



Centers for Medicare & Medicaid Services: Temporary Increase of the Medicaid Federal Medical Assistance Percentage (FMAP)

A. Funding Table

(Outlays in Millions)

Project/Activity	Program Level Estimate	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate	FY 2012 – FY 2019
FMAP Increase	\$84,511	\$31,511	\$38,100	\$14,900	\$0

*These amounts represent OACT cost estimates of the temporary increase in the Medicaid FMAP provided in the Recovery Act.

B. Objectives

The goal of the increased FMAP provision of the Recovery Act is to provide an increase in the required Federal portion and a corresponding decrease in the non-Federal portion of States' medical assistance expenditures during the recession period; therefore, the general objective is to provide additional Federal support for States during the recession period. The increased Medicaid funding made available under the Recovery Act will prevent health coverage loss and stabilize the system.

Medicaid is a medical assistance program, authorized under title XIX of the Social Security Act, which furnishes medical assistance on behalf of families with dependent children and aged, blind and disabled individuals whose income and resources are insufficient to meet the costs of necessary medical services. The Medicaid program is implemented by each State, under Federal guidelines, and the State's Medicaid expenditures are jointly funded by the State and the Federal government. The Federal government's percentage share of each State's medical assistance expenditures under Medicaid is determined by a formula specified in Medicaid law referred to as the Federal Medical Assistance Percentage (FMAP).

Traditionally under the Medicaid law, each State's FMAP is determined by a formula based on the relationship of each State's per capita income to the national per capita income; the lower a State's per capita income the higher its FMAP. The FMAP is determined for each fiscal year and applies for States' expenditures during that fiscal year. The Recovery Act provides a temporary increase in the State FMAPs during a 9 calendar quarter recession adjustment period beginning October 1, 2008 and ending December 31, 2010.

C. Activities

Additional Federal funds are provided to each State for medical assistance expenditures under the Medicaid program during the recession period. Federal funds for States' medical assistance expenditures are typically provided to States on a quarterly basis through a grant process; the amount of additional funds related to the increased FMAP provision will be provided through a separate grant. CMS provided guidance to States in a series of State Medicaid Director letters, fact sheets



and question and answers that provided guidance on the process for accessing the increased FMAP, expenditures for which the increased FMAP is available, the eligibility “maintenance of effort” (MOE) requirements and the prompt pay requirements.

D. Characteristics

There are three components of the increased FMAP. First, the level of each States’ FMAP for Federal Fiscal Years (FFY) 2009, 2010, and the first quarter of FFY 2011 is maintained so it is at least equal to the level from the previous fiscal year. Second, each State will receive a general increase in its FMAP of 6.2 percent. Finally, certain States with relatively high unemployment rates during the recession may receive additional increases in their FMAPs. States’ FMAPs will be established for each quarter of the recession period, based on updated unemployment statistics.

The increased FMAP provision applies differently for the five Territories (Puerto Rico, Virgin Islands, Guam, the Northern Mariana Islands and the American Samoas). Each Territory was given the choice of receiving the indicated increase in its FMAP and a 15 percent increase in its cap on the amount of total Federal funds it may receive, or alternatively, to receive a 30 percent increase in its cap with no increase in its FMAP. All Territories opted to receive the 30 percent cap increase.

Increased FMAP funds are provided to States through a grant process on a quarterly basis. States will report to CMS on the use of such funds on a quarterly basis.

To be eligible and to retain eligibility for the increased FMAP, States must meet several conditions, including the following:

- Use increased FMAP for certain allowable Medicaid expenditures.
- Maintain eligibility requirements for Medicaid as in effect on June 30, 2008.
- Comply with prompt payment provisions.
- Report to the Department on the use of these funds.

States may not:

- Deposit or credit the increased funds (directly or indirectly) into a rainy day or reserve fund.
- Require local political subdivisions to contribute to the non-Federal share of States’ Medicaid expenditures at a percentage greater than was required on September 30, 2008.

E. Delivery Schedule

Funds are awarded quarterly for FY 2009, FY 2010 and first quarter of FY 2011. Section 5001 of Recovery Act does not specify a fixed amount of funds for these grants. The grant amounts are calculated and obligated quarterly based on the amounts of States’ medical assistance expenditures for which the increased FMAP are available.



F. Environmental Review Compliance

The CMS and Department of Health and Human Services are committed to sustainable operations of its activities and facilities through sound environmental stewardship including preferential procurement of environmentally preferred products and electronic stewardship of IT and data center operations.

