

SECTION 6

FINANCING:

How Do Medicaid and CHIP Dollars Flow?



In 2019, Medicaid spending accounted for 16% of total U.S. health care spending.¹ Medicaid expenditures nationally amounted to over \$613 billion in that fiscal year, while expenditures on the Children's Health Insurance Program (CHIP) amounted to over \$19 billion.² Medicaid usually consumes the largest or second-largest share of state budgets, ranging from a high of 27% in Missouri to lows of 7% and 6% in West Virginia and Hawaii, respectively.³

MEDICAID'S STATE AND FEDERAL FUNDING

The federal government provides funds for at least half of what states pay to purchase health care services under their Medicaid programs. The federal contribution to Medicaid is called the Federal Medical Assistance Percentage, better known as FMAP or the "federal match." In FY 2022 the FMAP ranged from 56.20% to 84.51% for medical services.⁴ Under this funding formula, states with lower per capita incomes receive higher FMAP rates than states with higher per capita incomes. A state with a 75% matching rate receives three dollars from the federal government for every dollar the state spends on Medicaid services.

States also receive 50% matching federal funds for the *administration* of their Medicaid programs (as opposed to the cost of health services, described above). These administrative dollars can be spent to conduct outreach and provide education for families of children and youth with special health care needs (CYSHCN).

Efforts to improve enrollment, such as translating the application and Medicaid benefit materials into other languages, developing web-based application systems, and providing consumer assistance



The Medicaid and CHIP programs account for over 16% of total U.S. health care spending. Medicaid expenditures nationally amounted to over \$613 billion in fiscal year 2019, while CHIP expenditures amounted to over \$19 billion.

1. Centers for Medicare & Medicaid Services. (2020, December 16). National Health Expenditures Fact Sheet. Retrieved May 11, 2021, from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>

2. Centers for Medicare & Medicaid Services. (2020, December 16). Table 19. National Health Expenditures by Type of Expenditure and Program: Calendar Year 2019. Retrieved May 11, 2021, from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>

3. Kaiser Family Foundation. (n.d.). State Health Facts. Distribution of State Expenditures (in millions), SFY [State Fiscal Year] 2018. Retrieved May 11, 2021 from <https://www.kff.org/other/state-indicator/distribution-of-state-spending/?dataView=1¤tTimeframe=0&sortModel=%7B%22colId%22:%22Medicaid%22,%22sort%22:%22desc%22%7D>

4. Kaiser Family Foundation. (n.d.). State Health Facts. Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier, FY 2022. Retrieved May 11, 2021, from <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22FMAP%20Percentage%22,%22sort%22:%22desc%22%7D>

helplines, are all eligible for federal matching dollars. For every dollar the state spends reaching out to enroll people in Medicaid, the federal government contributes another dollar.

State agencies such as Title V may engage in these outreach or consumer assistance activities and thus may be able to claim federal Medicaid matching dollars. Interagency agreements between Medicaid and Title V programs may include consumer assistance activities and Medicaid payment for these activities.²⁰

While federal matching dollars are crucial, states still make a large financial contribution to the Medicaid program. In FY 2021 the state share ranged from approximately \$238 million in Wyoming to \$38 billion in California.⁵ This wide variation stems from differences in population size, eligibility criteria for Medicaid coverage, the scope of Medicaid coverage, and state-specific health care costs and provider practices. To find out how much your state spent on the Medicaid program in FY 2019, look at the table on the Kaiser Family Foundation State Health Facts website at www.kff.org/medicaid/state-indicator/federalstate-share-of-spending.

The state share of Medicaid is usually financed by state general funds, most of which are raised from personal income, sales, and corporate income taxes.⁶ Medicaid spending tends to rise in tough economic times. When unemployment rises and employers cut back on insurance coverage, more people become eligible to enroll in Medicaid or CHIP, leading to increased expenditures on those programs. States may be hard-pressed to cover these costs, especially with shrinking revenues and budget cuts. As a result, states often seek opportunities to scale back Medicaid and CHIP spending in difficult budget climates.

MEDICAID FUNDING AND THE AFFORDABLE CARE ACT

When Medicaid eligibility was expanded in 2014, the federal share of Medicaid spending for newly eligible individuals was 100%. This lasted through 2016, when the federal matching rate for those newly eligible began to phase down annually from 100% to 90% by 2020.⁷



During tough economic times, more families tend to become eligible for Medicaid, just when states are under increased budget pressure due to declining revenue.

