Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

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Ohio's Medicaid Financial Landscape and FMAP

Ohio Medicaid, a health insurance program funded jointly by the state and federal governments, provides health insurance to low-income Ohioans through the Ohio Department of Medicaid, with significant programmatic guidance and financial support from the federal government. Financial support from the federal government varies based on the type of service and the category of coverage of a Medicaid recipient.

Contents

Overview 2
- Medicaid and Ohio's state budget 2
  - Ohio Medicaid spending funding source 2
  - Historical Medicaid spending 4

Federal financial participation (FFP) 4
- Federal medical assistance percentage (FMAP) 4
- Enhanced federal medical assistance percentage (eFMAP) 5
- Other exceptions to FMAP 5
  - Administration 5
  - ACA Expansion Group (Group VIII) 6
  - Qualifying Individuals Program 6
  - Family planning services 6
  - Breast and cervical cancer treatment 7
  - Federal assistance in response to COVID-19 7
  - Certain preventive services and immunizations for adults 7
  - Smoking cessation for pregnant women 7
  - Summary 7

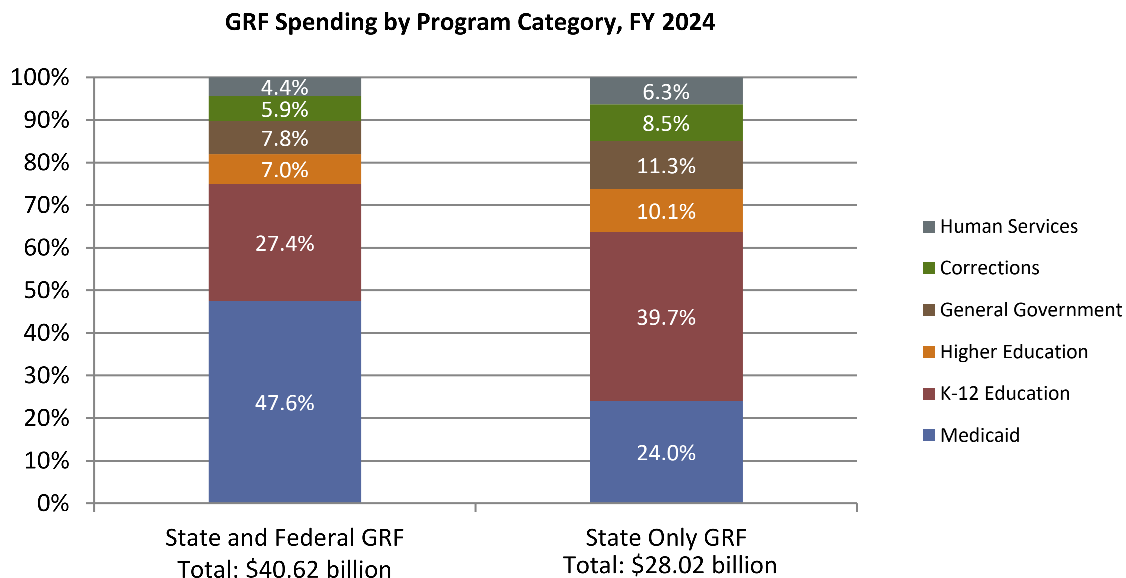
Ohio's FMAP recent history 8

Overview

Medicaid is a health insurance program for low-income individuals. State governments administer state-specific Medicaid programs subject to federal oversight by the Centers for Medicare and Medicaid Services (CMS) in the U.S. Department of Health and Human Services (HHS). Funding for the program comes primarily from federal and state government sources. The Ohio Department of Medicaid (ODM) administers Ohio's Medicaid program, and provides Medicaid coverage to more than three million eligible individuals in the state. ODM is one of the state's largest government agencies in terms of General Revenue Fund (GRF) spending, and the state's largest health insurer.

