

Medicaid provides public health coverage to millions of low-income individuals and families and serves as an important safety net program for those in need. Medicaid also serves an important role for low-income elderly and the disabled by covering services not included in Medicare, such as long-term care and other support services for persons with mental or physical disabilities.¹ The program is jointly financed by the federal and state governments and, along with the Children’s Health Insurance Program (CHIP), covered over 77 million individuals (including 37 million children) as of September 2020.²

BRIEF OVERVIEW

This brief reviews the federal and state shares of Medicaid spending and highlights a new measure on the State Health Access Data Assistance Center’s (SHADAC) web-based data tool – State Health Compare. This new measure presents total Medicaid spending as a percent of state budgets, including trends over time and variation in spending by state. We acknowledge state and federal contributions to this total measure, highlighting the significant role of federal financing in the Medicaid program.

Federal Medical Assistance Percentage (FMAP)

States, in partnership with the federal government, set up and administer the Medicaid program and receive federal matching payments for state expenditures on covered services delivered by qualified providers. The rate at which the federal government matches each state’s Medicaid expenditures varies based on the state’s cost of living as measured by the average wage of the state. States with lower wage levels receive higher matching payments, and those with higher wages receive lower matching payments. The federal contribution is referred to as the “Federal Medical Assistance Percentage (FMAP).” Figure 1 shows the array of the FMAP across the states in 2020, which ranged from a floor of 50% in 14 states to a ceiling of over 70% in 9 states.³

Figure 1. Range of Federal Medical Assistance Percentages (FMAP) for states, FY 2020

FMAP Percentage	Number of States	States
Minimum: 50%	14	AK, CA, CO, CT, MD, MA, MN, NH, NJ, NY, VA, WA, WY
50.01-55%	11	AS, GU, HI, IL, MP, ND, PA, PR, RI, VI, VT
55.01-60%	5	DE, KS, NE, SD, WI
60.01-65%	9	FL, IA, ME, MI, MO, NV, OH, OR, TX
65.01-70%	9	DC, GA, IN, LA, MT, NC, OK, TN, UT
70.01 to 75%	8	AL, AR, AZ, ID, KY, NM, SC, WV
Maximum: 77.76%	1	MS

Source: Office of the Secretary, Department of Health and Human Services (DHHS). (2019, December 3). Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children’s Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2020 Through September 30, 2021. *84 Federal Register*, 232(2019-26207), 66204-66206.

Enhanced FMAP

The federal government has used its matching payment authority to provide incentives to states to set up and administer new programs and to provide financial relief to states during times of fiscal crisis. For example, to encourage states to provide additional coverage to children, each state receives an “enhanced FMAP” for their Children’s Health Insurance Programs ranging from a low of 65% to a high of 83% across the states.⁴ Similarly, to encourage states to participate in the Medicaid expansion program provided under the Affordable Care Act (ACA), states receive an enhanced FMAP matching payment of 90% (after a three year phase-in) for the expansion population. All but 13 states have expanded their Medicaid programs to provide coverage for all low-income individuals and families up to 138% of the Federal Poverty Level (FPL).⁵

The FMAP has been used to provide financial relief to states in times of fiscal crisis by offsetting costs to the state for the Medicaid program. During the Great Recession of 2009, federal relief included an adjustment of 12 percentage points to each state’s FMAP. Similarly, the Families First Coronavirus Response Act (Families First Act) included a 6.2 percentage-point increase in the federal share of Medicaid spending limited the period between January 1, 2020, and the end of the Public Health Emergency designation.⁶ These adjustments are particularly important in times of financial crisis due to the countercyclical nature of the program. Medicaid financing is considered countercyclical because in times of economic crisis individuals may lose their jobs—and therefore lose their employer-sponsored health insurance coverage—leading them to

turn to public program coverage. The critical role of Medicaid as such a public program has been amplified during the COVID-19 pandemic. As recently noted by the Medicaid and CHIP Payment and Access Commission (MACPAC), “Medicaid was seen as uniquely positioned to respond to the simultaneous public health and economic crisis” because its countercyclical design was devised to not only to address rising unemployment and loss of employer-sponsored insurance, but increases in low-income populations, each of which have been noted and measurable consequences of the coronavirus pandemic.⁷

