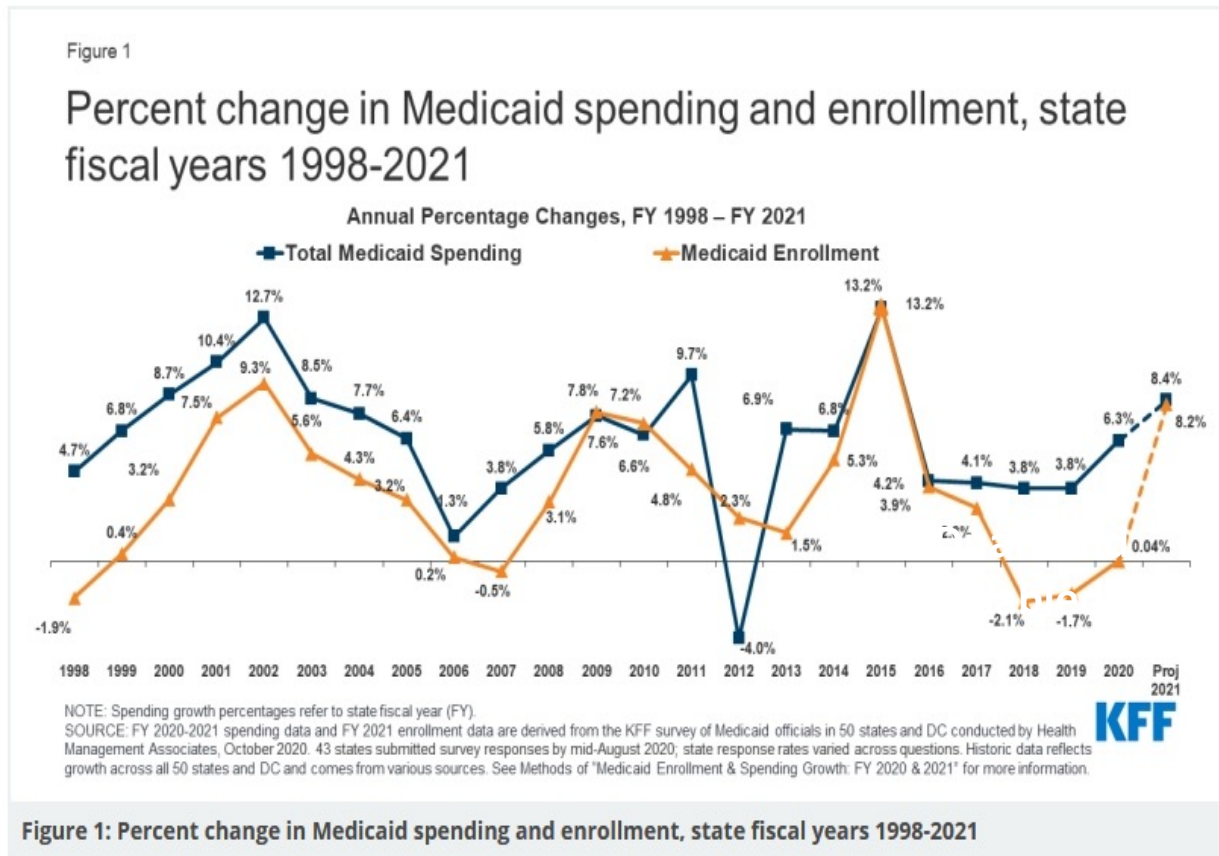
How Federal Government and States Share in Higher Medicaid Costs (50% FMAP State)



How Federal Government and States Share in Higher Medicaid Costs (67% FMAP State)

