

April 29, 2004

Executive Summary

The majority of states are projected to experience a reduction in their federal Medicaid matching rates (the Federal Medical Assistance Percentage—FMAP) for federal fiscal year (FY) 2006. This effect results from two shifts in per capita personal income, the statistic on which the FMAP is based. On net, this is projected to reduce federal Medicaid grants to states by \$423 million in that year.

FMAP Definition

The FMAP is the share of state Medicaid benefit costs paid for by the federal government. It is calculated based on a three-year average of state per capita personal income compared to the national average. A state with average per capita personal income receives an FMAP of 55%; no state may receive less than 50%. Personal income from calendar years 2001-2003 will be used in calculating the FY 2006 FMAP.

Analysis

Two major changes in personal income data will produce major shifts in FY 2006 FMAPs. First, the Commerce Department has just completed its periodic rebenchmarking of the National Income and Produce Accounts, for which the personal income data are produced. One effect of a rebenchmarking is to change state personal income data relative to the national average, and this produces FMAP changes.

A second major change results from no longer having calendar year 2000 in the FMAP calculation. In 2000, some large, wealthy states (e.g., California, Massachusetts, New York and Illinois) had strong economies that subsequently weakened. The absence of the 2000 data in the FY 2006 FMAP calculation makes other states look relatively wealthier, reducing their FMAPs. It has no effect on the 50% minimum received by the wealthier states.

The projected changes for FY 2006 are larger than changes in most years. Thirteen states are projected to have changes of greater than one percentage point in FY 2006, compared to only three for FY 2005. While the final FMAPs published in October 2004 will differ somewhat from these projections, it is expected that for most states the actual FY 2006 changes will be similar.

Impact on Medicaid

FFIS has projected FY 2006 FMAPs in Issue Brief 04-13, published April 27, 2004. Table 1 below groups states on the basis of the size of the projected percentage point changes. A few primarily eastern states are projected to receive increases, and 12 states plus the District of Columbia are at the statutory minima and are not affected.

Overall, 30 states are projected to receive lower FMAPs, including 21 with large (greater than -0.50) or very large (greater than -1.50) losses. On net, Medicaid grants to states would decrease by \$423 million, with decreases of \$850 million to 30 states partially offset by increases of \$427 million for eight states.

Table 1**Possible Impact of Projected FY 2006 FMAP Changes**

(federal fiscal year; dollars in thousands)

	Possible 2006		Possible 2006
	Grant Impact	State	Grant Impact
Large Gains:	Delaware \$11,145	Moderate Losses:	Florida -\$66,673
	Georgia 31,088		Nebraska -7,476
	Michigan 138,438		South Carolina -18,524
	Missouri 48,084	Large Losses:	Alabama -\$57,586
	Pennsylvania 134,886		Arkansas -28,241
Small Changes:	Indiana 10,124		Idaho -9,285
	North Carolina 12,130		Iowa -16,243
	Ohio 40,792		Kansas -12,713
	Arizona -5,034		Louisiana -51,183
	Hawaii -665		Mississippi -40,598
	Kentucky -7,483		Montana -6,541
	Nevada -562		Tennessee -45,146
	Oregon -3,456		Texas -96,756
	Rhode Island -3,533		Utah -8,753
No Changes:	California 0		West Virginia -22,226
	Colorado 0		Wisconsin -34,351
	Connecticut 0	Very Large Losses:	Alaska -79,612
	District of Columbia 0		Maine -35,204
	Illinois 0		New Mexico -81,120
	Maryland 0		North Dakota -13,447
	Massachusetts 0		Oklahoma -54,138
	Minnesota 0		South Dakota -12,546
	New Hampshire 0		Vermont -15,353
	New Jersey 0		Wyoming -15,032
	New York 0		United States -\$422,794
	Virginia 0		
	Washington 0		

Note: Large and small shifts are defined in terms of the projected percentage point change in the Federal Medical Assistance Percentages (FMAPs), not in terms of the resulting dollar impacts.

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