

AFSCME

Legislative Fact Sheet

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UNDERSTANDING THE URGENCY AND IMPORTANCE OF STATE MEDICAID ASSISTANCE FOR MAIN STREET JOBS

AFSCME urges Congress to move forward quickly to extend federal Medicaid reimbursement funding and state stabilization funding for states and local governments.

Here's why:

- **The Great Recession is over and our economy is moving from recession to recovery but the job market continues to lag. With unemployment, which surged during the recession, likely to remain high for some time states will continue to have staggering declines in revenues. States face an estimated \$180 billion budget shortfall, which could cost the economy 900,000 jobs in fiscal year 2011.**
- **States spend an average of 17% of their general revenues on Medicaid.**
- **The American Recovery and Reinvestment Act, passed by Congress in 2009, provided \$87 billion in federal funding for states to help ease the burden of increased Medicaid reimbursements caused, in part, by the recession. This fiscal relief prevented harmful budget cuts, saved jobs and protected the health care coverage of those in need. This funding ends December 31, 2010. The premature end of this funding before the economic recovery is sustainable would trigger steep jobs losses, undermine basic health and education services and impede health care and education reform efforts.**
- **States are now in FY 2010. In most states the fiscal year runs from July 1 to the following June 30. The exceptions are New York (whose FY starts in April 1), Michigan (whose FY starts in October 1) and Alabama and Texas. Governors and state legislatures are finalizing FY 2011 budgets now with deep cuts to jobs, health care and education, and other vital services needed to help make our communities good places to live and raise families.**
- **It is urgent that Congress act quickly to prevent job killing cuts to the economy by extending the Recovery Act Medicaid funding provisions for six months (\$26 billion) and the education state stabilization funds.**

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Why is federal Medicaid funding important to state budgets and what is FMAP?

Medicaid provides health and long-term care coverage to more than 59 million Americans. States design their own Medicaid programs within broad federal guidelines. Federal dollars provide support in the form of reimbursement of states' Medicaid payments to providers. The federal government's share of Medicaid costs is determined by the Federal Medical Assistance Percentages (FMAP). The FMAP is at least 50% in every state but the federal government provides a higher reimbursement rate to states with lower per capita incomes. With the rise in unemployment during troubled economic times, more Americans rely on Medicaid to help cover their health care costs. State budget pressures swell as revenues decline and Medicaid enrollment grows. If states – due to budget shortfalls – cut the Medicaid programs then it will also undermine a successful and smooth implementation of health care reform.

How did the Recovery Act FMAP increase help states?

The Recovery Act provided all states with a temporary increase in their FMAP for 27 months, ending December 31, 2010. This meant that states could count on additional federal funds when preparing their budgets. Although many states did indeed reduce public services and health services in their FY 2010 budgets, more severe cuts would have been commonplace if increased federal Medicaid funds had not been provided.

Why should FMAP funds be extended?

Medicaid provides health benefits to those hardest hit by the recession. It is the largest category of total state expenditures, delivers federal funds to states rapidly and effectively preserves health services, and reduces pressures to cut other services and aid to local governments. **Without further federal aid, states will have to close budget gaps with brutal cuts that could cost the economy 900,000 jobs in the near term and more in the future.** Mark Zandi, Chief Economist of Moody's Economy.com has recently warned that the deep state budget cuts in FY 2011 "will be a serious drag on the economy at just the wrong time." According to Zandi, every dollar of federal Medicaid relief results in \$1.41 in increased economic activity, which translates into stronger economic growth.

If the Recovery Act Medicaid funds end in December 31, 2010, what's the hurry?

Many in Congress wonder: "What's the hurry?" – after all, the increased federal Medicaid match will continue through December 31, 2010. Unlike the federal government, however, most states begin their fiscal year in July and must balance their budgets. This means that the budget crisis hits states now as they are in the process of planning budget cuts and tax increases for FY 2011. Enacting a jobs bill now with state and local fiscal relief will mean that state legislatures will be able to avert deeper cuts to public services and health care set to begin in July 2010. In fact, at least 24 states have included the FMAP extension in their budgets and if it's not approved it will now mean even deeper job loss and cuts in services.

HOW CONGRESS CAN HELP STATES SURVIVE THIS FISCAL CRISIS:

Congress should act quickly to allay deep state cuts in vital public services by quickly extending the Recovery Act Medicaid funding provisions for an additional six months.