

# Medicaid's Federal Match Rate Supports State Budgets in the Time of COVID-19

As the COVID-19 pandemic and ensuing economic crisis engulfs the United States, it is critical that Medicaid be strengthened to support the millions of Americans who rely on it for their healthcare services as they weather this crisis and that federal funding is increased to support the rising demands the crisis is having on state budgets.

**The Medicaid Federal Match Rate is critical to strengthening state budgets and state Medicaid programs. But a looming state budget crisis threatens state Medicaid programs, and the federal help provided falls far short of the need and is slated to end too soon.**

Forecasters now project that the current economic downturn will be deeper than the Great Recession, and likely take several years to recover. CBO projects that state budget shortfalls from COVID-19's economic fallout could total \$765 billion over the next three years.

Protecting Medicaid through larger and longer increases in the Federal match rate (FMAP), while preserving the maintenance of effort (MOE) protections for enrollees will be critical to states' ability to address the COVID pandemic and the longer economic crisis.

## COVID-19 State Budget Shortfalls Could Be Largest on Record

Total state budget shortfall in each fiscal year, in billions of 2020 dollars



\* Estimated based on CBPP calculations

Source: Pre 2014: CBPP survey; 2020 and following: CBPP calculations

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By enacting additional FMAP funding, Congress should prioritize adequate, longer-lasting assistance coupled with strong coverage protections by enacting the following policies:

- **FMAP increases should be scaled up at least 12 percentage points**
- **FMAP increases should continue until the labor market and state budgets recover; at least through June 30, 2021 or the unemployment rate falls below 5%**
- **Applying part of the FMAP increase to people covered through Medicaid expansion**, to compensate expansion states for the much larger enrollment increases and larger COVID-19 costs they will incur.
- **Continue strong maintenance of effort protections** for beneficiaries by prohibiting states from imposing eligibility restrictions or taking away coverage.