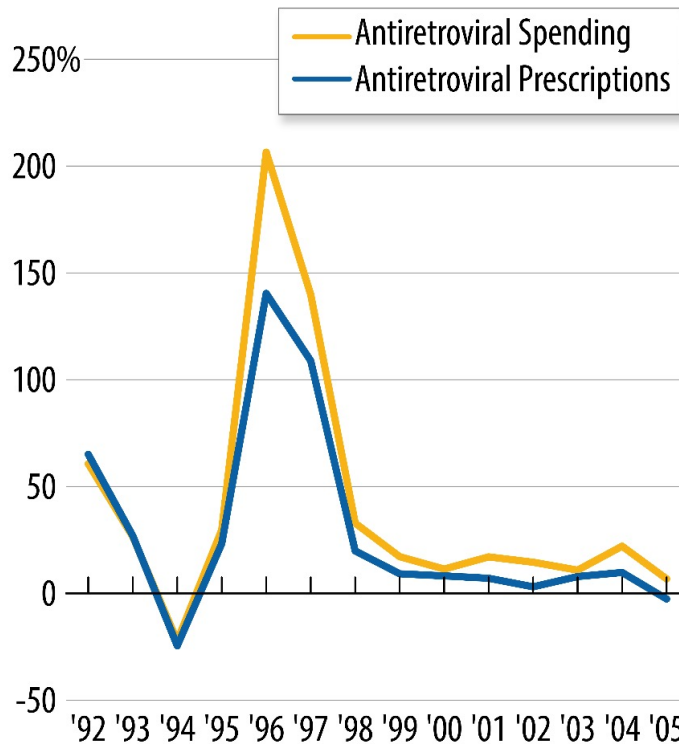


Example: Recessions



Example: New Drug Treatment (HIV/AIDS)

Annual rate of change in Medicaid



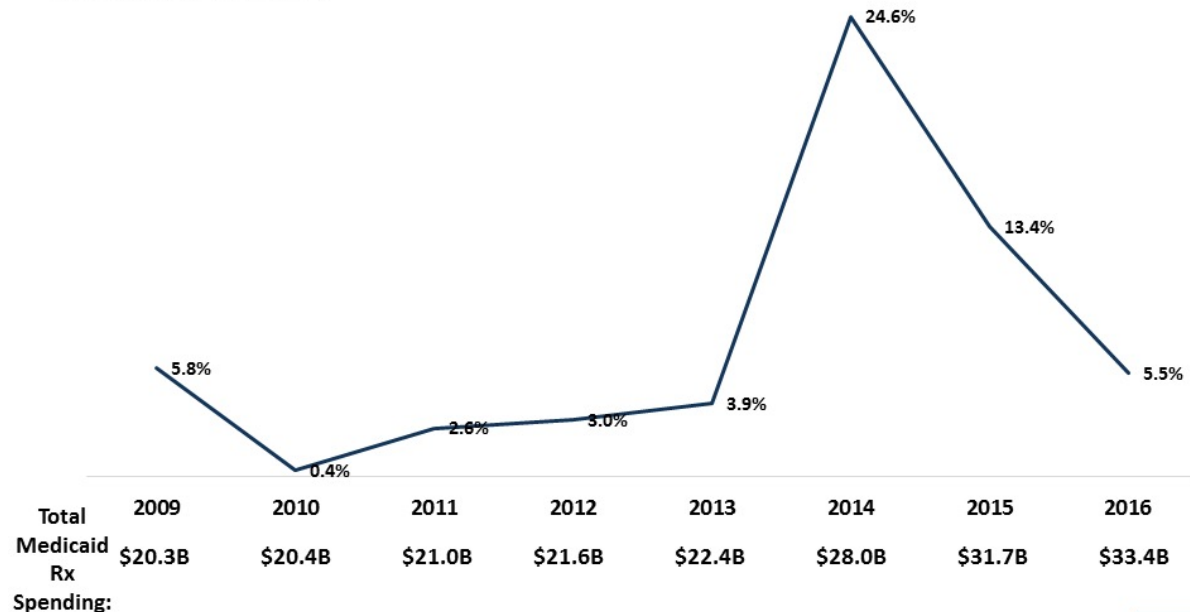
Source: Yonghua Jing, et.al, Utilization and spending trends for antiretroviral medications in the US Medicaid program from 1991 to 2005, AIDS Research and Therapy, October 2007.

