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Washington, DC 20548

February 4, 2009

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate

Subject: *Estimated Temporary Medicaid Funding Allocations Related to Section 5001 of the American Recovery and Reinvestment Act*

Dear Mr. Chairman,

You asked us to estimate the state allocations that would likely occur in the Federal Medical Assistance Percentage (FMAP) for the Medicaid funding included in Section 5001 of the American Recovery and Reinvestment Act of 2009, which is currently being debated by the Senate. The following information responds to your request for state-by-state, quarter-by-quarter estimates of the Medicaid funding states would receive under the section of the proposed legislation that temporarily increases the FMAP.

The legislation currently being considered in the Senate would provide

- an increase in each state's FMAP of 7.6 percentage points for the Recession Adjustment Period identified in the legislation (the period from the first quarter of fiscal year 2009 through the end of the first quarter of fiscal year 2011), and
- additional FMAP assistance based on increased unemployment as defined by the qualifying criteria outlined in the legislation if the state's unemployment rate increases
 - at least 1.5 percentage points, but less than 2.5 percentage points (tier 1),
 - at least 2.5 percentage points, but less than 3.5 percentage points (tier 2), or
 - at least 3.5 percentage points (tier 3).¹

To provide you with technical assistance, we developed an estimate of Medicaid funding for the Recession Adjustment Period that would be provided based on the parameters in the proposed legislation in order to estimate temporary Medicaid funding allocations. For the first quarter of fiscal year 2009, we used actual unemployment rates from the Bureau of Labor Statistics Local Area Unemployment Statistics. To estimate states' future unemployment rates, we relied on data from IHS Global Insight, an economic forecasting firm. Projections of state unemployment rates may or may not correspond to the levels of unemployment states will actually experience in the future. We used Medicaid data from the Centers for Medicare & Medicaid Services (CMS) to estimate states' funding allocations. States submit these data to CMS and they represent states' anticipated Medicaid funding requirements for the current

¹These provisions are explained in additional detail in Section 5001 of the proposed legislation.

and next fiscal year. These data may or may not correspond to future Medicaid expenditures. See Enclosure 1 for estimates of each state's approximate Medicaid allocation.

We are sending copies of this letter to interested congressional committees. We will also make copies available to others upon request. In addition, the letter will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff has any questions about this letter, please contact Stanley J. Czerwinski, Director, Strategic Issues, who can be reached at (202) 512-6806 or czerwinskis@gao.gov, or Thomas J. McCool, Director, Center for Economics, who can be reached at (202) 512-2700 or mccoolt@gao.gov.

Sincerely yours,



Stanley J. Czerwinski
Director, Strategic Issues



Thomas J. McCool
Director, Center for Economics

Enclosures

Estimated Temporary Federal Allocations to States under Section 5001 of the American Recovery and Reinvestment Act (Dollars in Billions)

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Total Allocation
Alabama	0.090	0.090	0.098	0.098	0.103	0.103	0.103	0.103	0.103	0.891
Alaska	0.024	0.024	0.027	0.027	0.026	0.026	0.026	0.026	0.026	0.233
Arizona	0.202	0.219	0.219	0.219	0.235	0.235	0.235	0.235	0.235	2.031
Arkansas	0.070	0.077	0.084	0.084	0.098	0.098	0.098	0.098	0.098	0.806
California	1.159	1.159	1.159	1.159	1.189	1.189	1.189	1.189	1.189	10.579
Colorado	0.078	0.087	0.097	0.097	0.100	0.100	0.100	0.100	0.100	0.858
Connecticut	0.129	0.129	0.143	0.143	0.144	0.144	0.144	0.144	0.129	1.250
Delaware	0.027	0.030	0.030	0.034	0.039	0.039	0.039	0.035	0.035	0.308
District of Columbia	0.032	0.035	0.035	0.035	0.036	0.036	0.036	0.036	0.036	0.316
Florida	0.469	0.469	0.469	0.469	0.476	0.476	0.476	0.476	0.476	4.256
Georgia	0.175	0.190	0.190	0.190	0.204	0.204	0.204	0.204	0.204	1.766
Hawaii	0.036	0.036	0.040	0.040	0.041	0.041	0.041	0.041	0.041	0.358
Idaho	0.030	0.033	0.033	0.033	0.037	0.037	0.037	0.037	0.037	0.313
Illinois	0.269	0.300	0.300	0.300	0.321	0.321	0.321	0.321	0.321	2.774
Indiana	0.146	0.159	0.159	0.159	0.170	0.170	0.170	0.170	0.170	1.473
Iowa	0.057	0.057	0.057	0.066	0.070	0.070	0.077	0.077	0.077	0.607
Kansas	0.044	0.051	0.051	0.056	0.056	0.056	0.056	0.056	0.056	0.480
Kentucky	0.108	0.117	0.117	0.126	0.127	0.127	0.127	0.127	0.127	1.102
Louisiana	0.134	0.144	0.144	0.153	0.233	0.233	0.233	0.233	0.233	1.742
Maine	0.048	0.052	0.052	0.057	0.056	0.056	0.056	0.056	0.056	0.490
Maryland	0.146	0.164	0.164	0.164	0.193	0.193	0.193	0.173	0.173	1.564
Massachusetts	0.286	0.323	0.359	0.359	0.338	0.338	0.338	0.338	0.338	3.016
Michigan	0.233	0.256	0.256	0.256	0.259	0.259	0.259	0.259	0.259	2.294
Minnesota	0.189	0.210	0.210	0.210	0.225	0.225	0.225	0.225	0.225	1.944

