

Opening Statement of the Honorable Joseph R. Pitts
Health Subcommittee Hearing on “Examining Medicaid and CHIP’s Federal Medical Assistance”
February 10, 2016

(As Prepared for Delivery)

Today’s hearing will provide an opportunity for members to discuss the “Federal Medical Assistance Percentage” or “F-MAP” (FMAP) rate. The FMAP is the Federal statutory financing formula that is the basis for determining the federal government’s financial share of most Medicaid and Children’s Health Insurance Program (CHIP) expenditures.

While exploring the FMAP may seem like a dense topic to some, today’s hearing allows members to look under the cabinet to examine Medicaid’s plumbing – how money flows throughout the system. It is important for members to understand how the FMAP works, because it impacts how an estimated \$545 billion in program expenditures will be spent this year.

Federal law specifies the formula for calculating Federal Medical Assistance Percentages and requires the Secretary of Health and Human Services to calculate and publish FMAP rates each year. The statutory formula compares *individual state’s* per capita income to the *nation’s* per capita income in order to determine the portion of Medicaid expenditures the federal government will finance in each state. The lower a state’s per capita income, the greater the assistance the state receives from the federal government – so the higher the state’s FMAP.

Federal statute specifies that the basic Medicaid matching rate for states will go no lower than 50% or higher than 83%. Medicaid has used the basic FMAP formula since its creation, more than 50 years ago.

Since the creation of the Medicaid program, Congress has, over time, created several different levels of Federal financial participation, or “federal matching” for different services, benefits, and populations. These higher levels of federal matching are exceptions to the general FMAP.

For example, since the 1970s, the federal government has paid 100% for services furnished through Indian Health Services and tribal facilities and 90% for family planning services and supplies.

These exceptions are higher than any state’s regular FMAP and apply uniformly to all states. Today we will be discussing numerous other exceptions to the regular FMAP.

In recent years, Congress has twice increased FMAPs across the board to provide temporary fiscal relief to States during recessions.

Most recently, Congress added a new level of increased federal matching through the Affordable Care Act’s expansion of the Medicaid program to non-disabled childless adults. For new expansion states, the Affordable Care Act included a matching rate of 100% for the expansion population through this calendar year, after which federal matching levels decline over time to reach 90% by 2020 – and remain at that rate, at least under current law.

I should also point out that the FMAP also serves as the basis for determining the Federal government's share of expenditures for the Children's Health Insurance Program—CHIP. Section 2105(b) of the Social Security Act stipulates an Enhanced FMAP rate for both services and administration under CHIP. The E-FMAP rate reduces the State share under the regular FMAP rate by 30 percent.

Additionally, the Affordable Care Act increased the E-FMAP by 23 percentage points (not to exceed 100 percent) for fiscal years 2016 through 2019. As a result, the federal government is now financing 100 percent of the CHIP programs in 12 States.

Overall, I think today's hearing presents members with an important opportunity to better understand the FMAP rate that is hardwired into the heart of the program. I also hope members will grapple with the challenges created by the current FMAP formula – including the ways that the current patchwork of federal matching arrangements impacts the integrity of the federal and state cost-sharing relationship.

Today we have one panel of knowledgeable experts from CRS, MACPAC, GAO, and HHS OIG who will present their ideas and recommendations on these issues and answer Members' questions.

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