Example: New Drug Treatment (Hep C)

Figure 1

Annual Growth in Medicaid Spending on Prescription Drugs, 2008-2016

% change in spending:



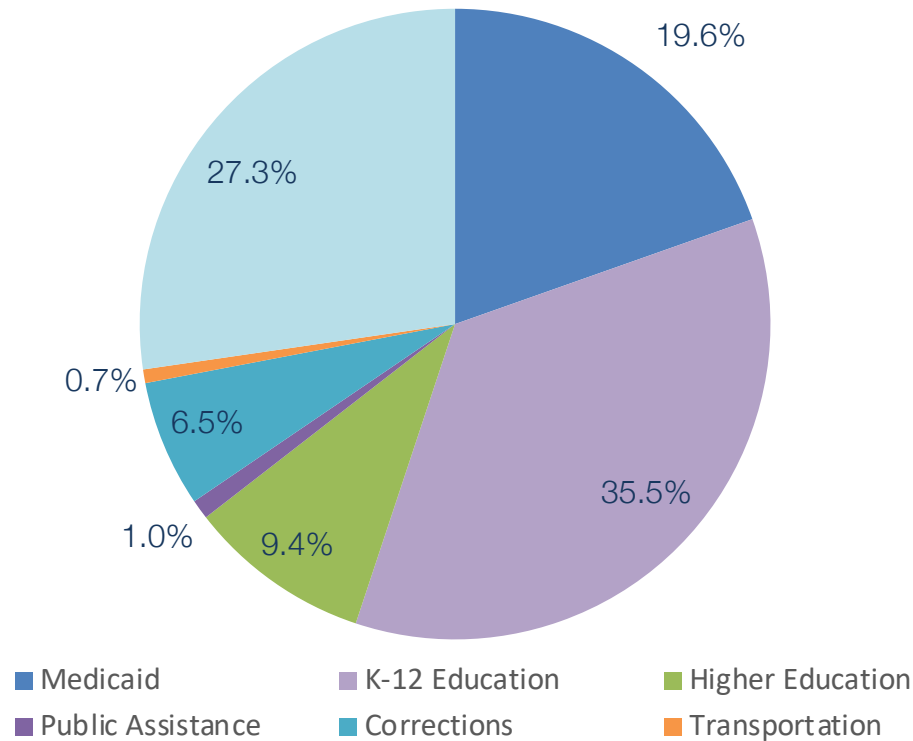
Source: CMS National Health Expenditure Accounts, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.



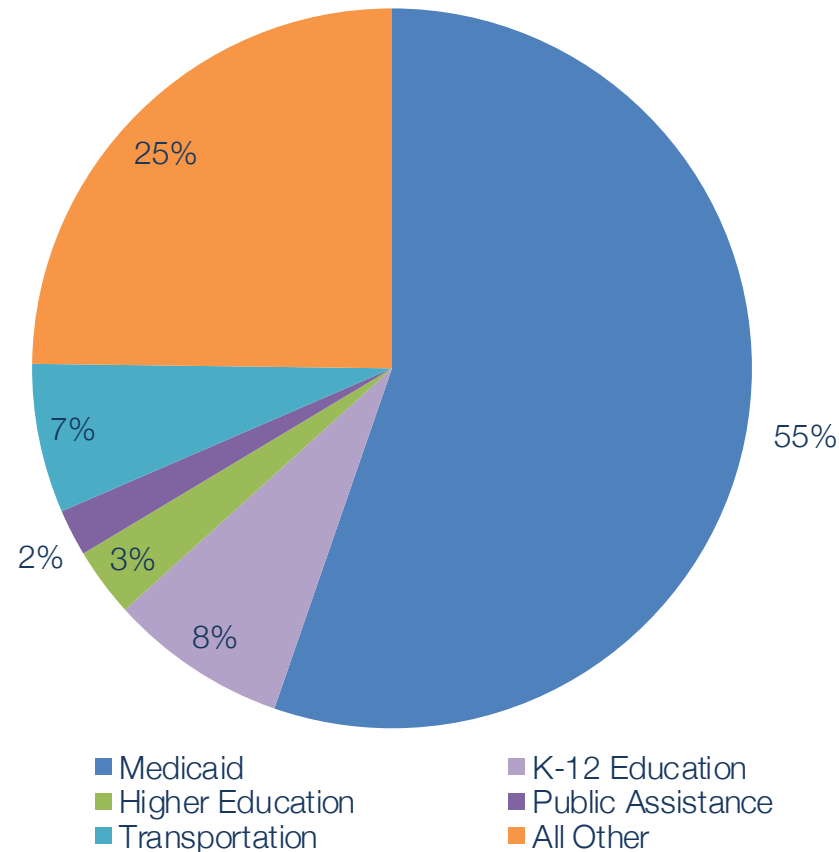
How States Finance Their Share of Medicaid Costs

