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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 that is 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 that a state will receive fewer matching dollars from the federal government for relevant programs.

For 2013-2014, Kansas had a *per capita* personal income growth rate of 1.2 percent, which was lower than the national average for states of 4.4 percent. For 2014-2015, Kansas experienced a *per capita* income growth rate of 1.7 percent, while the national average for states decreased to 3.7 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 population growth has the effect of increasing *per capita* personal income estimates; and
- **Data revisions** - Each September, the Bureau of Economic Analysis releases revised estimates for prior years which incorporate more complete source data than was previously available; 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' income. 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 for FY 2018. The total State General Fund impact of the FMAP adjustment is estimated to be approximately \$34.4 million in additional State General Fund expenditures for FY 2018.

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

STATE AND FEDERAL SHARES					
FY 2014 - FY 2018					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State Share	43.19%	43.3%	43.87%	43.85%	44.89%
Federal Share	56.81%	56.7%	56.13%	56.15%	55.11%