



February 15, 2019

## **SUMMARY OF KANSAS FEDERAL MEDICAL ASSISTANCE PERCENTAGE CALCULATION**

The Federal Medical Assistance Percentage (FMAP) determines the state and federal shares of funding for Medicaid, adoption assistance, foster care, and child care. It is determined yearly by the Secretary of Health and Human Services and is based on a state's per capita personal income compared to the average per capita personal income in other states.

The FMAP rate for a state is calculated based on a three-year average of per capita personal income for state residents compared to the national average. For this reason, it does not necessarily capture recent trends.

A per capita earnings increase for the residents of a state is referred to as "personal income growth." Such growth will affect the next FMAP calculation, depending on the growth in other states. If a state experiences per capita personal income growth higher than the average rate for other states, the state's FMAP score could decrease; a state with a lower per capita personal income growth rate could see an increase in its FMAP score. A lower FMAP score means a state will receive fewer matching dollars from the federal government for relevant programs.

For 2015-2016, Kansas had a per capita personal income growth rate of 0.6 percent, while the national average for states was 1.8 percent. For 2016-2017, Kansas experienced a per capita income growth rate of 2.2 percent, while the national average for states was 3.6 percent.

The per capita income growth calculation and the relative position can be affected by the following factors:

- Rising average personal income—A rise in average personal income increases the per capita income growth rate;
- Rate of income growth by wealthier states—Slower income growth experienced by some of the large wealthy states over time makes other states look relatively wealthier (by reducing the national average);
- Low population growth—Low or negative population growth has the effect of increasing per capita personal income estimates, which can lead to lower FMAPs; and

- Data revisions—Each September, the Bureau of Economic Analysis releases revised estimates for prior years that incorporate more complete and more detailed source data than was previously available to incorporate updated seasonal factors, and align states with revised national estimates released. The revised estimates also may include revised methodology. (These revisions can result in significant revisions to the underlying personal income data, but prior-year FMAP calculations are not revised when data are modified.)

For the FY 2018 FMAP calculations, there were revisions to the state personal income and per capita income data used to calculate each state’s reimbursement rate due to the introduction of two major methodological adjustments affecting non-farm proprietors’ incomes. The revisions were improved geocoding and editing of source data from the IRS Form 1065 (Partnership Returns) and Schedule C of Form 1040 (Sole Proprietor Return), and an improved method of allocating national control totals to states. Overall, personal income was revised upward for 2014 and 2015, and Kansas had one of the largest positive percent revisions of all states in 2015. As a result, the FMAP for Kansas was decreased from 56.15 percent in FY 2017 to 55.11 percent in FY 2018.

The Kansas FMAP increased from 55.11 percent in FY 2018 to 56.51 percent for FY 2019. Both Oklahoma and Kansas experienced large FMAP reductions in FY 2018 and had the highest increases for FY 2019. The FY 2020 FMAP relies on per capita personal incomes for calendar years 2015 through 2017. For Kansas, the FY 2020 FMAP increased from 56.51 percent to 58.65 percent. As previously noted, because the FMAP formula relies on a three-year average, it does not necessarily capture recent trends in state economies.

The state and federal share ratios for the past five years are shown below.

<b>STATE AND FEDERAL SHARES</b>					
<b>FY 2016-FY 2020</b>					
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State Share	43.87 %	43.85 %	44.89 %	43.49 %	41.36 %
Federal Share	56.13 %	56.15 %	55.11 %	56.51 %	58.64 %