State Role in Medicaid Expenditures

The Medicaid program is both a significant state expenditure and source of federal revenue. Although the federal government provides considerable funding for the program, states also invest considerable resources into financing, and Medicaid accounts for large shares of state budgets. States pay, on average, just under 40% of the costs of the Medicaid program.⁸ Revenue sources include income and sales tax (General Fund Revenue), provider taxes, intergovernmental transfers, and other state and local financing mechanisms. When combining both the federal and state expenditures, Medicaid accounts for over one-quarter of state budgets (28.8%; 11.0% from state funds and 17.8% from federal funds) and is the single largest budget category.⁹ It can also be helpful to consider state-only contributions to the Medicaid program. When viewed from this perspective, Medicaid makes up the second-largest component of state budgets, after K-12 education spending. In 2018, state general fund spending on Medicaid averaged approximately 20% of all general fund spending while spending on K-12 spending accounted for an average of 36%.¹⁰

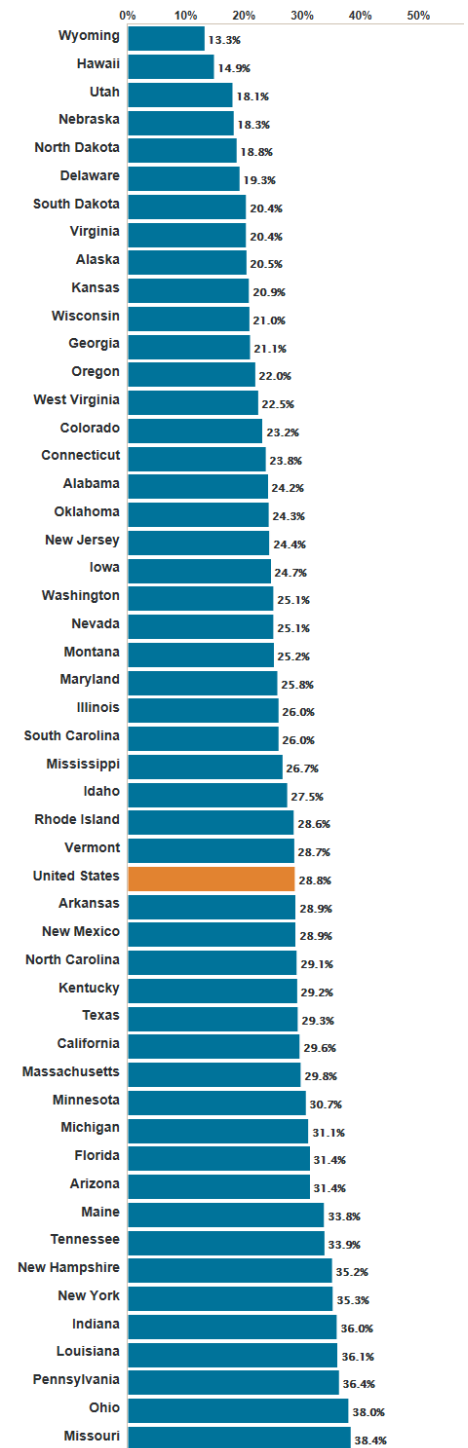
SHADAC’s State Health Compare

State Health Compare allows analysts and policymakers to view state-level data on a wide range of topics through Culture of Health and equity lens. The easily accessible data hub includes over 50 measures across 10 domains, including: health insurance coverage, cost of care, health behaviors, health outcomes, access to and utilization of care, care quality, public health, and social and economic determinants of health.

