



PUBLIC SECTOR SERVICES

Understanding the Impact of Potential Changes to the “Enhanced Federal Match” for the Medicaid Expansion Population

As part of the Congressional budget reconciliation process, Republican leaders are evaluating reductions to federal spending that may include an elimination of the enhanced matching rate that applies to the population covered under Medicaid expansion. If enacted, the impact on some states could be considerable.

Regular and Enhanced Match Rates

For traditional categories of Medicaid beneficiaries, the federal government contributes between 50 percent and 77 percent of the costs that states incur for providing medical care to these beneficiaries. This Federal Medical Assistance Percentage (FMAP) is determined based on each state's per capita income, with lower-income states receiving higher FMAPs.

The Affordable Care Act (ACA) created incentives for states to expand the universe of individuals eligible for Medicaid enrollment. Rather than an FMAP of between 50 percent and 77 percent, the ACA provided an FMAP rate of 90 percent for this Medicaid expansion population, regardless of any other factors that vary FMAP rates from state to state.

Different Effects if Enhanced FMAP Is Eliminated

The map shown below illustrates how different states will be affected by an elimination of the enhanced FMAP.

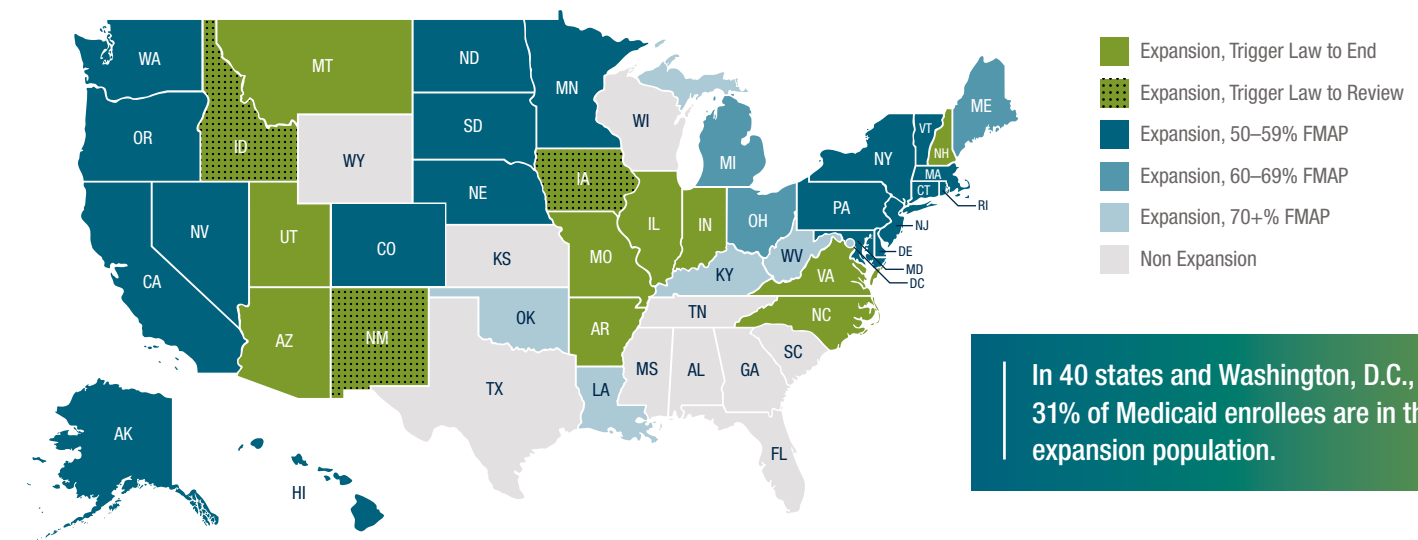
States' Policies on Medicaid Expansion

Forty states and the District of Columbia have implemented the Medicaid expansion option — 24 states plus D.C. expanding their Medicaid programs at the earliest opportunity in January 2014, and the rest of the states implementing Medicaid expansion between 2014 and 2023. In Medicaid expansion states 31 percent of all current Medicaid enrollees are in the expansion population.

Among expansion states, nine have laws on the books triggering cancellation of expansion (i.e., trigger laws) if Congress were to eliminate the enhanced FMAP. Three states have laws requiring a review of their Medicaid expansion if the expansion FMAP is changed.

Ten states have not expanded their Medicaid programs under ACA terms.

Medicaid Expansion – Differences Among States



In the 27 Medicaid expansion states without trigger laws, cuts between 16 and 40 percentage points in FMAP are possible.

The 10 states that never expanded Medicaid eligibility would see no change in federal funds flow if enhanced FMAP is eliminated, because they have not been receiving the enhanced match.

States that implemented Medicaid expansion and do not have trigger laws — 27 in total — could face cuts of between 16 and 40 percentage points in FMAP for their expansion beneficiaries. These states would have to decide if they can withstand the loss of federal dollars and fund the difference with alternative state financial resources, and/or take other measures to close the gap.

States with trigger laws are at a critical juncture and must identify and explore options quickly, which may range from revising such trigger laws up to and including ending their expansion programs.

Alvarez & Marsal (A&M) can assist states in navigating the potential financial and operational impacts of changes in federal Medicaid funding in several ways:



1. Financial, Programmatic and Operational Assessment:

A&M routinely conducts assessments for public assistance programs to identify opportunities for performance improvement, address operational inefficiencies, maximize program outcomes, and reduce administrative and public benefit costs — including fraud, waste and abuse efforts.



2. Data Collection and Analytics

A&M reviews data collection and analytic capabilities for public assistance programs to identify new opportunities to collect and utilize data using mechanisms that produce reliable performance metrics and actionable output. Strategic use of artificial intelligence offers game-changing opportunities even in states with sophisticated data collection and analytic capabilities.



3. Strategic Advisory

A&M can provide strategic advice on policy decisions, helping states weigh the pros and cons of continuing Medicaid expansion versus other measures. This includes constructing scenario planning and impact assessments tools to quickly assess various policy options.



4. Revenue Enhancement

A&M can assist states in exploring new or enhanced revenue sources to offset the loss of federal funds. This could include identifying potential grants, public-private partnerships, or other innovative funding mechanisms.



5. Regulatory and Compliance Support

A&M can provide guidance on navigating the regulatory landscape, ensuring that any changes to Medicaid programs comply with federal and state laws. This includes assistance with modifying or implementing trigger laws as needed.



6. Stakeholder Engagement

A&M can facilitate discussions with key stakeholders, including healthcare providers, advocacy groups, and the public, to build consensus and support for proposed changes to Medicaid programs.



7. Project and Change Management

A&M can offer project management and implementation support to ensure that any changes to Medicaid programs are executed smoothly and effectively, minimizing disruption to beneficiaries and providers while addressing internal change management.

By leveraging A&M's expertise in financial management, strategic planning and healthcare operations, states can make informed decisions and develop sustainable solutions to address the challenges posed by changes in federal Medicaid funding.

Sources

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Map of "Medicaid Expansion – Differences Among States" created by the author.



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