- General revenues
- Other government contributions
 - Local matching funds
 - Intergovernmental transfers (IGTs)
- Provider taxes
 - Taxes on hospitals, nursing homes, managed care plans, etc.
- Other dedicated revenues
 - Tobacco taxes

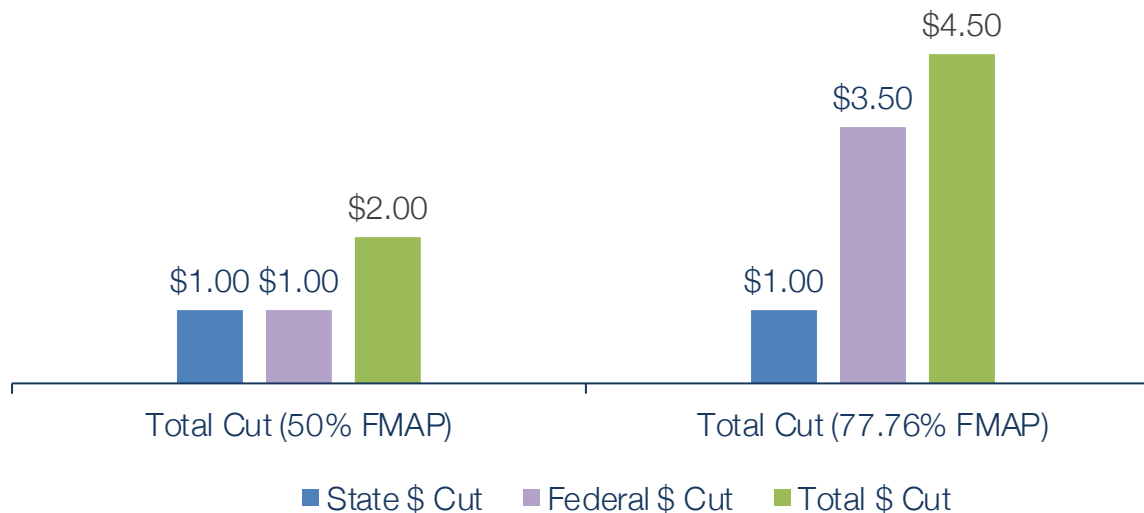
Medicaid Much Smaller Share of State General Fund Budgets than Education (2020)



