

To: DC Councilmembers
From: Councilmember Christina Henderson, At-Large
Date: February 14, 2025
Re: The District's FMAP Percentage

What is FMAP?

Medicaid is an entitlement program that provides health care for low-income and disabled populations, including primary and acute medical services as well as long-term care services and supports. Medicaid is jointly funded by the federal government and states / territories. *The federal government's share of Medicaid expenditures is called the federal medical assistance percentage (FMAP). The remainder is the state's share.*

Generally determined on an annual basis, the FMAP formula is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). FMAP rates have a statutory minimum of 50% and a statutory maximum of 83%.

The FMAP Formula:

$$\text{FMAP}_{\text{state}} = 1 - ((\text{Per capita income}_{\text{state}})^2 / (\text{Per capita income}_{\text{U.S.}})^2 * .45)$$

What is FMAP used for?

The FMAP rate is used to reimburse states for the federal share of most Medicaid expenditures. However, exceptions to the regular FMAP rate have been made for certain states (e.g., the District of Columbia and the territories), situations (e.g., during economic downturns), populations (e.g., individuals covered by the Patient Protection and Affordable Care Act's Medicaid expansion and individuals with breast or cervical cancer), providers (e.g., Indian Health Service facilities), and services (e.g., family planning and home health services).¹

What is the District's FMAP and how was it set?

The District's enhanced FMAP rate is 70%. This means the federal government covers 70% of most Medicaid services, and the District local budget covers the remaining 30%. The 70% was set in 1998 in Title XIX and XXI of the Social Security Act to alleviate financial strains the District was experiencing, due in large part to the District's unique limitations in its taxing authority, compared to other states.² For example, the District cannot tax income based on where an individual is employed, or collect property taxes on federal land, which makes up approximately 30% of the District's total land area.

Because the 70% District FMAP was set in statute, it remains the same, while other states' matches are determined annually. Due to the District's high per capita income, despite the high percentage of residents on Medicaid (~38%), DC's FMAP, if calculated using the formula above, would be below 50%. However, by law, FMAP cannot be lower than 50%, so if the enhanced FMAP was removed, the District's FMAP would revert to 50%.

¹ Congressional Research Service, "Medicaid's FMAP Percentage" (Last Accessed 2/13/25) <https://crsreports.congress.gov/product/pdf/R/R43847>

² Brookings Institute, "The D.C. Revitalization Act" (Last Accessed 2/13/25) <https://www.brookings.edu/wp-content/uploads/2016/07/appendix-1.pdf>

There are some exceptions to the enhanced FMAP rate. Administrative Medicaid costs, meaning any Medicaid agency activities that are not clinical but are necessary to administering the state plan, like supplies, outreach costs, customer service, and legal activities, are generally reimbursed at a 50% match rate. Specific programs and services can also have separate FMAP rates. For example, certain preventive services including some immunizations are reimbursed at a higher FMAP percentage. Home and community-based services and supports are also reimbursed at a higher FMAP percentage.

What would be the financial impact of eliminating the District’s enhanced FMAP?

A reduction in FMAP would be devastating to the District, particularly for Medicaid customers. The DC Department of Health Care Finance (DHCF) estimates the impact to be between \$731 million to \$1.1 billion annually depending on how cuts to the program are structured. This could lead to several populations, including childless adults and the Obamacare expansion population, losing Medicaid coverage and access to critical health care services. See DHCF slide below, sent to the Committee on Health on February 10, 2025.

Virtually Every Aspect Of The District’s Medicaid Program Would Be Implicated By Such Drastic Funding Losses

FMAP Reduction Scenarios	Funding Gap Associated With FMAP Change <small>(based on FY25 Approved Budget)</small>	Groups That Could Be Implicated By FMAP Reduction
ACA Expansion Population Reduce FMAP from 90% to 50%	\$373 million	<ul style="list-style-type: none"> Childless adults population (above 138% of FPL) Obamacare expansion group
Reduce FMAP from 70% to 50%	\$731 million	<ul style="list-style-type: none"> Childless adults (above 138% of FPL) Obamacare expansion group Some optional services and other populations (e.g. optional children)
FMAP at 50% across the entire program	\$1.1 billion	<ul style="list-style-type: none"> All optional populations and many optional services Provider rates

The Committee notes that the loss of the enhanced FMAP would not solely affect Medicaid customers. Hospitals and primary care providers who serve District, Maryland, and Virginia residents would see significant reductions in funding, and could be forced to reduce services. Longer wait-times for emergency and regular appointments, and higher premiums for commercial insurance, should also be expected.