

Expiration of the Enhanced FMAP



Independent Fiscal Office | Research Brief | March 2023

This research brief is the fourth in a series that examines the end or phase-out of various programs tied to the federal public health emergency that will impact the state economy.

The federal government utilizes federal medical assistance percentages (FMAPs) to determine reimbursement rates to states for Medicaid and the Children’s Health Insurance Program (CHIP). The FMAP is the share of program expenditures covered by the federal government and varies by state based on average per capita income. The three types of FMAP rates discussed in this brief are: (1) traditional, (2) newly eligible and (3) CHIP. For Pennsylvania, the current traditional rate is roughly 53% and applies to most Medicaid-funded programs (e.g., Medical Assistance (MA), child welfare, programs for persons with intellectual disabilities/autism, etc.). The newly eligible rate is 90% and applies to MA enrollees who are eligible due to Medicaid expansion under the Affordable Care Act. The current CHIP rate is about 67% and applies to children enrolled in the program.

Since March 2020, the Families First Coronavirus Relief Act provides additional support to states for Medicaid-funded programs in the form of a higher or enhanced FMAP. For traditional enrollees, the federal government provides an enhanced FMAP that is 6.2 percentage points higher than regular match rates. For CHIP, the enhanced FMAP is 4.34 percentage points higher than the regular rate. The state does not receive an enhanced FMAP for newly eligible enrollees because they already receive a higher matching rate (90%).

Enhanced FMAPs are available to states provided that (1) the federal public health emergency (PHE) is in place and (2) state agencies provide continuous healthcare coverage to MA enrollees. The latter criterion limits the circumstances under which the Department of Human Services (DHS) can disenroll MA recipients, even if they no longer technically qualify for the program. As a result, the number of MA enrollees (3.7 million in January 2023) is roughly 25% higher than the pre-COVID average (2.9 million).

In December 2022, the federal government set March 31, 2023 as the sunset date for the MA continuous coverage requirement and established a schedule for phaseout of the 6.2 and 4.34 percentage point FMAP enhancements over the remainder of calendar year 2023 (full elimination by December 31, 2023). The table below displays FMAPs for the three types of enrollees plus the applicable enhanced FMAP over the phaseout period.

Regular and Phased-Out Enhanced FMAP Rates			
	Newly Eligible	Traditionally Eligible	CHIP
Average Regular Rate (CY 2023)	90.0%	52.5%	66.77%
Rate Enhancement			
January 1 - March 31, 2023	--	+6.2%	+4.34%
April 1 - June 30, 2023	--	+5.0%	+3.50%
July 1 - September 30, 2023	--	+2.5%	+1.75%
October 1 - December 31, 2023	--	+1.5%	+1.05%

Source: FFIS, FY 2023 Omnibus Phase Down COVID-19 FMAP Increase.

This research brief projects the fiscal impact from the (1) phaseout of the enhanced FMAP rates and (2) elimination of the MA continuous coverage requirement. The fiscal impacts that follow are calculated relative to a “baseline”, which assumes that the enhanced FMAP and restrictions on disenrollments are extended indefinitely.

Enhanced FMAP Phaseout

The top line of the table below displays projected federal payments at the enhanced rates (6.2% or 4.34%) and includes payments for “extra” enrollees due to the continuous coverage requirement. That is, the projections assume that enrollments remain at elevated levels and the current enhanced FMAP rates do not expire. The middle portion of the table projects federal payments under the enhanced FMAPs that will phase out through December 31, 2023. The difference (last line) is the cost that will need to be “picked up” by the state due to the expiration of the enhanced FMAP.

Most of the enhanced FMAP phaseout will occur in FY 2023-24, when enhanced federal funding received by DHS is projected to decline from \$2.30 billion (not shown) to \$524 million (-77%). The enhanced FMAP fully expires starting in the third quarter of FY 2023-24 (first quarter of calendar year 2024).

Estimated Expenditures Covered by Enhanced FMAPs		
	FY 23-24	FY 24-25
Fully Enhanced FMAP	\$2,491	\$2,566
Medical Assistance (MA)	251	0
Long-Term Living	205	0
Intellectual Disabilities	59	0
Mental Health	3	0
Human Services	3	0
Children's Health Insurance	2	0
Other	1	0
Less: Enhanced FMAP Phaseout	524	0
Increased State Costs Due to Phaseout	1,966	2,566

Note: Expenditures in dollar millions. Fully Enhanced FMAP amounts for FY 23-24 and FY 24-25 assumed to grow at 3.0% per annum.