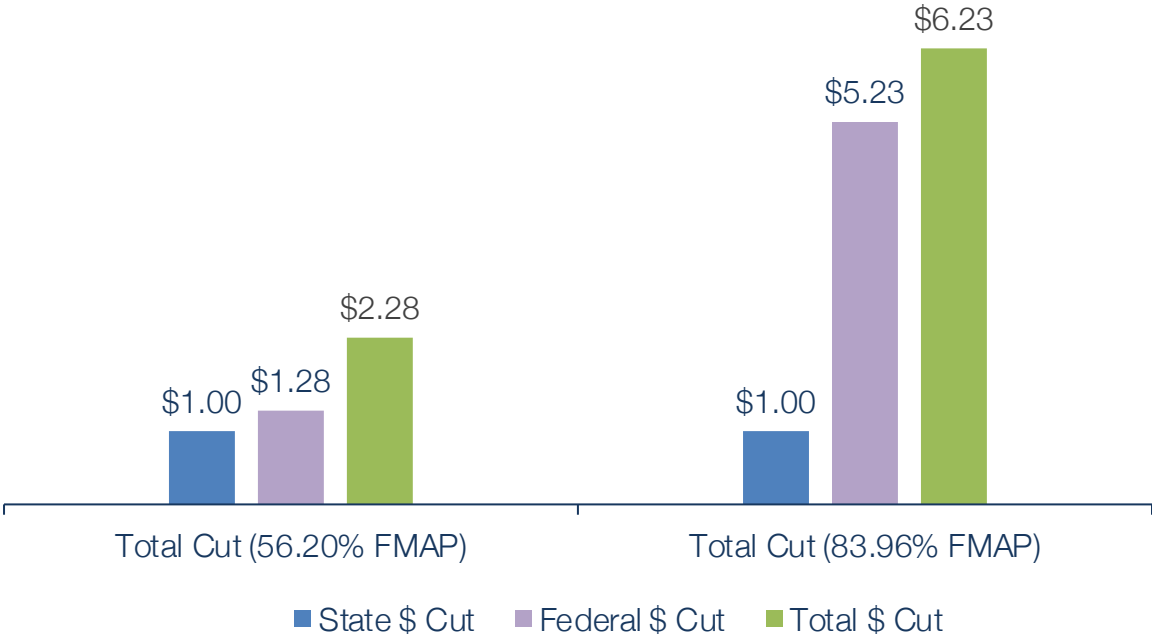
Medicaid is the Largest Source of Federal Funds for States (2020)



Impact of State Budget Cuts on Federal Funding



Impact of State Budget Cuts on Federal Funding with Families First FMAP Increase



No Automatic FMAP Increases in Response to Recessions

- During recessions, reduced economic activity leads to falling state revenues and greater demand on public programs including Medicaid
- Nearly all states must balance budgets so states unable to generate state match. But every \$1 in state cuts means reduction in federal \$ too
- Pro-cyclical impact deepening & prolonging recessions
- Congress has averted Medicaid budget cuts (2003, 2009, 2020) to preserve health coverage and to provide relief/stimulus but no automatic countercyclical FMAP increases
- FMAP increases tied to MOE requirements



CHIP FINANCING: How Does the Federal Financing of CHIP Differ from Medicaid?

Poll

- How would you describe your level of knowledge about the CHIP financing system including how it differs from Medicaid?