SHADAC’s State Health Compare now includes a measure of Medicaid spending (represented by both state and federal expenditures on their Medicaid programs) as a percent of state budgets. The data come from the annual National Association of State Budget Officers (NASBO) State Expenditure Reports, and include both state and federal expenditures.¹¹

Figure 2 shows Medicaid expenditures as a percent of state budgets for FY 2019 ranked from lowest to highest. The percent of state budgets ranges from a low of 13.3% in Wyoming and 14.9% in Hawaii to highs of 38% in Ohio and 38.4% in Missouri. The variation in Medicaid spending as a percent of state budgets reflects a variety of factors, including each state’s decisions on eligibility levels, covered benefits, and provider payments.

Figure 2. Medicaid expenses as a percent of state budgets, 2019



Source: SHADAC analysis of State Expenditure Reports, National Association of State Budget Officers, *State Health Compare*, SHADAC, University of Minnesota, statehealthcompare.shadac.org, Accessed February 23, 2021.

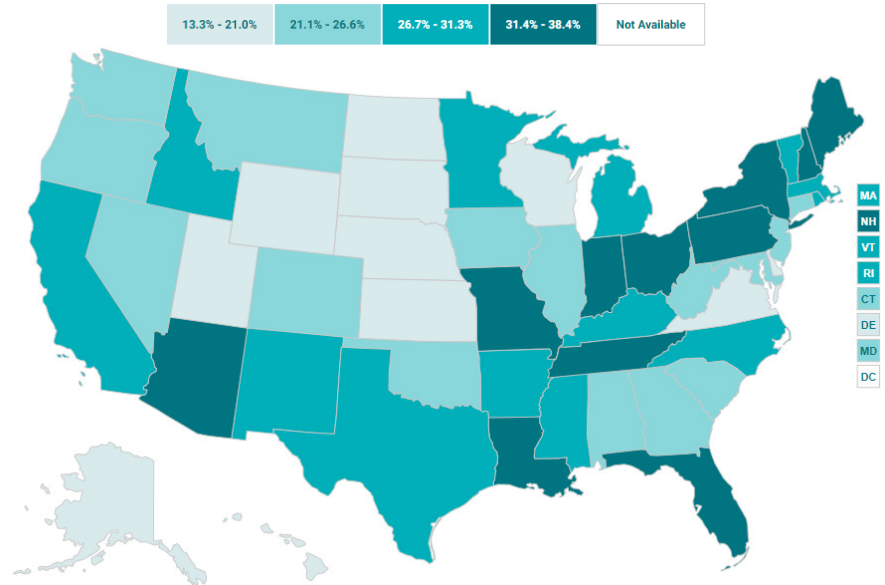
For example, the minimum federal eligibility for newborns (children age 0-1) is 133% of the Federal Poverty Level (FPL), but eligibility levels across states for newborns ranges from 139% FPL in Utah to a high of 375% FPL in Iowa.¹² The rates also reflect the variation in FMAP rates described above—with the federal government contributing between 50 to 77.1% of state Medicaid expenditures (see Figure 1). Figure 3 provides the same information in a map format which can be easily downloaded.

Figure 4 shows the overall growth in Medicaid spending as a proportion of state budgets for the U.S. The share of total Medicaid spending as a component of state budgets grew from 19.5% in 2000 to 28.8% in 2019. This trend chart includes both federal and state spending, and includes both expansion and non-expansion populations beginning in 2014.

Conclusion

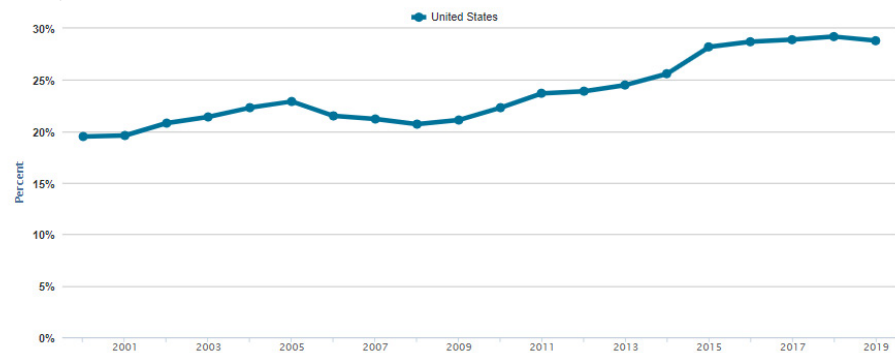
State Health Compare's new measure "Medicaid as a Percent of State Budgets" represents the important role of Medicaid in providing health care coverage to those who are eligible, and highlights the importance of joint federal and state funding for the program.