5. Kaiser Family Foundation. (n.d.). State Health Facts. Federal and State Share of Medicaid Spending, FY 2019. Retrieved May 11, 2021, from <http://www.kff.org/medicaid/state-indicator/federalstate-share-of-spending>

6. Medicaid and CHIP Payment and Access Commission (MACPAC). (2011, March). *Report to the Congress on Medicaid and CHIP March 2011*, Figure 1-1. Retrieved May 8, 2021, from <https://www.macpac.gov/publication/report-to-the-congress-on-medicare-and-chip-311/>

7. Medicaid and CHIP Payment and Access Commission (MACPAC). (n.d.). *State and Federal Spending Under the ACA*. Retrieved May 11 2021, from <https://www.macpac.gov/subtopic/state-and-federal-spending-under-the-aca/>

CHIP FUNDING

Unlike Medicaid, federal CHIP funds are capped and are allotted for 2 years based on a formula that changes annually. Regardless of program design, states' CHIP spending is reimbursed by the federal government at a matching rate higher than that for Medicaid.^{8,9} The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA, P.L. 114-10) extended federal CHIP funding for 2 years through FY 2017. The HEALTHY KIDS Act, passed by Congress in 2017, extended funding for CHIP through FY 2023; the Bipartisan Budget Act of 2018 later extended this through FY 2027.¹⁰ In FY 2021, the CHIP-enhanced FMAP (E-FMAP) ranges from 65% to 84.43%.¹¹

WHERE ARE THE OPPORTUNITIES FOR TITLE V PROGRAMS?

Understanding the financing of Medicaid and CHIP in your state is important because it allows Title V programs to:

- Assess the financial implications of efforts to enroll more CYSHCN in Medicaid or CHIP.
- Examine state-funded activities to determine whether they have administrative costs or medical services costs for Medicaid enrollees that could be matched with federal Medicaid dollars.

8. For the enhanced federal match rate for CHIP by fiscal year and state, see <https://www.kff.org/other/state-indicator/enhanced-federal-matching-rate-chip/?currentTimeframe=0>

9. For the federal match rate for Medicaid by state, see <http://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier>

10. Medicaid and CHIP Payment and Access Commission. (n.d.). CHIP Financing. Retrieved May 11, 2021, from <https://www.macpac.gov/subtopic/financing/>

11. Medicaid and CHIP Payment and Access Commission. (n.d.). EXHIBIT 6. Federal medical assistance percentages (FMAPs) and enhanced FMAPs (E-FMAPs) by state. [data set]. Retrieved May 11, 2021, from <https://www.macpac.gov/publication/federal-medical-assistance-percentages-fmaps-and-enhanced-fmaps-e-fmaps-by-state-selected-periods/>



TEST YOUR KNOWLEDGE

- 1. True or False: The percent of the Medicaid program paid for by the federal government varies from one state to another based on the number of people living in the state.**
- 2. If a Medicaid program pays a \$100 charge from a doctor or therapist for a patient on Medicaid, the portion of that bill that is reimbursed by federal dollars (depending on the state's federal matching rate), ranges from:**
 - a. \$50 to \$75
 - b. \$75 to \$95
 - c. \$25 to \$50
 - d. \$0 to \$100
- 3. If a state Medicaid program pays \$100 in administrative costs to provide outreach to enroll children in Medicaid, the portion of that bill that is reimbursed by federal dollars is:**
 - a. \$0
 - b. \$25
 - c. \$50
 - d. \$75



FIND OUT IN YOUR STATE

- 1. What is your state's federal match rate for Medicaid? For CHIP?**
- 2. Does your state Title V program currently receive Medicaid reimbursement for either direct health services or administrative activities?**
- 3. Could any of your state's Title V services or activities currently funded through state dollars be supported through federal funds by the Medicaid match?**

ANSWER KEY

1. False: It is based on the average per capita income in the state 2. a 3. c

This document is part of Medicaid and CHIP: A Tutorial on Coverage for Children and Youth with Special Health Care Needs (CYSHCN). The document is available in its entirety at <https://ciswh.org/resources/Medicaid-CHIP-tutorial>

The Catalyst Center (U1TMC31757) is supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) as part of an award totaling \$500,000, with no financing by nongovernmental sources. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement, by HRSA, HHS or the U.S. Government.



Boston University School of Social Work
Center for Innovation in Social Work & Health
CATALYST CENTER