As programs are developed, CMS will incorporate contract and/or grant language to mitigate the environmental impacts of acquisition of IT and other products and equipment and services and provide guidance to encourage the following:

- Green procurement' based on the HHS Affirmative Procurement Plan and similar guidance from the Environmental Protection Agency (EPA) and the President's Council on Environmental Quality (CEQ)
- Electronic Stewardship including the use of electronic products that are Energy Star® compliant and Electronic Product Environmental Assessment Tool (EPEAT) Silver registered or higher when available; the activation of Energy Star® features on all equipment, when available; environmentally sound 'end-of-life' management practices (including reuse, donate, sell, or recycle 100% of electronic products;) and best operation and management practices for energy efficient data centers.

G. Measures

Outcome / Achievement	FY 09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	Program End
Percentage of increased FMAP dollars claimed by States with respect to the Recovery Act's Prompt Pay Provision. Reported Quarterly	99.84%	99.88%	Pending				
Number of beneficiaries enrolled in the Medicaid program. Reported Quarterly	48,753,871	*Pending	Pending				

*At this time reports have not been received from all States. CMS continues to work with States in order to obtain full reports from every State. An Access database is being developed to store this information. It is in the development and testing stage.

H. Monitoring and Evaluation

The CMS programs are assessed for risk to ensure that appropriate internal controls are in place. These assessments are done consistent with the statutory requirements of the Federal Manager's Financial Integrity Act and the Improper Payments Information Act, as well as OMB's circular A-123 "Management's Responsibility for Internal Control" (including Appendices A, B & C).



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CMS' risk management process fits within the overall governance structure established at HHS to address Recovery Act program risks. The HHS Risk Management and Financial Oversight Board provides executive leadership and establishes accountability for the risk assessment process related to internal controls over financial reporting, and the HHS Senior Assessment Team (SAT) ensures that risk assessment objectives are clearly communicated throughout the Department. The CMS has a risk management and Financial Oversight committee, comprised of cross-functional senior leadership, to oversee and manage program implementation, and to address risk across the agency, including risk that impacts financial management. It meets monthly to monitor and assess the effectiveness of mitigation strategies, identify emerging risks and ensure the correction of program weaknesses. The CMS SAT performs an annual assessment in accordance with HHS' guidance regarding OMB circular A-123, Appendix A, Internal Control Over Financial Reporting.

In addition, CMS will present its high level risks to the Recovery Act Implementation Team. Chaired by the Deputy Secretary and comprised of senior policy officials from throughout the Department, the Implementation Team convenes monthly to monitor progress in carrying out Recovery Act programs and address the obstacles and risks that could impact their success.

States' expenditures are monitored on a quarterly basis by both the States' and CMS. In accordance with the guidelines established by OMB the grant awards being issued will be in a separate account specifically designated by the Treasury for the Recovery Act funds and the States will have to draw these funds from that account. The handling of these grant awards follow the processes CMS has established for issuance of regular Medicaid grant awards as well as reconciliation at the end of the quarter to actual allowable Medicaid expenditures. These processes are well documented in the Medicaid Cycle memo which documents the processes as well as details internal controls in place to mitigate risk.

In addition, States are required to submit quarterly reports on the use of these funds. CMS is working with States that have not submitted the required quarterly reports. In this regard, we have set up a web mail box to which these reports are sent directly. If a State fails to meet requirements with respect to use of the funds, CMS can withhold the increased FMAP funds. In the finalization process, CMS will reconcile the total grants and expenditures following receipt and review of the States' expenditure reports.

In addition to the established CMS monitoring, extensive internal monitoring and external evaluation is conducted around this provision. CMS uses its existing financial management oversight mechanisms to require the return of any Federal funds to which a State was not entitled. CMS works extensively with its Regional Offices to conduct reviews where appropriate and to validate information reported by the States on the use of the increased FMAP funds.



Further, the Office of Inspector General (OIG) has 15 completed audits and 28 ongoing audits related to section 5001, including review of States' compliance with the requirements that must be followed to be eligible for the increased FMAP, and other areas of high risk. For the completed audits, in general, the OIG found that the States reviewed were in compliance with the Recovery Act requirements outlined in section 5001.

Finally the Government Accountability Office is required to report to Congress every 60 days on implementation of the increased FMAP provisions. The stated objectives for these reviews are to examine:

- The extent to which the Federal matching assistance percentage has changed for States under the Recovery Act 2)
- States experiences under the Recovery Act in terms of Medicaid expenditures and enrollment;
- Any programmatic adjustments States have made to their Medicaid programs in light of new funding provided through the Recovery Act; and
- CMS plans to monitor and report on States' use of Recovery Act funds for Medicaid.

