A Temporary FMAP Increase is Good Medicine for State Economies and Workers

With the economy continuing to decline, further economic stimulus is important to states. One of the most effective ways to stimulate the economy is to temporarily increase the federal matching rate for Medicaid, known as the Federal Medical Assistance Percentage (FMAP). If the federal government pays a larger share of Medicaid costs through a temporary increase in the FMAP, states can sustain their programs—rather than cutting them when families most need help—while simultaneously facilitating national economic recovery. We urge an increase in the matching rate for the State Children's Health Insurance Program (CHIP) as well.

States are hurting *now*, and need assistance *immediately*.

- At least 20 states have already cut or are proposing cuts to their Medicaid programs that will be harmful to individuals and families.
  - At least 11 states have cut or are proposing cuts to benefits.
  - At least 9 states have cut or are proposing cuts to eligibility.
  - At least 5 states have increased or are proposing increases in cost-sharing.
  - At least 16 states have cut or are proposing cuts in provider reimbursement rates.
- The majority of states are facing budget deficits for fiscal years 2009-2011, so additional Medicaid cuts are likely.

Temporarily increasing the FMAP is an *effective way* to stimulate the economy.

- For every dollar a state spends on Medicaid, the federal government contributes a matching amount of money that the state would not otherwise get. This matching percentage (the FMAP) varies by state, with the lowest-income states receiving the largest matching rates.
- This injection of new federal dollars into state economies has a measurable effect on states' business activity, wages, and jobs. The new dollars pass from one person to another in successive rounds of spending, generating additional business activity, jobs, and wages. Economists call this the "multiplier effect." Increasing federal Medicaid spending by increasing the FMAP amplifies this effect.

Temporarily increasing the FMAP is a *proven strategy* for stimulating the economy.

- During the last significant economic downturn in 2003, Congress included an FMAP increase in its economic stimulus package. These funds were a vital source of economic support at that time, and can be again now.
- The increase in federal dollars in states generates business activity, jobs, and wages that states would not otherwise see. The Economic Recovery Act of 2008 (S. 3689) would have increased the federal Medicaid matching rate by eight percentage points in each state for 15 months (October 2008 – December 2009).

Temporarily increasing the FMAP provides *immediate relief to state and local economies*.

- Medicaid enrollment increases when the economy declines. This requires states and localities to spend more money at a time when they have less revenue and strained budgets. An increased FMAP gives *immediate* relief to states and localities and allows them to continue the program *without cutting eligibility or services*.
- Without help from the federal government, most states will be forced to reduce spending in the coming months, and many will turn to Medicaid. This further aggravates an economic downturn. Increasing the FMAP allows state Medicaid programs to sustain their spending on health care goods and services, which buffers the economy.

The table on the next page shows the amount of additional business activity, jobs, and wages that would be generated in each state with a temporary increase its FMAP rate under S. 3689.

Effect of an Increase in Federal Medicaid Matching Payments on State Economies (as proposed in S. 3689), October 2008 – December 2009

State	Additional Federal Support for Medicaid	Additional Business Activity	Additional Jobs	Additional Wages
Alabama	$418,720,000	$696,900,000	7,400	$253,700,000
Alaska	$145,921,000	$227,200,000	2,200	$83,000,000
Arizona	$925,907,000	$1,569,700,000	14,400	$590,500,000
Arkansas	$427,009,000	$667,400,000	7,300	$244,400,000
California	$4,192,805,000	$8,250,900,000	71,900	$2,932,700,000
Colorado	$339,414,000	$649,400,000	6,000	$230,000,000
Connecticut	$486,929,000	$805,100,000	7,000	$289,600,000
Delaware	$128,103,000	$191,700,000	1,400	$61,500,000
Florida	$1,861,834,000	$3,347,900,000	34,000	$1,250,400,000
Georgia	$708,943,000	$1,379,100,000	12,600	$484,300,000
Hawaii	$141,462,000	$237,500,000	2,300	$88,400,000
Idaho	$135,557,000	$218,200,000	2,500	$81,500,000
Illinois	$1,302,185,000	$2,572,800,000	22,800	$883,900,000
Indiana	$629,680,000	$1,083,400,000	10,800	$383,100,000
Iowa	$302,582,000	$485,000,000	5,400	$175,000,000
Kansas	$244,114,000	$403,900,000	4,100	$137,200,000
Kentucky	$520,356,000	$846,500,000	8,300	$292,400,000
Louisiana	$733,969,000	$1,200,800,000	13,500	$435,600,000
Maine	$228,930,000	$380,300,000	4,300	$143,900,000
Maryland	$631,480,000	$1,108,800,000	9,500	$381,500,000
Massachusetts	$1,274,276,000	$2,197,800,000	18,800	$779,500,000
Michigan	$935,375,000	$1,550,000,000	15,400	$578,000,000
Minnesota	$779,645,000	$1,368,900,000	12,800	$503,000,000
Mississippi	$423,051,000	$659,900,000	7,500	$237,900,000
Missouri	$807,845,000	$1,409,200,000	13,200	$461,700,000
Montana	$83,173,000	$132,700,000	1,600	$49,500,000
Nebraska	$180,367,000	$289,100,000	3,100	$103,900,000
Nevada	$174,947,000	$283,400,000	2,600	$103,600,000
New Hampshire	$124,884,000	$204,300,000	1,800	$69,800,000
New Jersey	$845,023,000	$1,574,000,000	12,700	$523,900,000
New Mexico	$370,022,000	$574,700,000	6,200	$212,000,000
New York	$5,246,764,000	$8,627,900,000	72,000	$2,988,000,000
North Carolina	$1,124,127,000	$1,945,600,000	20,200	$711,600,000
North Dakota	$66,930,000	$102,100,000	1,100	$35,800,000
Ohio	$1,417,069,000	$2,512,800,000	24,900	$897,100,000
Oklahoma	$453,426,000	$819,700,000	9,300	$297,400,000
Oregon	$372,659,000	$619,800,000	6,100	$222,100,000
Pennsylvania	$1,830,512,000	$3,402,300,000	30,400	$1,167,300,000
Rhode Island	$193,369,000	$306,700,000	2,800	$105,000,000
South Carolina	$404,109,000	$712,100,000	7,800	$254,800,000
South Dakota	$66,445,000	$100,400,000	1,100	$37,200,000
Tennessee	$815,422,000	$1,450,400,000	12,900	$507,000,000
Texas	$2,695,315,000	$5,409,700,000	51,400	$1,907,500,000
Utah	$175,094,000	$334,900,000	3,600	$120,600,000
Vermont	$117,916,000	$171,900,000	1,800	$63,600,000
Virginia	$599,485,000	$1,028,300,000	9,300	$353,100,000
Washington	$657,354,000	$1,179,700,000	10,900	$420,700,000
West Virginia	$270,282,000	$394,100,000	4,000	$137,700,000
Wisconsin	$568,463,000	$942,600,000	9,500	$347,500,000
Wyoming	$51,544,000	$71,400,000	800	$27,100,000

Families USA calculations November 2008. Calculations are based on the 2007 Regional Input-Output Modeling System (RIMS II) and Center on Budget and Policy Priorities' estimates of federal funds states would receive from S. 3689. RIMS II is produced by the U.S. Department of Commerce, Bureau of Economic Analysis.