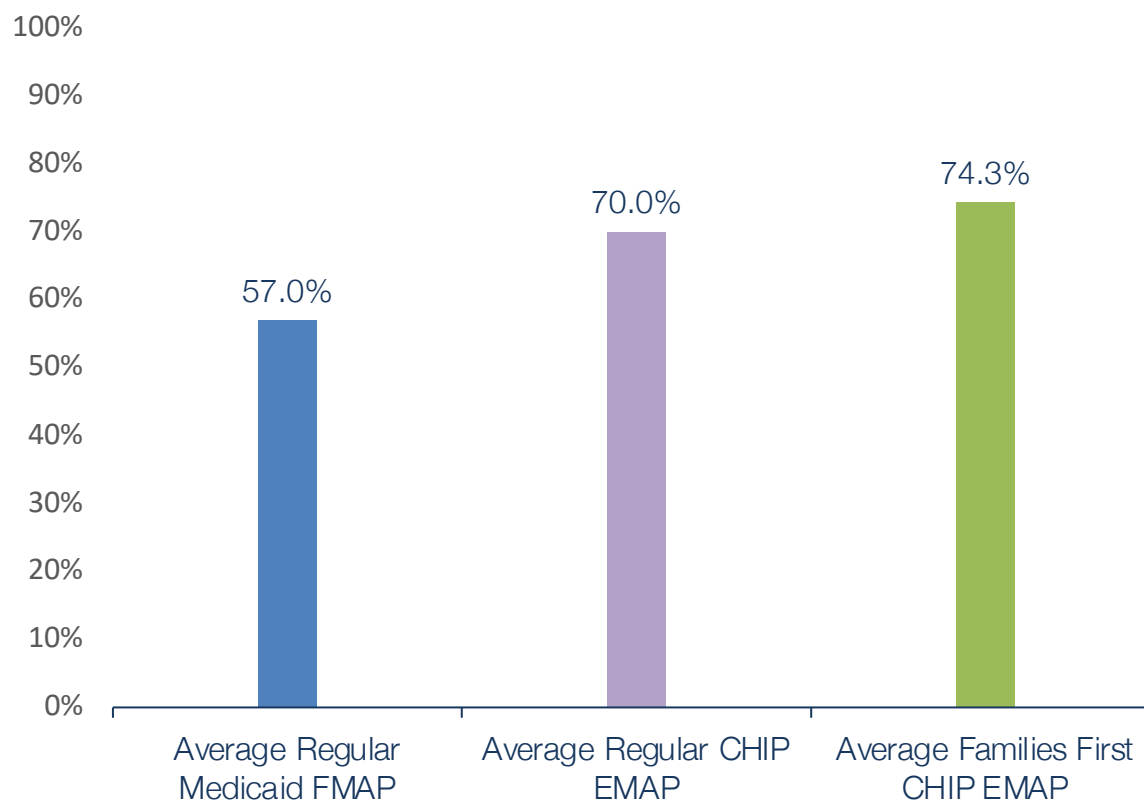
Overview

- CHIP is a block grant
- States receive fixed annual allotments out of overall national allotment
- CHIP funding appropriated through 2027
- States receive higher matching rate than under Medicaid including for CHIP-funded Medicaid coverage

CHIP Enhanced Matching Rate (EMAP)

- Regular CHIP matching rate = $1 - (\text{regular Medicaid state share} - (0.3 * \text{Medicaid state share}))$
- Minimum of 65% to maximum of 85% (with some past exceptions).
- ACA temporarily increased each state's CHIP EMAP by 23 percentage points through fiscal year 2019
- Last CHIP reauthorization included partial extension of ACA increase (EMAP +11.5 percentage points in 2020 but expired on October 1, 2020)
- Families First (4.34 point increase) in 2021 (duration of public health emergency)

