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Medicaid Funding for the Territories

Medicaid is a joint federal-state program that finances the delivery of primary and acute medical services, as well as long-term services and supports. Participation in Medicaid is voluntary, though all states, the District of Columbia (DC), and the territories (i.e., American Samoa, Commonwealth of the Northern Mariana Islands [CNMI], Guam, Puerto Rico, and the U.S. Virgin Islands) choose to participate. The territories operate Medicaid programs under rules that differ from those applicable to the 50 states and DC.

Medicaid in the Territories

American Samoa and CNMI operate their Medicaid programs under the Section 1902(j) waiver authority. Under these waivers, the only Medicaid requirements that may not be waived by the Secretary of Health and Human Services (HHS) are (1) the federal medical assistance percentage (FMAP) rate (i.e., federal matching rate); (2) the annual federal capped funding; and (3) the requirement that payment be made for services described in Section 1905(a) of the Social Security Act (SSA).

For Guam, Puerto Rico, and the U.S. Virgin Islands, most of the eligibility and benefit requirements for the 50 states and DC apply. However, it has been documented that these three territories do not cover all of the federally mandated coverage groups or benefits.

The five territories all have the same FMAP rate of 55%. By contrast, the FMAP for the 50 states and DC varies by state according to each state's per capita income and can range from 50% to 83%.

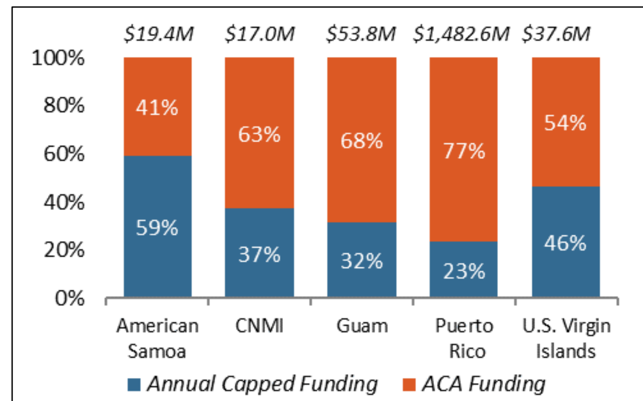
Federal Medicaid funding to the states and DC is open-ended, but the Medicaid programs in the territories are subject to annual federal capped funding.

Federal Medicaid Funding

The federal Medicaid funding for the territories comes from a few different sources. The permanent source of federal Medicaid funding for the territories is the annual federal capped funding, which has been supplemented by Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended) funding since July 1, 2011. Two territories (Puerto Rico and the U.S. Virgin Islands) have requested and received funding in addition to the ACA funding.

Figure 1 shows the proportion of annual federal capped funding and ACA Medicaid funding used by each territory in FY2017. The aggregate total of the annual federal capped funding for the territories was $400.0 million. Each territory spent through its capped funding, at which point, the territories used an aggregate of $1.2 billion in ACA funding.

Figure 1. Proportion of Federal Medicaid Funding from Annual Capped Funding and ACA Funding
(FY2017)



Source: CRS analysis of data received from the Centers for Medicare & Medicaid Services (CMS) on May 9, 2018.

Notes: ACA = Patient Protection and Affordable Care Act (P.L. 111-148, as amended); CNMI = Commonwealth of the Northern Mariana Islands.

The territories also receive SSA Section 1935(e) funding in addition to the annual federal capped funding. This funding is sometimes referred to as the *enhanced allotment program* (or EAP), and territories receive these funds in lieu of their residents being eligible for low-income subsidies under Medicare Part D. The territories can use this funding to provide prescription drug coverage under Medicaid for low-income Medicare beneficiaries.

The following provides additional information about the annual federal capped funding, the ACA funding, and the additional funding provided to Puerto Rico and the U.S. Virgin Islands.

Annual Federal Capped Funding

The Medicaid programs in the territories are subject to annual federal capped funding. These Medicaid cap amounts vary by territory and increase annually according to the change in the medical component of the Consumer Price Index for All Urban Consumers. Once the cap is reached, the territories assume the full cost of Medicaid services or, in some instances, may suspend services or cease payments to providers until the next fiscal year.

Certain Medicaid expenditures are disregarded for purposes of the annual federal capped funding, such as (1) Medicaid Electronic Health Record Incentive Program payments and (2) design and operation of the claims and eligibility systems. Also, for Puerto Rico and the U.S. Virgin Islands, Medicaid Fraud Control Unit (MFCU) expenditures are disregarded.

