



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

October 7, 2013

TO: Senator Alberta Darling, Senate Chair
Representative John Nygren, Assembly Chair
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: State's Federal Medical Assistance Percentage in FFY 2015

This memorandum provides updated information regarding the state's federal medical assistance percentage (FMAP) for federal fiscal year 2015 (FFY 2015). The state's FMAP is the share of most MA-eligible benefit expenditures supported by federal matching funds. Each state's FMAP is adjusted annually based on a formula in federal law that compares states' per capita income over a three-year period. The FMAP for FFY 2015 is based on states' relative per capita income during the period 2010 through 2012.

In recent years, Wisconsin's standard FMAP has been approximately 60.0%, meaning that federal matching funds have financed approximately 60.0% of most MA benefits expenditures. The following table shows Wisconsin's standard FMAP for FFYs 2009 through 2014. Note that the standard FMAPs shown in the table do not reflect the temporarily enhanced FMAPs Wisconsin received from October 1, 2008 through June 30, 2011 under the American Recovery and Reinvestment Act of 2009.

| <u>Federal Fiscal Year</u> | <u>Wisconsin's Standard FMAP</u> |
|--------------------------------|--------------------------------------|
| 2009 | 59.38% |
| 2010 | 60.21 |
| 2011 | 60.16 |
| 2012 | 60.53 |
| 2013 | 59.74 |
| 2014 | 59.06 |

On March 28, 2013, Federal Funds Information for States (FFIS) released a preliminary estimate that Wisconsin's FMAP in FFY 2015 would be 59.19%. That preliminary FMAP

estimate (which would apply to the last nine months of state fiscal year 2014-15) was used as the basis for funding projected MA benefit expenditures in state fiscal year 2014-15 in 2013 Act 32 (the 2013-15 biennial budget act).

On October 2, 2013, FFIS released its estimate of states' final FMAPs for FFY 2015. This updated estimate was based on revised state personal income and per capita personal income data for 2012, as well as revisions for prior years, from the Bureau of Economic Analysis. The new data indicates that while personal income grew more slowly in Wisconsin than the nation as a whole in 2012 (3.9% versus 4.2%), lower than average population growth caused Wisconsin's per capita income to increase slightly more than the national average in 2012 (3.6% versus 3.4%). As summarized by FFIS: "Some states, such as Illinois, Ohio, Vermont, West Virginia, and Wisconsin had personal income growth below the national average in 2012, but a reduction in population (in the case of Vermont) or slight population growth resulted in high per capita growth rates."

Based on the revised data described above, FFIS now estimates that Wisconsin's final FMAP for FFY 2015 will be 58.27% (rather than the preliminary estimate of 59.19%). Based on current projections of MA benefit expenditures, this downward revision to Wisconsin's FMAP would result in the loss of approximately \$52.0 million in federal MA matching funds in state fiscal year 2014-15.

In its October 2, 2013 update, FFIS cautioned that due to the federal government shutdown, it had not been able to verify its FMAP calculations with the federal Department of Health and Human Services (HHS), as it customarily does prior to releasing final FMAPs. The FFY 2015 FMAPs will become official once they are published by HHS in the Federal Register. We will update the information provided in this memorandum, if necessary, when that publication occurs.

BL/EP/sas

cc: Members, Joint Committee on Finance