

## ARRA - MEDICAID FMAP INCREASE PROVISIONS

ISSUE/TITLE	Conference Agreement
<b>MEDICAID</b>	
<b>TEMPORARY MEDICAID FMAP INCREASE</b>	
<b>General Provisions</b>	<p><i>Sec. 5001</i></p> <ul style="list-style-type: none"> <li>▪ Provides, on a temporary basis, additional federal matching funds to help states maintain their Medicaid programs in the face of recession-driven revenue declines and caseload increases.</li> <li>▪ Three types of temporary assistance are available during the period October 1, 2008, through December 31, 2010. <ul style="list-style-type: none"> <li>▪ Holdharmless</li> <li>▪ FMAP Increase (6.2 percentage points)</li> <li>▪ Unemployment-Related FMAP Increase</li> </ul> </li> <li>▪ All states qualify for the FMAP increase. The holdharmless and the unemployment-related FMAP increase is available for qualifying states.</li> </ul> <p><i>Federal Cost - \$87 billion</i></p>
<b>Holdharmless</b>	<p><i>Sec. 5001(a)</i></p> <ul style="list-style-type: none"> <li>▪ <b>Holdharmless.</b> States that would otherwise experience a drop in their federal medical assistance percentages (FMAPs) under the normal FMAP formula would be held harmless against any decline. <ul style="list-style-type: none"> <li>▪ <b>For FY 2009</b>, if your FY 2009 FMAP is less than your FY 2008 FMAP, the FMAP increase will be added to the FY 2008 FMAP. (For example: if your FY 2008 FMAP was 60% and your FY 2009 FMAP is 58%, the <b>6.2</b> percentage point increase will be applied to the 60% FMAP level that was applicable in FY 2008.</li> <li>▪ <b>For FY 2010</b>, if your FY 2010 FMAP is less than either the levels in FY 2008 or FY 2009, the FMAP increase in FY 2010 will be applied to the greater of the FMAP levels for FY 2008 and FY 2009. (For example: if your FY 2008 FMAP was 60%, the FY 2009 FMAP was 58% and the FY 2010 FMAP was 59%, the <b>6.2</b> percentage point increase would be applied to the 60% FMAP level that was applicable in FY 2008).</li> <li>▪ <b>For the first calendar quarter of FY 2011</b>, if your FY 2011 FMAP is less than the FMAP for FY 2008, FY 2009 or FY 2010, the FMAP increase for the first calendar quarter of FY 2011 will be applied to the would the greater of the FMAP level of the previous fiscal years.</li> </ul> </li> </ul>
<b>Temporary FMAP Increase</b>	<p><i>Sec. 5001(b)</i></p> <ul style="list-style-type: none"> <li>▪ <b>FMAP Increase.</b> All states would receive an increase in their FMAP by <b>6.2 percentage points</b>. This means that 6.2 will be added to the existing FMAP, adjusted for the above holdharmless provisions.</li> </ul>
<b>Scope of Application of the FMAP Increase</b>	<p><i>Sec. 5001(e)</i></p> <ul style="list-style-type: none"> <li>▪ The FMAP increase applies to Medicaid, Foster Care and Adoption Assistance.</li> <li>▪ The FMAP increase <b>does not apply to:</b> <ul style="list-style-type: none"> <li>▪ Temporary Assistance to Needy Families (TANF), child welfare, child support enforcement, State Children's Health Insurance (SCHIP),</li> </ul> </li> </ul>

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	<p>Disproportionate Share Hospital (DSH) Payments or items/services subject to an enhanced match.</p> <ul style="list-style-type: none"> <li>▪ <b>individuals who become eligible as a result of <u>income eligibility standards (expressed as a percentage of the poverty line) that are higher than those that were in effect on July 1, 2008, including standards that were proposed to be in effect under enacted state law that was not effective on July 1, 2008 or a state plan amendment or waiver request that was pending approval as of that date. In these cases, regular FMAP would apply. [Sec. 5001(e)(5)]</u></b></li> </ul>
<p><b>Unemployment-Related FMAP Increase</b></p>	<p><i>Sec. 5001 (c)</i></p> <ul style="list-style-type: none"> <li>▪ Under this formula, the FMAP increase and the unemployment bonus are weighted on a 65% (FMAP increase) and 35% (unemployment bonus).</li> <li>▪ Changes the formula for computing the high unemployment percentage adjustment increase.</li> </ul> <p><i>High Unemployment State</i></p> <ul style="list-style-type: none"> <li>▪ A state during the recession adjustment period with an unemployment increase percentage equal to or more than 1.5 percentage points. If a state is a high unemployment state for a calendar quarter, the state will retain that status for each subsequent calendar quarter ending before July 1, 2010.</li> <li>▪ <b>Recession Adjustment Period</b> - the period beginning on October 1, 2008, and ending on December 31, 2010.</li> </ul> <p><i>State Unemployment Reduction Factor</i></p> <ul style="list-style-type: none"> <li>▪ If the state unemployment increase percentage is equal to 1.5, but less than 2.5, the reduction factor for the state and quarter is <b>5.5 percent</b>.</li> <li>▪ If the state unemployment increase percentage is equal to 2.5, but less than 3.5, the reduction factor for the state and quarter is <b>8.5 percent</b>.</li> <li>▪ If the state unemployment increase percentage is equal to or more than 3.5, the reduction factor for the state and quarter is <b>11.5 percent</b>.</li> </ul> <p><i>Unemployment Increase Percentage</i></p> <ul style="list-style-type: none"> <li>▪ The amount by which the average monthly unemployment rate for the state for the months in the most recent previous 3-consecutive-month period for which data are available, exceeds the lowest average monthly unemployment rate for the state for any 3-consecutive-month period preceding the most recent previous period and beginning on or after January 1, 2006.</li> <li>▪ <b>Special Rule</b> - The first 2 calendar quarters of the recession adjustment period, the most recent previous 3-consecutive-month period will be the 3-consecutive-month period beginning with October 2008; and the last 2 calendar quarters of the recession adjustment period, the most recent previous 3-consecutive-month period will be the 3-consecutive-month period beginning December 2009.</li> <li>▪ <b>Average Monthly Unemployment Rate</b> - the average of the monthly number of unemployed, divided by the average of the monthly civilian labor force, seasonably adjusted, as determined based on the most recent monthly publications of the Bureau of Labor Statistics of the Department of Labor.</li> </ul> <p><i>Formula for Determining the Unemployment Increase Percentage</i></p> <ul style="list-style-type: none"> <li>▪ State Match (adjusted to reflect holdharmless) + 3.1 percentage points (1/2 of the FMAP percentage increase) multiplied by the appropriate( "high</li> </ul>