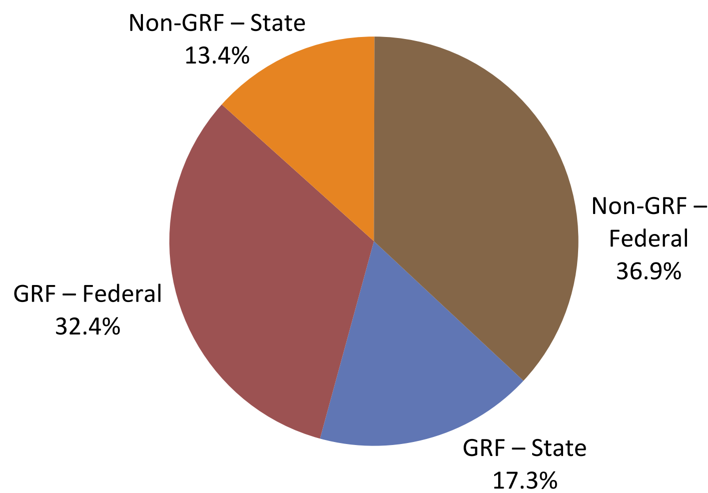
Medicaid and Ohio's state budget

The state of Ohio's budget is dominated by spending on Medicaid and primary and secondary education. In fact, well over half of FY 2024 GRF spending was in these two program categories. The chart below demonstrates this by looking at the state's GRF spending in two different ways. The column on the left shows the state's total GRF spending in FY 2024 by program category. Medicaid accounted for 47.6% of total GRF spending. The column on the right shows the state's state-only GRF spending. Federal reimbursements for Medicaid that are deposited into the GRF are removed in this analysis. Medicaid's share of spending in this view drops, but still remains significant at 24.0%.

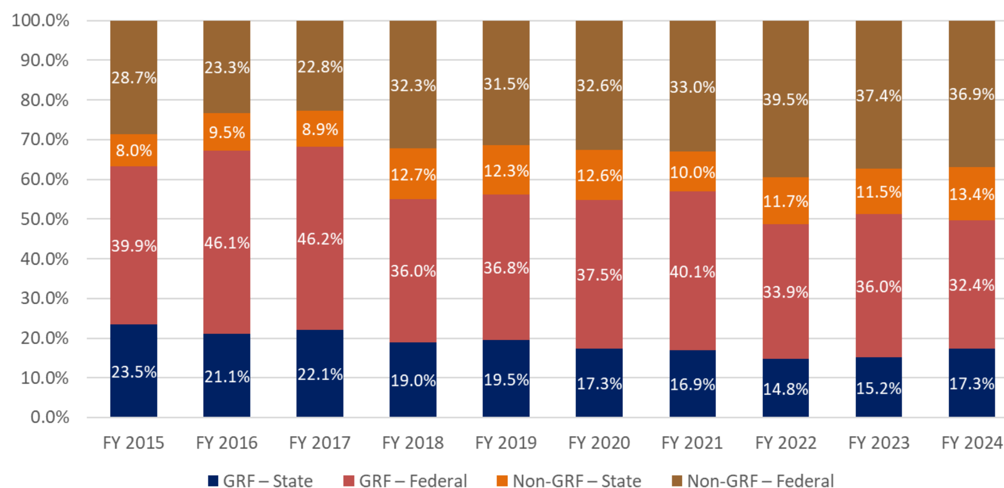


Ohio Medicaid spending funding source

Just under half of the state's Medicaid expenditures come from the GRF ($19.33 billion in FY 2024), and just over half come from non-GRF spending ($19.55 billion in FY 2024). As with GRF spending, non-GRF spending also includes revenue from state and federal sources. The next chart shows the breakdown of Medicaid spending by state and federal GRF and non-GRF sources.



Of the total $38.88 billion in Medicaid spending in FY 2024, 49.7% was from the GRF – 32.4% from federal GRF funds ($12.60 billion) and 17.3% from state GRF funds ($6.73 billion). The remaining 50.3% was from non-GRF funds – 36.9% from federal funds ($14.35 billion) and 13.4% from state funds ($5.20 billion). The next chart shows historical trends of these shares of Medicaid spending by state and federal GRF and non-GRF sources.

