



Highlights of [GAO-11-58](#), a report to congressional requesters

RECOVERY ACT

Increased Medicaid Funds Aided Enrollment Growth, and Most States Reported Taking Steps to Sustain Their Programs

Why GAO Did This Study

In February 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act) initially provided states and the District of Columbia (the District) with an estimated \$87 billion in increased Medicaid funds through December 2010, provided they met certain requirements. Funds were made available to states and the District through an increase in the Federal Medical Assistance Percentage (FMAP), the rate at which the federal government matches state expenditures for most Medicaid services. In March 2010, Congress passed the Patient Protection and Affordable Care Act (PPACA), which prohibits states from adopting certain changes to program eligibility in order to receive federal reimbursement, and in August 2010, extended increased FMAP rates through June 2011. GAO was asked to examine issues related to Medicaid funds under the Recovery Act. GAO examined (1) states' and the District's access to and use of increased FMAP funds, and (2) states' and the District's plans to sustain their Medicaid programs once these funds are no longer available.

To do this work, GAO surveyed state Medicaid officials in the 50 states and the District in August 2009 and March 2010 about their program enrollment, uses of funds, program adjustments, and program sustainability. GAO obtained responses from all states and the District. GAO also reviewed CMS data and guidance and interviewed CMS and state officials.

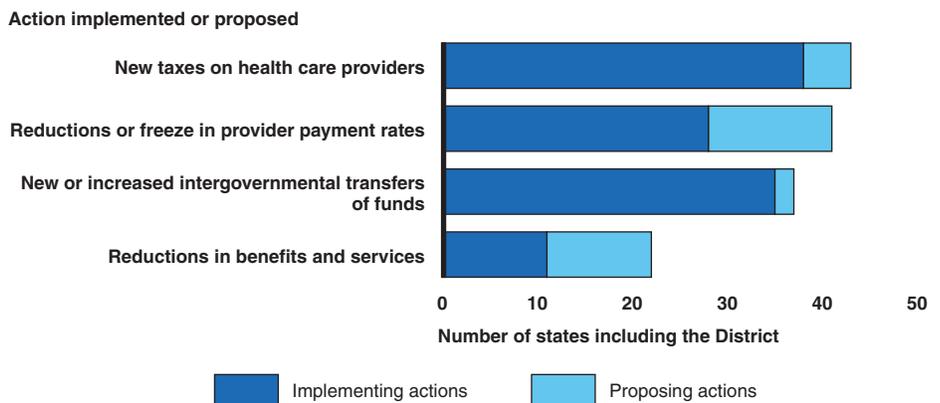
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What GAO Found

States and the District are on pace to draw down about 94 percent—\$82 billion of the estimated \$87 billion—in increased FMAP funds provided by the Recovery Act. Most states adjusted their Medicaid programs to comply with the act's requirements, and nearly all states and the District reported using the increased FMAP to cover increased enrollment, which grew by 14.2 percent nationally between October 2007 and February 2010. Enrollment growth across the states and the District ranged from about 1 percent to 38 percent, with 22 states and the District experiencing a 10 to less than 20 percent increase. Although most enrollment growth was attributable to children, the highest growth rate was among the nondisabled, nonaged adult population.

Forty-seven states and the District reported concern regarding the sustainability of their Medicaid programs without the increased FMAP, and 46 states took steps to address sustainability, including introducing financing arrangements, such as taxes on health care providers, or reducing provider payments. Most states and the District also reported proposed changes for the future. (See figure.)

Certain Actions Most States and the District of Columbia Reported Implementing or Proposing to Address Medicaid Program Sustainability



Source: GAO analysis of state-reported data.

Congress passed legislation in August 2010 to extend the increased FMAP through June 2011, although at lower rates than provided by the Recovery Act. How the subsequent return to regular FMAP rates will affect states and the District will vary depending on their unique economic circumstances. GAO estimates that regular FMAP rates will be, on average, nearly 11 percentage points lower than increased FMAP rates available in December 2010. For future adjustments, states and the District will need to consider PPACA, which prohibits more restrictive eligibility standards, methods, or procedures until 2014, in order to receive federal Medicaid reimbursement.

HHS provided technical comments to this report, which GAO incorporated as appropriate.