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	<p>unemployment percentage point adjustment) = unemployment increase percentage.</p> <ul style="list-style-type: none"> <li>▪ A states total FMAP increase is equal to the adjusted FMAP (holdharmless + 6.2 percentage point increase + the unemployment increase percentage increase.</li> </ul> <p style="text-align: center;"><b>EXAMPLE:</b></p> <p style="text-align: center;">Current FMAP = 50%  FMAP Adjusted for Hold Harmless = 52.64%  FMAP increase for all states) = 6.2%</p> <p style="text-align: center;">State Matching Percentage (SMAP) for purposes of determining unemployment adjustment =  100-(Current FMAP adjusted for holdharmless + 3.1% (statutory provision) ----  100 - (52.64 + 3.1) = SMAP  100 - 55.74 = 44.26 (SMAP)</p> <p style="text-align: center;">Using a high unemployment factor of 11.5%, the unemployment bonus would be:  SMAP x .115 = unemployment bonus  44.26 x .115 = 5.09 (unemployment bonus)</p> <p style="text-align: center;">State FMAP for quarter = FMAP Adjusted for Hold Harmless + FMAP Increase for All States + Unemployment Bonus (if applicable)</p> <p style="text-align: center;">52.64 + 6.2 + 5.09= <b>63.93</b></p> <p><i>Maintenance of Status</i></p> <ul style="list-style-type: none"> <li>▪ In no case will the state unemployment reduction factor applied for a state for a quarter (beginning on or after January 1, 2009 and ending before July 1, 2010) be less than the reduction factor applied to the state for the previous quarter.</li> </ul>
<p><b>Increase in the Cap on Medicaid Payments to the Territories</b></p>	<p><i>Sec. 5001(d)</i></p> <ul style="list-style-type: none"> <li>▪ <b>Treatment of Territories</b> - The territories (Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa) would have the option of a 30% increase in their cap or a 6.2 percentage point increase in their FMAP plus a 15% increase in their cap.</li> <li>▪ The option selected will apply to the entire recession period.</li> </ul>
<p><b>Maintenance of Effort</b></p>	<p><i>Sec. 5001 (f)</i></p> <ul style="list-style-type: none"> <li>▪ <b>Maintenance of Effort.</b> A state will be ineligible for the FMAP increase or increase in the cap for Territories if eligibility standards, methodologies or procedures under the Medicaid state plan (including Medicaid and/or Section 1115 waivers) are more restrictive than the eligibility standards, methodologies or procedures, respectively, under the state plan or waiver that was in effect on July 1, 2008.</li> <li>▪ States retain the flexibility to make changes in benefits and reimbursement. <ul style="list-style-type: none"> <li>▪ <b>State Reinstatement of Eligibility Permitted.</b> A state that has restricted eligibility standards, methodologies, or procedures after July 1, 2008, would become eligible for the FMAP increase beginning with the first calendar quarter in which the state has reinstated eligibility standards, methodologies and procedures that are no more restrictive than those that were in effect on July 1, 2008.</li> <li>▪ <b>Special Rule Regarding State Reinstatement.</b> A state will not be ineligible for the increased FMAP before July 1, 2009, under the following circumstances:</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• on the basis of a restriction that was applied after July 1, 2008 and before the date of enactment of this act; or</li> <li>• on the basis of a restriction that was effective under state law as of July 1, 2008, and would have been in effect as of that date, but for a delay of not longer than one calendar quarter, in the approval of a request for a new waiver under section 1115 with respect to the restriction.</li> </ul>
<p><b>Compliance with Medicaid Prompt Pay Requirements</b></p>	<p><i>5001(f)(2)</i> <i>Application to Practitioners</i></p> <ul style="list-style-type: none"> <li>▪ Prevents a state from receiving the increased FMAP claims received by the state for days during any period when the state is out of compliance with the Medicaid prompt pay requirements.<sup>1</sup></li> <li>▪ <b>State Reporting Requirement.</b> Requires states to report to the HHS Secretary within 30 days following the first day of each month regarding the states' compliance with the Medicaid prompt pay requirements with respect to claims made for covered items and services during the preceding month. <ul style="list-style-type: none"> <li>▪ <b>Waiver Authority.</b> Permits the Secretary to waive the prompt pay provision or the state reporting provision during any period in which there are exigent circumstances, including natural disasters, that prevent the timely processing of claims or the submission of the reports.</li> </ul> </li> </ul> <p><i>Application to Nursing Facilities and Hospitals</i></p> <ul style="list-style-type: none"> <li>▪ Applies the provisions relating to practitioners to nursing facilities and hospitals that are paid on the submission of claims. <ul style="list-style-type: none"> <li>▪ <b>Grace Period.</b> No period of ineligibility will be imposed on a state prior to June 1, 2009, on the basis of the state failing to pay a claim in accordance with this provision.</li> </ul> </li> </ul> <p><i>Effective Date</i></p> <ul style="list-style-type: none"> <li>▪ Upon enactment.</li> <li>▪ Provisions of this section apply to claims submitted after enactment.</li> </ul> <p><i>Federal Cost - The extension to nursing facilities and hospitals costs \$680 million.</i></p>
<p><b>Treatment of State Rainy Day Funds and Reserve Funds</b></p>	<p><i>5001(f)(6)</i></p> <ul style="list-style-type: none"> <li>▪ States will become ineligible for the increased FMAP if any of the funds <b>directly or indirectly attributable to the FMAP increase</b> are deposited or credited to any reserve or rainy day fund.</li> <li>▪ Prohibits the HHS Secretary from waiving this provision.</li> </ul>
<p><b>Provision Of Medical Assistance On Behalf Of A Child During A Presumptive Eligibility Period</b></p>	<p><i>Sec. 5001(f)(6)</i></p> <ul style="list-style-type: none"> <li>▪ Provides that expenditures of federal funds attributable to the provision of medical assistance on behalf of a child during a presumptive eligibility period in the State Children's Health Insurance Program (SCHIP) that was in effect before April 1, 2009 and were made between October 1, 2008 and</li> </ul>