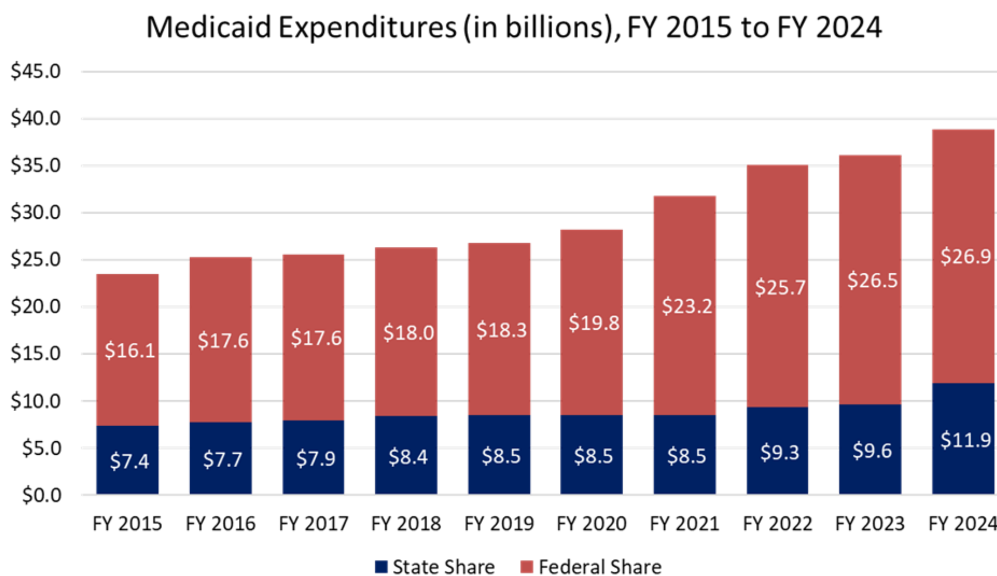


Over the previous decade, non-GRF expenditures, both state and federal, have increased in relative share. Federal expenditures overall have also increased. The increase in non-GRF – State expenditures has been partially due to increasing provider franchise fees and assessments, and the recent implementation of ODM's Medicaid single pharmacy benefit manager program. Increases in the share of federal expenditures were largely due to federal financial support due to the COVID-19 pandemic.

Historical Medicaid spending

The following chart shows Medicaid expenditures over the previous decade, detailed with state and federal shares of total expenditures. Due to many factors, including larger caseloads and increasing healthcare costs, expenditures have trended up over the past decade.

The most significant increases occurred between FY 2020 and FY 2022, primarily due to rising caseloads during the COVID-19 pandemic. These enrollment surges were influenced by the economic impact of the pandemic and the continuous enrollment provision under the Families First Coronavirus Response Act (FFCRA). To qualify for enhanced federal financial support during this period, ODM temporarily suspended routine eligibility redeterminations and disenrollment, resulting in increased caseloads. By meeting these conditions, Ohio received enhanced federal financial support. This is reflected in the expenditure increases during FY 2021 and FY 2022, with both state and federal spending rising. The growth in federal expenditures was driven by higher overall spending and the increased federal match provided to the state.



Federal financial participation (FFP)

Federal medical assistance percentage (FMAP)

For most Medicaid service costs, FFP is determined for each state by the state's federal medical assistance percentage (FMAP). The FMAP is calculated each year for each state based upon the state's per capita income for the three most recently available years relative to the nation's per capita income over the same time period. The formula is:

$$1 - \frac{(state\ per\ capita\ income)^2}{(national\ per\ capita\ income)^2}\ x\ 0.45$$

A state with average per capita income (state per capita income equal to national per capita income) will have an FMAP of 0.55 or 55% (1 - 0.45). States with higher per capita incomes will have lower FMAPs and vice versa. However, the federal government has set a minimum

FMAP at 50% and a maximum at 83%. For federal fiscal year (FFY) 2025, 10 states have the minimum FMAP of 50.0%, while Mississippi has the highest FMAP of 76.9%.[1] The FMAP for Ohio for FFY 2025 is 64.6%. So, for every dollar Ohio spends on most Medicaid services, it receives approximately 64.6¢ back from the federal government. Correspondingly, for every dollar Ohio decreases in spending for most Medicaid services, the state saves approximately 35.4¢. Although most FMAP rates are determined by this formula, there are exceptions for certain states, situations, populations, providers, and services. Some of these exceptions are described in more detail below.