Results from these ongoing studies can be found at
<http://www.recovery.gov/Accountability/Pages/GAOFindings.aspx>

I. Transparency

CMS is open and transparent in all of its contracting and grant activities involving Recovery Act funding; the Agency is in compliance with statute and OMB guidance on transparency.

States are the recipients of these funds. As part of the funds draw process, States must attest that they are in compliance with the Recovery Act provisions and are eligible for the increased FMAP.

Regular FMAP funds are deposited by the Federal government into a Payment Management System (PMS) account and are available for States to draw upon for eligible Medicaid expenditures. The increased FMAP funds available to States through the Recovery Act are held in a separate PMS account. States draw the increased funds through a separate transaction and track the funds separately from non-Recovery funds. The amount of State draws of the increased FMAP available through the Recovery Act will be posted on the Recovery.gov website.

An All-State Medicaid Directors' call was held in which States were provided an overview of the Recovery Act Medicaid provisions and written guidance specific to section 5001 was issued to States describing the availability of the fund. During the All-State call, CMS described the reporting requirements and told them that more guidance would be issued once the reporting form and method for collection was finalized.

States report quarterly on the use of the increased funds. States also have to report to CMS on their compliance with the Prompt Payment Provisions. CMS developed a



methodology that States use in calculating their compliance with these provisions. CMS issued the guidance and methodology to all States and provides ongoing technical assistance.

J. Accountability

To ensure that managers are held to high standards of accountability in achieving program goals under the Recovery Act, CMS has built upon and strengthened existing processes. Senior CMS Center for Medicaid, CHIP and Survey and Certification officials meet regularly with senior Department officials to ensure that projects are meeting their program goals, assessing and mitigating risks, ensuring transparency, and incorporating corrective actions. The personnel performance appraisal system also incorporates Recovery Act program stewardship responsibilities for program and business function managers.

In terms of States' accountability, if States do not report required information or if a State were not to meet the Recovery Act requirements with respect to use of the funds, CMS can withhold increased FMAP funds. Further, CMS will utilize its existing financial management oversight mechanisms to require the return of any Federal funds to which a State was not entitled. Such mechanisms include the disallowance of Medicaid expenditures funded by the increased FMAP. This disallowance action would involve formal notice to the State as well as provide the State an opportunity for a hearing to the Departmental Appeals Board.

K. Barriers to Effective Implementation

CMS and States have identified barriers to effective implementation of this provision. One of those barriers is the requirement that States maintain "eligibility standards, methodologies, or procedures" under its Medicaid Program that are not more restrictive during the defined recession period than those in effect on July 1, 2008. Any more restrictive eligibility precludes a State from accessing the increased FMAP funds until the State had restored eligibility standards, methodologies or procedures to those in effect on July 1, 2008. Some States initially delayed the draw of the increased funds due to difficulty meeting this requirement or assessing whether they currently meet this requirement. As of June 15, 2009, all States met these requirements and were able to draw the increased funds.

Another barrier to effective implementation is that some States had to change claims payment and reporting systems to meet these statutory requirements. States have to report quarterly information to CMS that it never reported previously (e.g., compliance with Prompt Payment Provisions). In addition, States have to report to CMS information on how the funding associated with the increased FMAP were used at the State which will include documentation that no funds were directly or indirectly placed in a rainy day or reserve account as well as detailed information on what the funds were used for which may include non-Medicaid related expenses. Many of these reporting requirements are resource issues for States. Changes were made to the Federal Medicaid Expenditure reporting system (Medicaid Budget and Expenditure System (MBES)) to allow for separate expenditure reporting of the increased FMAP funds.



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L. Federal Infrastructure

Not applicable.

Summary of Significant Changes:

- Updated Section A to reflect actual 09 outlays and estimated FY10 and first quarter FY11 outlays (program ends 12/31/10).
- Added a chart to Section G to identify the actual percentage of increased FMAP dollars claimed by States with respect to the Recovery Act's Prompt Pay Provision and the number of beneficiaries enrolled in the Medicaid program.
- Updated Section H to include the audit work already performed by both OIG and GAO.
- Updated Sections F, H and I to reflect updated HHS policies on Environmental Review Compliance, Monitoring and Evaluation, and Transparency.