Louisiana Budget Project
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Louisiana's Federal Medicaid Funding: The Facts (Revised)

- Medicaid is ***the*** health insurance program for approximately 25 percent of Louisiana's population.

- The federal Medicaid program provides that the federal government and states share the cost of the program. The portion of Medicaid paid for by the federal government is called the Federal Medical Assistance Percentage, or FMAP. The portion that the federal government pays is based on the relative income of the state compared to the national average, so that poorer states receive a higher percentage of federal funds compared to more well-off states. Currently, Louisiana's match rate is 80 percent, which means that the federal government puts up 80 percent of the cost of the program.

- The amount of the federal match is based on a three-year average of the state's mean average per capita income compared to that of the national average. For federal fiscal year 2011, the federal matching rate will be calculated using the mean average income for 2006, 2007, and 2008 from the Bureau of Economic Analysis (BEA), within the Department of Commerce.

- Louisiana's mean average income increased 17 percent between 2005 and 2007 due in part to the influx of billions of dollars of federal disaster relief funding in response to Hurricanes Katrina and Rita.

- The federal Medicaid matching rate for Louisiana was scheduled to drop to 71.3 percent in October 2008, to 67.6 percent in October 2009, and again to 63.2 percent in October 2010. However, the American Recovery and Reinvestment Act of 2009 (ARRA) suspended any decreases in federal funding through 2010, and provided all states a base increase of 6.2 percentage points. In addition, states that are suffering from rising unemployment receive additional assistance. Louisiana gets 1.34 percentage points added to its Medicaid match rate based on its unemployment rate.

- Louisiana faces a "double whammy." Not only does the state face a Medicaid matching reduction when the stimulus expires, but we have the unique problem of an artificially inflated average income due to the influx of federal hurricane recovery money which, if not alleviated, will result in a lower match rate than is appropriate for a state in Louisiana's economic condition. The combined effects will result in the federal share of Louisiana's Medicaid program decreasing from 80 percent to approximately 63 percent in 2011.

- Louisiana is projected to lose over $400 million in federal Medicaid funding in FY11 and almost $900 million for FY12 and each year thereafter.

- If this funding is not restored, the Louisiana Department of Health and Hospitals (DHH) has announced that they will have to reduce and/or eliminate programs including: Pharmacy Services, Intermediate Care Facilities for Persons with Developmental Disabilities (ICF-DD), Personal Care Services, Program for All Inclusive Care for the Elderly (PACE), Waiver Program, and the healthcare coverage for 125,000 children in Louisiana under the LaCHIP program.

- Louisiana Budget Project's recommendations to fix the Medicaid funding shortfall include:
  - Eliminate the effects of the one-time, extraordinary federal hurricane relief funding from the calculation of Louisiana's average income. Just as insurance recoveries for property losses are not included in an individual's income for federal income tax purposes, federal recovery dollars should not be included in the calculation of Louisiana's average income.
  - Calculate the federal Medicaid matching rate using the median average income instead of using the mean average income. This will eliminate the outliers that skew the average income in the state.
  - Extend beyond December 31, 2010 the federal stimulus money that has been dedicated to Medicaid, to allow all states to better prepare for the reductions in funding and mitigate drastic cuts in budgets that are already decimated by the recession.
  - Implement progressive tax structures in Louisiana that can sustain an adequate level of Medicaid funding to serve the needs of Louisiana's citizens, including allocating budget savings realized from less critical state services to reduce the impact of the loss of federal Medicaid funding.

LANO is a membership organization that seeks to build a united nonprofit sector with greater accountability, strategic collaboration and a common voice. *LANO formed the Louisiana Budget Project (LBP) in 2006 to increase public awareness of information on the state budget and input into the preparation process. The LBP monitors and reports on state government spending and how it affects Louisiana's low- to moderate-income families.*