Figure 3. Map of Medicaid expenses as a percent of state budgets, 2019



Source: SHADAC analysis of State Expenditure Reports, National Association of State Budget Officers, *State Health Compare*, SHADAC, University of Minnesota, statehealthcompare.shadac.org, Accessed February 23, 2021.

Figure 4. United States Medicaid expenses as a percent of state budgets, 2000-2019



Source: SHADAC analysis of State Expenditure Reports, National Association of State Budget Officers, *State Health Compare*, SHADAC, University of Minnesota, statehealthcompare.shadac.org, Accessed February 23, 2021.

¹ Medicaid and CHIP Payment and Access Commission (MACPAC). (2011, March). *Overview of Medicaid*. <https://www.macpac.gov/publication/ch-2-overview-of-medicaid/>

² Medicaid.gov. (n.d.). *September 2020 Medicaid & CHIP Enrollment Data Highlights*. <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>

³ Office of the Secretary, Department of Health and Human Services (DHHS). (2019, December 3). *Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2020 Through September 30, 2021*. *84 Federal Register*, 232(2019-26207), 66204-66206.

⁴ Medicaid and CHIP Payment and Access Commission (MACPAC). (n.d.). *CHIP financing*. <https://www.macpac.gov/subtopic/financing>

⁵ Kaiser Family Foundation (KFF). (2021, March 8). *Status of State Medicaid Expansion Decisions [Interactive Map]*. <https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/>

⁶ National Conference of State Legislatures (NCSL). (2020). *Medicaid and State Budgets: Policy Snapshot*. https://www.ncsl.org/Portals/1/Documents/Health/Medicaid-State-Budgets_snapshot_35149.pdf

⁷ Medicaid and CHIP Payment and Access Commission (MACPAC). (2020). *Considerations for Countercyclical Financing Adjustments in Medicaid*. <https://www.macpac.gov/publication/considerations-for-countercyclical-financing-adjustments-in-medicaid/>

⁸ Kaiser Family Foundation (KFF). (2021). Federal and State Share of Medicaid Spending [FY2019 Data set]. State Health Facts series. <https://www.kff.org/medicaid/issue-brief/medicaid-financing-the-basics/view/print/#footnote-397008-2>

⁹ National Conference of State Legislatures (NCSL). (2019, August 30). *Understanding Medicaid: A Primer for State Legislators*. <https://www.ncsl.org/research/health/understanding-medicaid-a-primer-for-state-legislators.aspx>

¹⁰ Georgetown Center for Children and Families (CCF). (2019, February 28). Medicaid and State Budgets: Checking the Facts (Yet Again). *Say Ahhh! Blog*. <https://ccf.georgetown.edu/2019/02/28/medicaid-and-state-budgets-checking-the-facts-yet-again/>

¹¹ State Health Access Data Assistance Center (SHADAC). (n.d.). SHADAC Analysis of National Association of State Budget Officers (NASBO) State Expenditure Reports [Data set]. *State Health Compare*. <http://statehealthcompare.shadac.org/>. Accessed February 23, 2021.

¹² Centers for Medicare & Medicaid Services (CMS). (2020). Medicaid, Children's Health Insurance Program, & Basic Health Program Eligibility Levels [Data table]. *Medicaid.gov*. <https://www.medicare.gov/medicaid/national-medicaid-chip-program-information/medicaid-childrens-health-insurance-program-basic-health-program-eligibility-levels/index.html>