<sup>1</sup> The "prompt pay" provision in the Medicaid statute provides that states must ensure that 90% of clean claims, those provide for claims, those for which no further written information or substantiation is required in order to make payment are paid within 30 days of the date of receipt of the claims and that 99% of claims are paid within 90 days of the date of receipt. States must also provide for procedures of prepayment and postpayment claims review, including review of appropriate data with respect to the recipient and provider of a service and the nature of the service for which payment is claimed, to ensure the proper and efficient payment of claims and management of the program. The provision applies to practitioners, the amendment extends its application to nursing facilities and hospitals.

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<b>under CHIP</b>	March 30, 2009, will not be counted against the CHIP allotments.
<b>Treatment of Local Governments that Contribute to the State Share of Medicaid Payments</b>	<p data-bbox="526 264 683 294"><i>Sec. 5001 (g)(2)</i></p> <ul data-bbox="526 302 1341 438" style="list-style-type: none"> <li data-bbox="526 302 1341 394">▪ Prohibits states from increasing the local government share of the state Medicaid match to a percentage greater than was in place under the state plan on September 30, 2008.</li> <li data-bbox="526 403 1179 438">▪ Prohibits the HHS Secretary from waiving this provision.</li> </ul>
<b>Limitation of FMAP to 100 Percent</b>	<p data-bbox="526 447 626 476"><i>5001(f)(5)</i></p> <ul data-bbox="526 485 1170 520" style="list-style-type: none"> <li data-bbox="526 485 1170 520">▪ Provides that a state's FMAP cannot exceed 100 percent.</li> </ul>
<b>Limitation of FMAP Change</b>	<p data-bbox="526 520 646 550"><i>Sec. 5001(j)</i></p> <ul data-bbox="526 558 1325 747" style="list-style-type: none"> <li data-bbox="526 558 1325 747">▪ Provides that the increase in FMAP effected under section 614 of the Children's Health Insurance Program Reauthorization Act of 2009, "Adjustment in Computation of Medicaid FMAP to Disregard an Extraordinary Employer Pension Contribution," will not apply in the computation of the enhanced FMAP under Medicaid and CHIP for any period.</li> </ul>
<b>Sunset</b>	<p data-bbox="526 747 646 777"><i>Sec. 5001(i)</i></p> <ul data-bbox="526 785 1388 850" style="list-style-type: none"> <li data-bbox="526 785 1388 850">▪ Provides that this section does not apply to items and services provided after the end of the recession period, December 31, 2010.</li> </ul>