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INSIGHT

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

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The Families First Coronavirus Response Act (FFCRA, P.L. 116-127) authorizes temporarily increased federal funding to states through a higher 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. It became available January 1, 2020, the first day of the calendar year quarter in which the Secretary of the U.S. Department of Health and Human Services (HHS) declared a COVID-19 public health emergency. As provided by the Consolidated Appropriations Act, 2023 (§5131 of P.L. 117-328) the increased support is slated to remain at 6.2 percentage points above a state's regular FMAP through March 31, 2023, be phased down in each subsequent fiscal quarter, and end entirely as of January 1, 2024.

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's Administration for Children and Families (ACF), the FMAP increase applies to states, territories, and tribes operating a IV-E program.

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

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

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

States operating a IV-E program provide payments for foster care maintenance and adoption assistance for eligible children, and the federal government is obligated to reimburse states for a part of the cost of

those payments. Further, states may opt to use the IV-E program to provide kinship guardianship assistance payments to eligible children.

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 guardian. During FY2021, on an average monthly basis, IV-E payments were made on behalf of 715,100 children, including 142,100 children in foster care and 573,000 children in adoptive or guardianship homes.

The federal share of all other IV-E 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%). Additionally, federal support for the optional provision of IV-E prevention services and selected kinship navigator programs is currently set at 50%.

What is the regular FMAP in each jurisdiction?

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) and may regularly range between 50% and 83%. 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. (See the *Federal Register* for FY2023 and FY2024 regular rates.)

The FMAP for the District of Columbia is fixed in Title IV-E (§474(a)(1) and (2) of the SSA) at 70% in every year. P.L. 116-260 (Division X, §11) amended P.L. 116-127 to ensure that in any quarter when the District's Medicaid program is eligible for the COVID-19-related FMAP increase, the same increase also applies to its IV-E program.

For purposes of the Title IV-E program, the FMAP for each territory remains fixed at 55% each year (as given in §1905(b) of the SSA) and tribal FMAPs are determined by HHS-ACF based on the description given in Title IV-E of the SSA (§479B(d)).

Phase down of COVID-19 -related FMAP increase

Under current law, regular FMAP rates are subject to a 6.2 percentage point increase due to the COVID-19 public health emergency. This level of increase is slated to remain in place through March 31, 2023, with the percentage point increase reduced in each subsequent quarter to 5.0 as of April 1, 2023; 2.5 as of July 1, 2023; and 1.5 as of October 1, 2023. As of January 1, 2024, no COVID-19-related FMAP increase is to apply.

How is the money distributed?

States operating a IV-E program submit quarterly claims to HHS-ACF. These claims represent program spending. If a state submits claims showing that it spent $100,000 for IV-E maintenance or assistance payments while its FMAP is temporarily raised from 60.00% to 66.20%, the federal government is obligated to send the state $66,200 (rather than the $60,000 required under the state's regular FMAP).

How much money has the FMAP increase provided?

From January 1, 2020, through December 31, 2022, the increased FMAP is expected to have increased the federal share of spending for Title IV-E by roughly $1.5 billion. This estimate is based on an extrapolation of data provided to CRS by HHS-ACF showing, across the first seven fiscal quarters in

which the full 6.2 percentage point increase in the FMAP was in place, a roughly $121 million per quarter increase in federal spending attributable to that increase.

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

To receive the FMAP increase, states must meet certain Medicaid requirements concerning eligibility, continuous coverage for enrolled beneficiaries, and individual cost premiums. Further, the state must offer COVID-19 testing, services, and treatment without cost to individuals; and they must not increase local funding requirements. Section 5131 of P.L. 117-328 provides certain transition rules related to eligibility and continuous coverage.

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