
FISCAL TOPICS

Fiscal Services Division

December 21, 2022



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Enhanced FMAP Rates

Summary

Medicaid is a jointly funded State and federal program that provides health and long-term care coverage to low-income and disabled Iowans. Since the Program's creation in 1965, the Federal Medical Assistance Percentage (FMAP) formula has been used to calculate the portion of the Medicaid Program that is funded by the federal government on a state-by-state basis. In Iowa, the base FMAP rate is 63.13% for federal FY 2023. This means that for every dollar spent on the Medicaid Program, the federal government pays \$0.6313 and Iowa pays \$0.3687.

The FMAP rate applies to most, but not all, Medicaid expenditures paid for by the State. Other services or programs may receive different or enhanced rates. One of these enhanced FMAP rates is a temporary increase in the Medicaid rate, authorized in the [Coronavirus Aid, Relief, and Economic Security Act](#) (CARES Act), due to the public health emergency (PHE) and economic downturn during the COVID-19 pandemic. Beginning January 1, 2020, and continuing indefinitely, the FMAP rate for Medicaid expenses has been increased by 6.20%, saving Iowa approximately \$69.3 million quarterly during the current PHE.

Background

The FMAP formula, as required by federal statute, is based on a rolling three-year average of per capita income for each state as calculated by the Bureau of Economic Analysis of the U.S. Department of Commerce. Per capita income is calculated by dividing the total personal income of a state, as calculated by the Bureau of Economic Analysis, by the Census Bureau's annual midyear population estimate. The metric per capita personal income represents a state's ability to tax its base and therefore fund the Medicaid Program. The minimum possible statutory FMAP rate is 50.00%, while the maximum rate is 83.00%. **Figure 1** illustrates the previous five years of the State regular Medicaid FMAP:

Figure 1 — Five-Year State Regular Medicaid FMAP

State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2018	58.05%	41.96%	1.76%
FY 2019	59.57%	40.43%	1.52%
FY 2020	60.88%	39.12%	1.31%
FY 2021	61.61%	38.39%	0.73%
FY 2022	62.04%	37.96%	0.43%

The annual FMAP rate increase and a reduction in Iowa's State share indicates that Iowa's economy is not doing as well compared to other states, resulting in a larger share of the total FMAP for the State. To pay for the State share of Medicaid costs, an appropriation is made from the Legislature. [House File 891](#) (FY 2022 Health and Human Services Appropriations Act) appropriated \$1.504 billion to the Department of Human Services for Medical Assistance (Medicaid).

More Information

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In FY 2021, the State surplus for Medicaid was \$230.4 million. The surplus was a result of the enhanced 6.20% FMAP rate increase as part of the federal COVID-19 relief to states in which the PHE was authorized (retroactive to January 1, 2020) through the CARES Act, signed by President Trump on March 27, 2020. **Figure 2** below illustrates quarterly FMAP rates for Medicaid beginning in FY 2020:

Figure 2 — Enhanced Medicaid FMAP (FY 2020-FY 2022)

<u>State Fiscal Year</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Federal % Change</u>
1Q 2020	59.93%	40.07%	0.00%
2Q 2020	61.20%	38.80%	1.27%
3Q 2020	67.40%	32.60%	6.20%
4Q 2020	67.40%	32.60%	0.00%
1Q 2021	67.40%	32.60%	0.00%
2Q 2021	67.95%	32.05%	0.55%
3Q 2021	67.95%	32.05%	0.00%
4Q 2021	67.95%	32.05%	0.00%
1Q 2022	67.95%	32.05%	0.00%
2Q 2022	68.34%	31.66%	0.39%
3Q 2022	68.34%	31.66%	0.00%
4Q 2022	68.34%	31.66%	0.00%

The enhanced FMAP rate increase for Medicaid continues indefinitely until the President declares the PHE over. As a condition of receiving the enhanced FMAP, the State is not allowed to disenroll anyone from Medicaid during the national emergency caused by COVID-19. Eligibility redeterminations and the disenrollment process will likely take 9 to 12 months in accordance with federal guidelines.

Another example of enhanced FMAP rates is a provision in the federal [American Rescue Plan Act of 2021](#) (ARPA) that provides a 10.00% increase for home and community-based services providers from April 1, 2021, through March 31, 2022. The goal of the FMAP rate increase was to help states meet home and community-based services needs created by the COVID-19 pandemic and to build capacity to help advance long-term services and supports rebalancing reforms with the goal of moving or keeping individuals in the community.

Enhanced FMAP rates also apply to other jointly funded state and federal health programs. Iowa's FMAP rate for the Healthy and Well Kids in Iowa (Hawki) Program is 73.50% in FY 2022. Iowa also receives an enhanced FMAP rate under the federal [Affordable Care Act \(ACA\)](#) for the Iowa Health and Wellness Program (I-HAWP), which covers individuals with income up to 133.00% of the federal poverty level who were previously ineligible for Medicaid. The federal FMAP rate for the first three calendar years (2014 through 2016) of the Program was 100.00%, with a gradual decline to 90.00% for calendar year 2020, where the rate will remain unless federal law is changed.

Iowa Related Statutes and Administrative Code

Iowa Code chapter [249A](#)
[441.36](#) IAC