

Health Provisions in the American Recovery and Reinvestment Act of 2009

On February 17th, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA) into law. There are several health provisions in the new law, including funding for an increase in the Federal Medical Assistance Percentage, COBRA assistance, support for health centers, and health information technology.

Federal Medical Assistance Percentage (FMAP)

Under the new law, there are three ways states may receive temporary assistance for their Medicaid programs during the recession adjustment period, which is defined as the period beginning on October 1, 2008, and ending on December 31, 2010.

1. Any state that is scheduled to receive a lower match during the recession adjustment period due to the normal FMAP formula will be temporarily protected against any decline in federal funding.
2. The bill allocates \$87 billion to states, which is designed to fund a temporary increase in the share of Medicaid costs that the federal government provides to states by 6.2 percentage points through the end of fiscal year 2010.
 - In order for states to qualify for the increased reimbursement, they must not have passed stricter eligibility standards than those that were in place in their state as of July 1, 2008.
 - States who have made cuts to their Medicaid program in that timeframe may reinstate the eligibility requirements to receive the FMAP increase.
3. States that are experiencing large increases in rates of unemployment will receive additional assistance in the form of a reduced percentage of the states' share of Medicaid costs in order to support the increased need for Medicaid coverage.
 - A high unemployment state is defined as a state that has experienced an increase in the rate of unemployment of at least 1.5 percentage points. This is determined by calculating the difference between the average unemployment rate for the most

recent 3 consecutive month period and the lowest rate for any 3 consecutive month period since January 1, 2006.

- The decrease in state share is determined by how much the rate of unemployment has risen:
 - 1.5 – 2.5 percentage points: 5.5% decrease in state share
 - 2.5 – 3.5 percentage points: 8.5% decrease in state share
 - 3.5 or more percentage points: 11.5% decrease in state share

For example, a state with a current FMAP rate of 60% pays 40% of its own Medicaid costs. Our sample state has experienced a 3.2% increase in unemployment.

1. Calculate the amount by which the state share will be reduced for high unemployment.

Our sample state will calculate their additional assistance for high unemployment by first subtracting half of the 6.2 percentage point FMAP increase from their state share, or SMAP.

$$40 - 3.1 = 36.9$$

The high unemployment rate makes this state eligible for a decrease of 8.5% of the resulting state share.

$$36.9 \times 0.085 = 3.14$$

An 8.5% reduction in the state share would mean a reduction of 3.14 percentage points.

2. Subtract the resulting amount from the state's original SMAP.

$$40 - 3.14 = 36.86$$

3. Account for across-the-board FMAP increase.

To complete the calculation, the across-the-board FMAP increase will then be taken into account by subtracting 6.2 percentage points from the resulting SMAP.

$$36.86 - 6.2 = 30.66$$

A state share of 30.66% results in a **new temporary FMAP rate of 69.34%**.



COBRA

The law allocates \$24.7 billion for federal subsidies of health coverage through COBRA. This provision will cover 65% of the cost of health insurance premiums under COBRA for up to nine months and will be available to all workers who earned up to \$125,000 for individuals or \$250,000 for families, and who involuntarily lost their jobs between September 1, 2008 and December 31, 2009.

Health Information Technology (HIT)

The package includes \$19 billion to promote the use of health information technology to be distributed through incentives for public programs and through grants or loans. This funding will support the stated goal of making all health records in the United States electronic by the year 2014.

Support for Health Centers

\$1.5 billion has been included to fund infrastructure development for health centers, which includes acquisition of equipment, building construction, and renovation. An additional \$500 million has been included to fund operations for health centers around the country. This funding is intended to assist health centers in addressing the rising demand that comes with an increasing uninsured population. The package also contains workforce support through a \$500 million allocation for training programs for health professionals, which are designed to encourage increased staffing in primary care settings.

Health Research

The package also includes \$1.1 billion to fund comparative effectiveness research of drugs and medical devices, as well as \$8.5 billion in support for the National Institutes of Health.