



LONG-TERM CARE IN BRIEF: EXPLAINING THE MEDICAID EXPANSION: FUNDING THE EXPANSION

HR 3590, Sec. 2001, as amended by HR 4872, Sec. 1201, Medicaid Coverage for the Lowest Income Populations

The Patient Protection and Affordable Care Act (The Affordable Care Act), signed into law on March 23, 2010, includes a provision requiring states to create a new mandatory Medicaid eligibility group based on income by January 1, 2014 (HR 3590, Sec. 2001). The new law provides a national floor for Medicaid coverage, eliminates the exclusion of childless adults from coverage, reduces the current eligibility variation from state to state, and provides states with new federal resources to fund the expansion.

What is an expansion state? A state that, on the date of enactment, March 23, 2010, was already providing Medicaid coverage to nonpregnant, childless adults with incomes up to or above 100 percent FPL. To qualify as an “expansion state,” the benefits that the state was offering on March 23, 2010, must be more extensive than premium assistance, hospital-only benefits, a high deductible plan, or health opportunity accounts. States not providing this coverage are “non-expansion states.”

How will the Medicaid expansion be funded for non-expansion states? To finance the Medicaid coverage expansion, the federal government will provide states with an increased federal match for the medical assistance furnished to the newly-eligible individuals. Specifically, from 2014 to 2016, the FMAP will be 100 percent with respect to this coverage. In 2017, the FMAP will begin to phase down gradually until it reaches 90 percent in 2020, where it will remain.

THE NON-EXPANSION STATE FEDERAL MATCH RATE PERCENTAGE IS:

CALENDAR YEAR	FEDERAL MATCH RATE
2014	100%
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
2020 and beyond	90%



Why is a different FMAP formula applied to expansion states? Since expansion states have already expanded Medicaid to a significant portion of the population that is included in the new mandatory eligibility category to take effect in 2014, they would have relatively few newly-eligible adults to enroll in Medicaid under the expansion. As a result, a different formula, other than the one used to determine the FMAP for newly-eligibles in non-expansion states, applies in determining the federal matching rate available to expansion states.

How will the FMAP determined with respect to childless adults in expansions states? To help expansion states provide Medicaid coverage to childless adults, in 2014, these states will receive a phased-in federal match increase. The “new FMAP” will be equal to a set percentage of the gap between the state’s “base FMAP” and the enhanced “FMAP for newly eligibles” that will be applied to other, non-expansion states. This set percentage is known as the “transition percentage,” and it will increase annually until reaching 100 percent in 2019 and beyond.

THE EXPANSION STATE TRANSITION PERCENTAGE IS:

CALENDAR YEAR	TRANSITION PERCENTAGE
2014	50%
2015	60%
2016	70%
2017	80%
2018	90%
2019 and beyond	100%

THE EXPANSION STATE FMAP FORMULA IS:

$$\text{(State's Base FMAP)} + [(\text{Transition Percentage}) \times (\text{FMAP for newly eligibles} - \text{state's base FMAP})] = \text{New FMAP for Expansion States in 2014}$$

What if an expansion state has newly-eligibles in 2014? With respect to determining the federal match rate, in 2014, coverage provided to newly-eligible beneficiaries in expansion states will receive the same treatment as coverage provided to newly-eligible beneficiaries in non-expansion states. That is, expansion states will be eligible to receive the enhanced federal match rate for expanding Medicaid coverage to individuals under 65 with incomes at or below 133 percent FPL, as long as the expansion state was not providing coverage to these individuals on the date of enactment. Therefore, if there is a gap between an expansion state’s current eligibility level and 133 percent of the FPL that causes parents and childless adults to become newly eligible for Medicaid in



2014, these states will receive an enhanced match rate with respect to these individuals once the expansion takes effect.

What if an expansion state does NOT have newly-eligibles in 2014? From January 1, 2014, through December 31, 2015, expansion states that do not have any newly eligible Medicaid beneficiaries because they already cover individuals up to 133 percent FPL or higher, will receive a temporary 2.2 percentage point increase in their FMAP for the coverage provided to all populations. However, all states, expansion and non-expansion, will receive their regular FMAP for assistance provided to parents who were eligible for Medicaid on March 23, 2010.

IMPORTANT DATES

March 23, 2010	States providing qualified expanded Medicaid coverage as of this date are expansion states
2014	The Medicaid expansion is effective, and both expansion and non-expansion are eligible for additional federal assistance
January 1, 2014 – December 31, 2015	Expansion states with no newly-eligible individuals will receive a 2.2 percentage point FMAP increase
2019	In expansion states, the transition percentage will remain at 100 percent for this, and future, years
2020	In non-expansion states, the FMAP will remain at 90 percent for this, and future, years

Please note that NASUA's analysis of The Affordable Care Act will be updated as additional information becomes available.