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INSIGHT

Federal Medical Assistance Percentage (FMAP) Increase Available for Title IV-E Foster Care and Permanency Payments

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The Families First Coronavirus Response Act (P.L. 116-127) authorizes increased federal funding to states through a 6.2 percentage point increase in the federal medical assistance percentage (FMAP), also known as the Medicaid matching rate. This expanded federal support is available to states that meet specific Medicaid program requirements and is made effective retroactive to January 1, 2020, the first day of the calendar year quarter in which the U.S. Secretary of Health and Human Services declared a public health emergency. The increase is to remain in place until the last day of the calendar year quarter in which the public health emergency period ends.

The FMAP is used to determine the federal share of costs in Medicaid and other programs, including the Foster Care, Prevention, and Permanency program, authorized in Title IV-E of the Social Security Act (SSA) and commonly called the "IV-E program." According to the HHS' Administration for Children and Families (ACF), the FMAP increase applies to states, territories, and tribes operating a IV-E program (hereinafter states and tribes), but does not apply to the IV-E program in the District of Columbia (DC).

What is the Foster Care, Prevention, and Permanency (IV-E) program?

Foster care is a temporary living arrangement for children that a state determines are not able to safely continue to live in their own homes. Most children placed in foster care live in a foster family home of a nonrelative or relative. The first goal of the state child welfare agency is typically to provide services to enable a child to be safely reunited with his or her parents. If this is determined not to be possible or appropriate, the agency works to find a new permanent home for the child through adoption or guardianship.

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What IV-E program costs receive federal support at the FMAP?

States and tribes operating a IV-E program are required to provide foster care maintenance payments and adoption assistance payments to eligible children, and the federal government is obligated to reimburse them for a part of the cost of those payments. Further, they may opt to provide kinship guardianship assistance payments to eligible children. Additionally, as of October 1, 2019 (or depending on the state or tribe, by October 1, 2021) they are permitted to provide certain evidence-based services intended to prevent the need for children to enter foster care. If a state opts to provide these payments or services, the federal government is also obligated to share in this cost.

The FMAP is used to determine the federal share of IV-E foster care maintenance, adoption assistance, and guardianship assistance payments. These payments are provided by states and tribes on an ongoing basis to an eligible child's foster care provider, adoptive parent, or legal kinship guardian. During FY2020, on an average monthly basis, IV-E payments were expected to be made on behalf of an estimated 729,000 children, including 164,000 children in foster care and 565,000 children in adoptive or guardianship homes.

The federal share of all other IV-E program costs is provided at fixed rates that are the same in every state or tribe. These rates are not changed by the FMAP increase and apply to costs of program administration (50%) and training (75%) and Title IV-E prevention services (50% now, and slated to be replaced by FMAP reimbursement as of FY2027).

What is the FMAP in each state and tribe?

The FMAP for each of the 50 states is annually computed by HHS using a formula provided in the Medicaid program (§1905(b) of the SSA). The formula provides that states with higher per capita income (relative to the per capita income nationally) receive lower federal reimbursement rates, while states with lower per capita income receive higher federal reimbursement rates. State regular FY2020 FMAPs are available in the *Federal Register*. P.L. 116-127 temporarily increases each state's FMAP by 6.2 percentage points as of January 1, 2020. For example, if a state's regular FMAP is 50%, during the currently declared public health emergency it is increased to 56.2%. The highest regular state FMAP for FY2020 is nearly 77%, and during the public health emergency this FMAP will be nearly 83.2%.

For the IV-E program, tribal FMAPs are determined by HHS-ACF based on the description given in Title IV-E of the SSA (§479B(d)).

How is the money distributed?

States and tribes operating a IV-E program submit quarterly "claims" to HHS-ACF. These claims represent program spending. For example, if a state submits claims showing that it spent $100,000 for IV-E maintenance or assistance payments while its FMAP is temporarily raised to 56.2%, the federal government is obligated to send the state $56,200 (rather than $50,000 that would be required under the state's regular FMAP of 50%).

How much money is the FMAP increase expected to provide?

The Congressional Budget Office (CBO) estimates the 6.2 percentage point bump in the FMAP will increase federal IV-E program spending (i.e., funding to state and tribal IV-E agencies) by $1.1 billion across FY2020-FY2021.

What requirements must a state meet to receive the FMAP increase?

Under P.L. 116-127, to receive the FMAP increase states must meet the following Medicaid requirements: maintain eligibility policies for the program; continue coverage for enrolled beneficiaries; not increase individual premiums; cover COVID-19 testing, services, and treatment without cost sharing; and not increase local funding requirements.

Does the FMAP increase apply to the territories and DC?

P.L. 116-127 applies the FMAP increase to the territories, including Puerto Rico and the U.S. Virgin Islands, which are the only territories with IV-E programs. However, because the total amount of federal support territories may receive under the IV-E program is subject to a "social services" spending cap (§1108(a) of the SSA), this change is not expected to increase their overall federal support.

In an April 6, 2020, information memorandum (IM-20-05), HHS-ACF noted that the FMAP increase provided in P.L. 116-127 does *not* apply to the IV-E program operated by DC. For purposes of that program, DC's FMAP remains as given in Title IV-E of the SSA (§474(a)) at 70%.