Source: Enhanced FMAP Phaseout figures for FY 23-24 from DHS. Estimates by the IFO.

MA Redeterminations

Once the continuous eligibility requirement for MA expires on March 31, 2023, DHS will begin the redetermination process for all current enrollees. Individuals who no longer qualify based on income or other criteria will be redetermined to either (1) qualify for another Medicaid-funded program (e.g., Medical Assistance for Workers with Disabilities) or (2) no longer qualify for any DHS program (disenrolled). DHS projects that it will need roughly 12 months to review and redetermine all applicable enrollees.

The analysis separates enrollee populations based on the applicable FMAP. As of January 2023 (latest data), 3.70 million adults and children are enrolled in MA. Compared to pre-COVID-19 levels, the average monthly enrollment (largely children/families and newly eligible) increased by 777,000. The analysis assumes that 311,000 (40%) of these extra enrollees will continue to be eligible for MA. The remaining 466,000 (60%, includes a projected 33,000 children who will move to CHIP) will be redetermined to not qualify for any MA enrollment category and will be disenrolled. It should be noted that the analysis does not attempt to quantify the number of eligible enrollees whose healthcare coverage could temporarily lapse due to missed renewal submission deadlines. It is assumed that these individuals will return to the program after renewals are submitted. Based on these assumptions, the top portion of the table below displays disenrollment projections that will occur during FY 2022-23 (not shown) and FY 2023-24 (cumulative number).

MA Disenrollment Impact on State Expenditures		
	FY 23-24	FY 24-25
Cumulative Number Disenrolled	466	466
Newly Eligible	280	280
Traditionally Eligible	187	187
Reduced Costs Due to Disenrollment	-\$288	-\$462
Cumulative New CHIP Enrollees	33	33
Increased Costs for New CHIP Enrollees	\$19	\$30
Net Disenrollment Impact	-\$269	-\$431
Note: Enrollment figures in thousands and state costs in dollar millions.		
Source: Estimates by the IFO.		

Based on historical enrollment data, the analysis assumes that the vast majority of current enrollees who are determined to be ineligible for MA will come from the newly eligible (newly eligible FMAP) or children/families (traditional FMAP) categories. Older adults and individuals with disabilities are assumed to remain enrolled because eligibility requirements other than household income qualify them to receive MA. The analysis assumes that enrollees are redetermined proportionally across the 12-month disenrollment period. Therefore, the disenrollment primarily impacts FY 2023-24.

The bottom portion of the table shows that some enrollees who will be redetermined are children who will qualify for CHIP after their families are disenrolled from MA. For January 2023, CHIP enrollment was roughly 51,000 below pre-pandemic levels. The analysis assumes 33,000 (65%) of those children migrated to MA during the federal PHE and will return to CHIP once the continuous coverage requirement for MA expires. Based on the average per member per month rate for CHIP enrollees, the analysis estimates that new CHIP enrollees will result in state costs of \$19 million in FY 2023-24.

Net Impact

The table below combines the estimates from previous sections to calculate a total net impact from expiration of the enhanced FMAP and MA continuous coverage requirement. The top line displays the increased state costs associated with the loss of the enhanced federal FMAP at the full rate. (These amounts will need to be replaced by state funding.) The second line displays the state savings associated with disenrolling MA recipients that are no longer eligible for the program. (This amount is adjusted for the enhanced FMAP that no longer requires replacement because the recipients will have been disenrolled.) The third line displays the increased costs associated with some recipients moving to CHIP. The net impact of all changes is \$1.70 billion for FY 2023-24. For FY 2024-25, the analysis projects that there will be an additional \$2.13 billion in state costs.

State Impact of Enhanced FMAP Phaseout and MA Disenrollments		
	FY 23-24	FY 24-25
Increased Costs Due to Phaseout	\$1,966	\$2,566
Reduced Costs Due to Disenrollments	-\$288	-\$462
Increased Costs for New CHIP Enrollees	<u>\$19</u>	<u>\$30</u>
Net State Cost Increase	\$1,697	\$2,134

Note: Dollar millions.
Source: Estimates by the IFO.

Staff Acknowledgements

Michaela Miller and Frank Lill produced this research brief. Questions regarding this document can be directed to mmiller@ifo.state.pa.us or flill@ifo.state.pa.us.

Office Website: www.ifo.state.pa.us