Enhanced federal medical assistance percentage (eFMAP)

An enhanced FMAP is provided for both services and administration under the State Children's Health Insurance Program (SCHIP).[2] Under SCHIP, each state is given an allotment of federal funds. Subject to the availability of funds from the state's allotment, the eFMAP is used to determine the federal share of the cost of SCHIP. Each state's eFMAP is calculated by reducing the state's share under the regular FMAP by 30%. Under the Patient Protection and Affordable Care Act (ACA), each state's eFMAP for most SCHIP expenditures was increased by 23 percentage points, with a maximum of 100%, from FFY 2016 through FFY 2019. The Healthy Kids Act modified the eFMAP for FFY 2020 by specifying an increase of 11.5 percentage points, with a maximum of 100%. These increases were each eliminated beginning in FFY 2021. In FFY 2025, Ohio's eFMAP is 75.22%.[3]

Other exceptions to FMAP

Administration

The costs of administration are, in general, reimbursed at 50%, although some administrative activities have a higher rate. The table below shows the matching rates for various administrative functions.

Federal Matching Rates for Various Administrative Activities	
Activity or Function	Percentage
Immigration status verification	100%
Administration of family planning services	90%

[1] Ohio's state fiscal years, abbreviated FY, run from the beginning of July to the end of June. Thus, FY 2025 runs from July 1, 2024 to June 30, 2025. The federal government's fiscal years, abbreviated FFY, run from the beginning of October to the end of September. Thus, FFY 2025 runs from October 1, 2024 to September 30, 2025.

[2] SCHIP is a separate program that covers children who are not eligible under the regular Medicaid Program. Many states, including Ohio, opted to incorporate SCHIP as a Medicaid expansion.

[3] Ohio's state share under the regular FMAP is 35.40% (100% - 64.60%), reducing that by 30% results in a state share under eFMAP of 24.78% (35.40% x 70%), which translates into an eFMAP of 75.22% (100% - 24.78%).

Federal Matching Rates for Various Administrative Activities	
Activity or Function	**Percentage**
Management and operation of claims and information systems	75%
Independent external reviews of managed care plans	75%
Preadmission screening and resident review	75%
Skilled professional medical personnel training	75%
State fraud and abuse control unit activities	75%
State survey and certification of nursing facilities	75%
Translation and interpretation services	75%
Other program administration activities	50%

ACA Expansion Group (Group VIII)

The ACA permits states to expand Medicaid coverage to nondisabled adults under the age of 65 with no dependents and incomes at or below 138%[4] of the federal poverty level (FPL).[5] These adults are often referred to as Group VIII after the section of the law that describes them. The ACA offers states a higher FMAP for services provided to Group VIII individuals. Initially set at 100% for CY 2014, the Group VIII FMAP followed a reduction schedule until reaching 90% in CY 2020, where it has remained since.

Qualifying Individuals Program

States are required to pay Medicare Part B[6] premiums for Medicare beneficiaries with income between 120% and 135% FPL and limited assets. These beneficiaries are referred to as qualifying individuals. The FMAP for this program is 100%.

Family planning services

Since 1973, the federal government has offered states an FMAP of 90% for family planning services and supplies.

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[4] Under the ACA, the eligibility is 133% FPL. However, a 5% income disregard is allowed, which makes the effective minimum threshold 138%.

[5] The federal poverty level (FPL) is a measure of poverty maintained by the federal government that is used as a base measure for many government programs. The guidelines for FPL are updated by the Department of Health and Human Services annually, and account for the number of persons in a family/household.

[6] Medicare Part B covers some medical services not covered by Part A, such as physician services and outpatient care.

Breast and cervical cancer treatment

The cost of the treatment provided under the Medicaid Program's Breast and Cervical Cancer Project (BCCP) is reimbursed at the state's SCHIP eFMAP rate. BCCP services are provided to individuals who meet certain eligibility criteria, among which are being screened for breast or cervical cancer through the Ohio Department of Health (ODH), in need of treatment for breast or cervical cancer or pre-cancerous conditions, uninsured, age 21 to 64, and below 300% FPL in income.

Federal assistance in response to COVID-19

From January 2020 (pandemic legislation from March 2020 was retroactive to the beginning of calendar year 2020) through December 2023, the federal government provided enhanced funding for state Medicaid expenditures, in an effort to increase health care access and decrease state financial burdens during the COVID-19 global pandemic. In exchange for increased federal Medicaid assistance, state Medicaid programs were required to meet five conditions initially set by the Federal Families First Coronavirus Response Act (FFCRA), which were to: (1) maintain eligibility standards or procedures that are no more restrictive than those in place on January 1, 2020, (2) not charge premiums that exceed those in place on January 1, 2020, (3) provide testing, services, and treatments including vaccines, specialized equipment, and therapies related to COVID-19 without cost-sharing requirements, (4) provide continuous coverage to individuals enrolled into the program during the emergency period, and (5) not require local political subdivisions to pay a greater portion of the nonfederal share of expenditures than was required on March 11, 2020.