Enclosure I

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Total Allocation
Mississippi	0.075	0.088	0.093	0.093	0.102	0.102	0.102	0.102	0.102	0.861
Missouri	0.150	0.166	0.181	0.181	0.195	0.195	0.195	0.195	0.195	1.655
Montana	0.019	0.019	0.020	0.020	0.022	0.022	0.022	0.022	0.022	0.189
Nebraska	0.031	0.031	0.035	0.035	0.041	0.041	0.041	0.041	0.041	0.337
Nevada	0.046	0.046	0.046	0.046	0.049	0.049	0.049	0.049	0.049	0.429
New Hampshire	0.022	0.026	0.026	0.029	0.032	0.032	0.032	0.032	0.032	0.260
New Jersey	0.189	0.213	0.237	0.237	0.257	0.257	0.257	0.257	0.231	2.134
New Mexico	0.062	0.069	0.075	0.075	0.084	0.084	0.084	0.084	0.078	0.695
New York	1.099	1.239	1.379	1.379	1.447	1.447	1.447	1.447	1.447	12.332
North Carolina	0.239	0.261	0.261	0.261	0.277	0.277	0.277	0.277	0.277	2.406
North Dakota	0.011	0.011	0.011	0.013	0.016	0.016	0.016	0.014	0.014	0.123
Ohio	0.288	0.318	0.348	0.348	0.359	0.359	0.359	0.359	0.359	3.097
Oklahoma	0.086	0.095	0.103	0.111	0.126	0.126	0.126	0.126	0.126	1.025
Oregon	0.085	0.093	0.093	0.093	0.095	0.095	0.095	0.095	0.095	0.840
Pennsylvania	0.369	0.413	0.413	0.457	0.481	0.481	0.481	0.481	0.481	4.054
Rhode Island	0.049	0.049	0.049	0.049	0.050	0.050	0.050	0.050	0.050	0.445
South Carolina	0.095	0.102	0.102	0.102	0.101	0.101	0.101	0.101	0.101	0.908
South Dakota	0.013	0.013	0.015	0.015	0.015	0.016	0.016	0.016	0.016	0.134
Tennessee	0.168	0.183	0.183	0.183	0.188	0.188	0.188	0.188	0.188	1.656
Texas	0.536	0.536	0.587	0.587	0.657	0.657	0.657	0.657	0.657	5.533
Utah	0.034	0.038	0.041	0.041	0.040	0.040	0.040	0.040	0.040	0.354
Vermont	0.025	0.028	0.030	0.030	0.033	0.033	0.033	0.033	0.033	0.280
Virginia	0.130	0.146	0.146	0.146	0.175	0.175	0.175	0.175	0.175	1.442
Washington	0.173	0.193	0.214	0.214	0.245	0.245	0.245	0.245	0.245	2.020
West Virginia	0.048	0.048	0.053	0.057	0.057	0.061	0.061	0.061	0.057	0.503
Wisconsin	0.109	0.126	0.140	0.154	0.157	0.157	0.157	0.157	0.157	1.315

Enclosure I

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Total Allocation
Wyoming	0.010	0.010	0.012	0.012	0.015	0.015	0.015	0.015	0.015	0.117
Total	8.338	8.971	9.387	9.503	10.090	10.096	10.103	10.078	10.027	86.593

Source: Data from Bureau of Labor Statistics (BLS), Centers for Medicare & Medicaid Services (CMS), IHS Global Insight, and GAO analysis.

Note: GAO calculations based on unemployment rates from IHS Global Insight regional forecast, historical BLS data via Global Insight, and actual Federal Medical Assistance Percentage (FMAP) rates for 2008 through 2010. Years shown are federal fiscal years. Medicaid data are from the CMS Form 37. The CMS Form 37 is used to estimate federal Medicaid allocations. CMS Form 37 data are not available for fiscal year 2011. We used CMS Form 37 data for the fourth quarter of fiscal year 2010 as a proxy for the first quarter of fiscal year 2011. We relied on the methodology outlined in our 2006 report on strategies to help states address increased Medicaid expenditures during economic downturns to guide the development of these estimates. See GAO, *Medicaid: Strategies to Help States Address Increased Expenditures during Economic Downturns*, GAO-07-97 (Washington, D.C.: Oct. 18, 2006).