CHIP Matching Rates



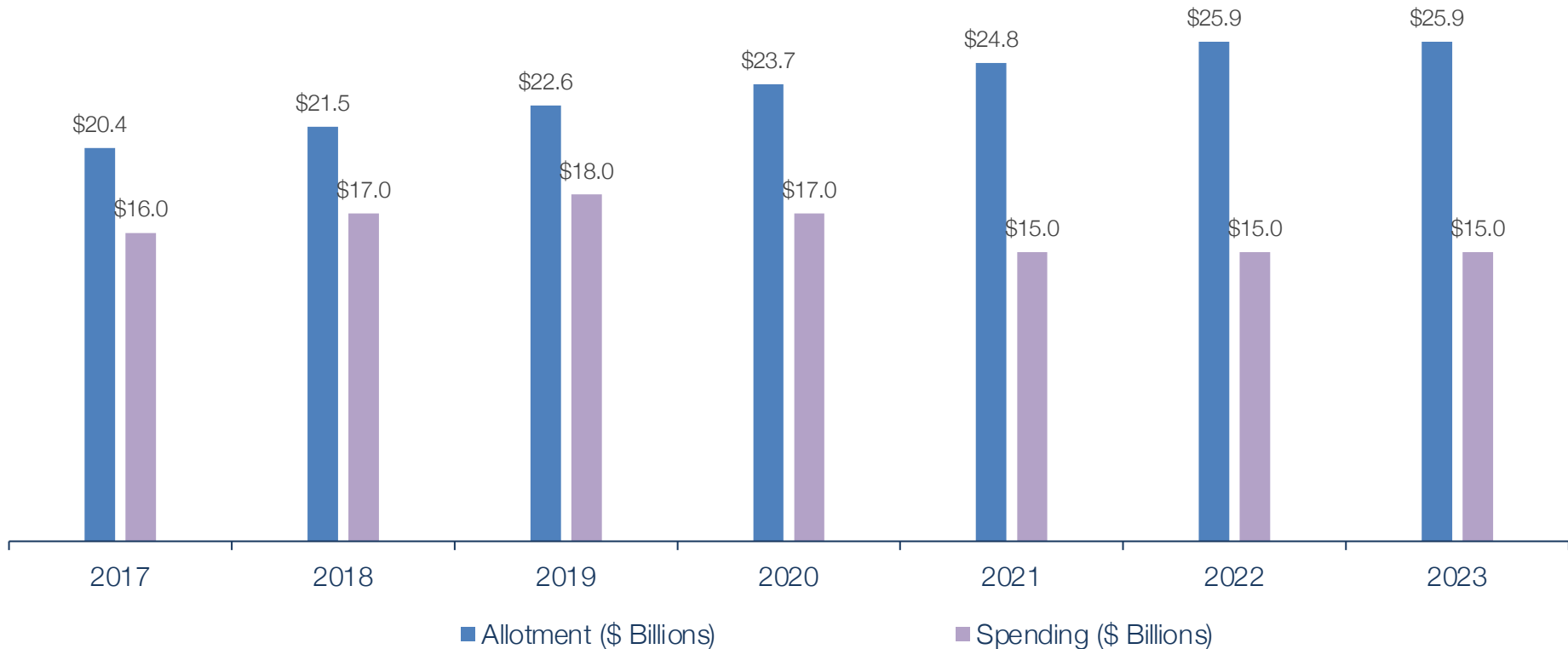
Calculation of State CHIP Allotments

- Allotments are rebased in odd years (every 2 years), using *all* prior year spending adjusted for projected child population growth and projected NHE per capita growth
- In even years, allotment equals prior year allotment (plus any contingency fund \$) trended forward by child population growth and projected NHE per capita
- Can receive adjustment for expansion implemented in between rebasing years
- States have two years to spend, can carry over to next year

Why CHIP Is Unlike Any Other Block Grant

- CHIP has been intentionally “overfunded” by large margins
- Unspent funds after 2 years are redistributed to states facing shortfalls
- Availability of child enrollment contingency fund payments (if CHIP spending exceeds total available allotments excluding redistribution and state meets certain enrollment targets)
- Congress has stepped in to provide one-time infusions to ensure no state faced federal funding shortfalls
- National allotment will equal “such sums as necessary” in 2024-2026 and partially in 2027 to fully fund state allotments

Comparison of National CHIP Funding to Federal Spending



CHIP Administrative Spending

- Higher matching rate applies to CHIP administrative costs
- States can spend up to 10% of their annual CHIP spending on administration which includes outreach
- Within 10% limit, states can also spend on Health Services Initiatives (HSIs)



OTHER MEDICAID AND CHIP FINANCING ISSUES

Medicaid Block Grants

- Converts current financing structure to cap on overall federal funding for each state's Medicaid program.
- States responsible for 100% of costs above cap
- Produces large, growing federal Medicaid spending cuts as block grant amounts fail to keep pace with enrollment and health care costs

Medicaid Per Capita Caps

- Converts current financing structure to cap on federal funding per beneficiary
- States similarly responsible for 100% of costs above per-beneficiary cap
- Similarly results in large, growing federal Medicaid spending cuts as cap amounts fail to keep pace with rising health care costs
- Different from block grant because per capita cap adjusts for change in number of beneficiaries

Other Medicaid and CHIP Financing Issues

- Federal-level issues:
 - Federal Medicaid funding for the territories
 - Permanent countercyclical FMAP mechanism
 - Other incentives to promote policy changes
 - Next CHIP funding authorization
- State-level issues:
 - State financing sources for Medicaid
 - Opportunities for claiming federal Medicaid match

For More Information

Center for Children and Families
website

- ccf.georgetown.edu

Say Ahhh! Our child health policy blog

- <http://ccf.georgetown.edu/blog/>

Children's Health Care Report Card
Interactive Data Hub

- <https://kidshealthcarereport.ccf.georgetown.edu/>

Kaiser Family Foundation State Health
Facts

- <https://www.kff.org/statedata/>