Ohio maintained compliance with these five requirements and received enhanced federal assistance throughout the federal declaration of emergency for the COVID-19 pandemic, and through a phase-out period of decreasing enhanced federal assistance during the second half of calendar year 2023. Since January 2024, Ohio's federal Medicaid reimbursement has returned to typical levels based on service and spending type, as were described previously.

Certain preventive services and immunizations for adults

Beginning on January 1, 2013, the ACA provides a one percentage point increase in FMAP to states for expenditures for adult vaccines and clinical preventive services if states provide these benefits without requiring a payment from the beneficiary.

Smoking cessation for pregnant women

Beginning on January 1, 2013, the ACA provides a one percentage point increase in FMAP for expenditures for smoking cessation services that are mandatory for pregnant women. This is provided to states that opt to cover the preventive services described above.

Summary

The table below summarizes most of the instances when a reimbursement rate other than the regular FMAP is currently used.

Summary of Current Federal Match Rates	
Population/Services	**Percentage**
Qualifying Individuals Program	100%
Adults under 65 up to 138% FPL	90%
Family Planning Services and Administration	90%
State Children's Health Insurance Program (SCHIP)	eFMAP
Breast and Cervical Cancer Treatment	eFMAP
Duration of the COVID-19 Emergency (since concluded)	FMAP + 6.2%
Certain Preventive Services and Immunizations	FMAP + 1%
Smoking Cessation for Pregnant Women	FMAP + 1%
Administrative Activities	50% to 100%

Ohio's FMAP recent history

The following table shows Ohio's recent FMAP history by fiscal year and fiscal year quarter. As federal reimbursement is updated at the beginning of every federal fiscal year, regular FMAP adjustments, and the rates based off them, are updated during the second quarter of state fiscal years.

Fiscal Year	Quarter	Regular FMAP	SCHIP	FFCRA FMAP	FFCRA SCHIP	Group VIII
2021	1	63.02%	85.61%	69.22%	89.95%	90.00%
2021	2	63.63%	74.54%	69.83%	78.88%	90.00%
2021	3	63.63%	74.54%	69.83%	78.88%	90.00%
2021	4	63.63%	74.54%	69.83%	78.88%	90.00%
2022	1	63.63%	74.54%	69.83%	78.88%	90.00%
2022	2	64.10%	74.87%	70.30%	79.21%	90.00%
2022	3	64.10%	74.87%	70.30%	79.21%	90.00%
2022	4	64.10%	74.87%	70.30%	79.21%	90.00%

Fiscal Year	Quarter	Regular FMAP	SCHIP	FFCRA FMAP	FFCRA SCHIP	Group VIII
2023	1	64.10%	74.87%	70.30%	79.21%	90.00%
2023	2	63.58%	74.51%	69.78%	78.85%	90.00%
2023	3	63.58%	74.51%	69.78%	78.85%	90.00%
2023	4	63.58%	74.51%	68.58%	78.01%	90.00%
2024	1	63.58%	74.51%	66.08%	76.26%	90.00%
2024	2	64.30%	75.01%	65.80%	76.06%	90.00%
2024	3	64.30%	75.01%	N/A	N/A	90.00%
2024	4	64.30%	75.01%	N/A	N/A	90.00%
2025	1	64.30%	75.01%	N/A	N/A	90.00%
2025	2	64.60%	75.22%	N/A	N/A	90.00%
2025	3	64.60%	75.22%	N/A	N/A	90.00%
2025	4	64.60%	75.22%	N/A	N/A	90.00%

From the beginning of this table's timeframe through the second quarter of FY 2024, enhanced federal financial support due to the FFCRA was in effect, and these corresponding adjusted values of FMAP and SCHIP are shown in the fifth and sixth columns of the table above. During the last few quarters, FFCRA enhanced funding was gradually phased out to help smooth budget transitions for state Medicaid programs.