Estimated Tiers of Additional Temporary Federal Allocations to States under Section 5001 of the American Recovery and Reinvestment Act

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Alabama	2	2	3	3	3	3	3	3	3
Alaska	BASE	BASE	1	1	1	1	1	1	1
Arizona	2	3	3	3	3	3	3	3	3
Arkansas	BASE	1	2	2	3	3	3	3	3
California	3	3	3	3	3	3	3	3	3
Colorado	1	2	3	3	3	3	3	3	3
Connecticut	2	2	3	3	3	3	3	3	2
Delaware	1	2	2	3	3	3	3	2	2
District of Columbia	1	2	2	2	2	2	2	2	2
Florida	3	3	3	3	3	3	3	3	3
Georgia	2	3	3	3	3	3	3	3	3
Hawaii	2	2	3	3	3	3	3	3	3
Idaho	2	3	3	3	3	3	3	3	3
Illinois	2	3	3	3	3	3	3	3	3
Indiana	2	3	3	3	3	3	3	3	3
Iowa	BASE	BASE	BASE	1	1	1	2	2	2
Kansas	BASE	1	1	2	2	2	2	2	2
Kentucky	1	2	2	3	3	3	3	3	3
Louisiana	1	2	2	3	3	3	3	3	3
Maine	1	2	2	3	3	3	3	3	3
Maryland	1	2	2	2	3	3	3	2	2
Massachusetts	1	2	3	3	3	3	3	3	3
Michigan	2	3	3	3	3	3	3	3	3
Minnesota	2	3	3	3	3	3	3	3	3

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	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Mississippi	BASE	2	3	3	3	3	3	3	3
Missouri	1	2	3	3	3	3	3	3	3
Montana	1	1	2	2	2	2	2	2	2
Nebraska	BASE	BASE	1	1	2	2	2	2	2
Nevada	3	3	3	3	3	3	3	3	3
New Hampshire	BASE	1	1	2	2	2	2	2	2
New Jersey	1	2	3	3	3	3	3	3	2
New Mexico	BASE	1	2	2	3	3	3	3	2
New York	1	2	3	3	3	3	3	3	3
North Carolina	2	3	3	3	3	3	3	3	3
North Dakota	BASE	BASE	BASE	1	2	2	2	1	1
Ohio	1	2	3	3	3	3	3	3	3
Oklahoma	BASE	1	2	3	3	3	3	3	3
Oregon	2	3	3	3	3	3	3	3	3
Pennsylvania	1	2	2	3	3	3	3	3	3
Rhode Island	3	3	3	3	3	3	3	3	3
South Carolina	2	3	3	3	3	3	3	3	3
South Dakota	BASE	BASE	1	1	1	2	2	2	2
Tennessee	2	3	3	3	3	3	3	3	3
Texas	1	1	2	2	2	2	2	2	2
Utah	BASE	1	2	2	2	2	2	2	2
Vermont	1	2	3	3	3	3	3	3	3
Virginia	1	2	2	2	3	3	3	3	3
Washington	1	2	3	3	3	3	3	3	3
West Virginia	BASE	BASE	1	2	2	3	3	3	2
Wisconsin	BASE	1	2	3	3	3	3	3	3

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	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Wyoming	BASE	BASE	1	1	2	2	2	2	2

Source: Data from Bureau of Labor Statistics (BLS), IHS Global Insight, and GAO analysis.

Note: GAO calculations based on unemployment rates from IHS Global Insight Regional forecast (January 2009) and historical BLS data via Global Insight data base. Base indicates that the state does not receive additional funding allocations based on unemployment rate increases. Tiers 1, 2, and 3 reflect the qualifying criteria for additional relief based on states' unemployment rate increases as outlined in section 5001 of the proposed legislation. Tier 1 is for unemployment rate increases of at least 1.5 percentage points, but less than 2.5 percentage points. Tier 2 is for unemployment rate increases of at least at least 2.5 percentage points, but less than 3.5 percentage points. Tier 3 is for unemployment rate increases of at least 3.5 percentage points.

GAO Contacts and Staff Acknowledgments

For information about this letter, please contact Stanley J. Czerwinski, Director, Strategic Issues, who can be reached at (202) 512-6806 or czerwinkis@gao.gov, or Thomas J. McCool, Director, Center for Economics, at (202) 512-2700 or mccoolt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this letter.

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