ACA Funding

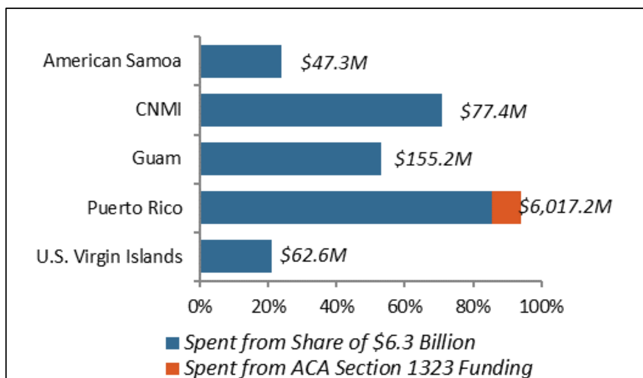
Prior to the ACA, all five territories typically exhausted their federal Medicaid annual federal capped funding before the end of the fiscal year. For this reason, the ACA included a provision that provides $6.3 billion in additional Medicaid federal funding to the territories available between July 1, 2011, and September 30, 2019. The $6.3 billion was distributed among the territories in an amount proportional to the annual capped amounts: Puerto Rico ($5.5 billion), the U.S. Virgin Islands ($273.8 million), Guam ($268.3 million), American Samoa ($181.3 million), and CNMI ($100.1 million).

ACA Section 1323 provides $1.0 billion in additional Medicaid funding to the territories that did not establish health insurance exchanges. Because none of the territories established exchanges, the territories all received additional federal Medicaid funds. The provision specified that Puerto Rico receive $925 million, and the HHS Secretary distributed the remaining funding among the other four territories. This funding is available January 1, 2014, through December 31, 2019.

Figure 2 shows the percentage of each territory's ACA funding that each territory utilized from FY2011 through FY2017. Puerto Rico used 94% of its ACA funding during this period; it is the only territory that had used any of the ACA Section 1323 funding through FY2017.

Figure 2. Percentage of ACA Funding Utilized

(FY2011 through FY2017)



Source: CRS analysis of data received from CMS on May 9, 2018.

Notes: See **Figure 1**.

Additional Funding for Puerto Rico

Because Puerto Rico had spent most of its ACA funding, in May 2017, Puerto Rico was provided an additional $296 million in federal Medicaid funding through the Consolidated Appropriations Act, 2017 (P.L. 115-31). That funding is available through September 30, 2019.

The Bipartisan Budget Act of 2018

With the additional funding from P.L. 115-31, Puerto Rico still did not have enough funding to cover the federal share of Medicaid for FY2018 and FY2019. Then, in September 2017, both Puerto Rico and the U.S. Virgin Islands were affected by Hurricane Irma and Hurricane Maria, and both territories requested federal Medicaid relief. In September and October 2018, CNMI and Guam were affected by Typhoons Mangkhut and Yutu.

In February 2018, the Bipartisan Budget Act of 2018 (BBA 2018; P.L. 115-123) increased the federal Medicaid funding for the period of January 1, 2018, through September 30, 2019, by $3.6 billion for Puerto Rico and $106.9 million for the U.S. Virgin Islands.

This funding may be further increased by $1.2 billion for Puerto Rico and $35.6 million for U.S. Virgin Islands if the HHS Secretary certifies that each territory has taken steps to (1) report reliable data to the Transformed-Medicaid Statistical Information System and (2) establish an MFCU.

For all the additional federal Medicaid funding for Puerto Rico and the U.S. Virgin Islands provided in BBA 2018, the FMAP (i.e., federal matching rate) is increased from 55% to 100% (i.e., fully federally funded).

Conclusion

Table 1 shows that the territories are increasingly relying on the ACA funding for their Medicaid programs. Since FY2012, in every year, a majority of the federal Medicaid funding has come from the ACA funding.

The $6.3 billion in additional Medicaid federal funding and the additional funding provided to Puerto Rico and the U.S. Virgin Islands will expire after September 30, 2019, and the $1.0 billion in ACA Section 1323 funding will expire after December 31, 2019. Without this funding, each territory will need to make decisions about how to deal with its loss of this federal funding. The territories could (1) make programmatic changes (e.g., restrict eligibility or cut benefits); (2) suspend Medicaid programs when the annual spending cap is exhausted; or (3) increase territory funding of Medicaid (if possible).

Table 1. Federal Medicaid Funding for All Territories from Annual Capped Funding and ACA Funding

($ in millions)

	Annual Capped Funding	ACA Funding
FY2011	$334.2	$291.5
FY2012	$343.2	$586.0
FY2013	$355.5	$717.9
FY2014	$369.1	$889.5
FY2015	$377.9	$1,300.0
FY2016	$385.9	$1,364.2
FY2017	$399.6	$1,210.7

Source: CRS analysis of data received from CMS on May 9, 2018.

Notes: ACA = Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended). ACA funding includes the $6.3 billion in additional Medicaid funding and the ACA Section 1332 funding.

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