

# Territorial Medicaid Funding: Achieving Parity with States Policy Statement

## POSITION:

ASTHO recognizes the need for permanent, sustainable, and equitable Medicaid financing for all U.S. territories. Medicaid plays a critical role in providing access to health services for low-income individuals in the five U.S. territories. Historically, Medicaid financing in the territories has been underfunded compared to states for two primary reasons: 1) the Federal Medical Assistance Percentage (FMAP) has been statutorily set rather than determined by per-capita income, and 2) the federal financial participation has an annual ceiling (as established under Section 1108 of the Social Security Act) meaning the U.S. matches territory dollars up to that ceiling and territories are

responsible for funding the remaining cost of the program.<sup>1</sup> In this way, territorial Medicaid programs function more similarly to a block grant than an entitlement program. While a new law increased funding for territorial Medicaid programs, a permanent and equitable solution for financing and providing access to health services for individuals living in U.S. territories, on par with states, is needed.<sup>2</sup> Finally, this policy aligns with ASTHO’s priority of advancing health equity across all states and territories by ensuring that individuals in territories have comprehensive access to health services through an adequately financed and high-quality health system.<sup>3</sup>

## Summary of Recommendations:

- Apply Medicaid financing structures to territories in parity with those applied to states, specifically:
  - Apply the equivalent FMAP formula based on per-capita income that is used by states, to all U.S. territories.
  - Remove the annual cap on the total Medicaid federal funding allotment to U.S. territories (section 1108(g) of the Social Security Act).

## BACKGROUND:

Medicaid is the largest health insurance program in the United States and is jointly financed by federal and state/territorial governments for low-income and other eligible individuals.<sup>4</sup> Medicaid and the Children’s Health Insurance Program (CHIP) cover a significant portion of territorial populations (American Samoa: 68.4%; CNMI: 28.6%; Guam 21.2%; Puerto Rico: 37.9%; and USVI: 27.2%).<sup>5</sup> Likewise, Medicaid and CHIP cover a significant portion of state populations ranging from the lowest of 9.8% in North Dakota to 34.4% in New Mexico, with the state average at 21.1%.<sup>6</sup> Although coverage rates are similar, the income levels and economic needs that define Medicaid-eligible populations in the territories are very different: territories have significantly higher poverty rates, with 54% of American Samoa residents and 41% of Puerto Rico residents living at or below the Federal Poverty Level, compared to 11.6% of the broader U.S. population. Despite significant need and reliance on the program, the territories operate Medicaid programs under different rules than do the 50 states and Washington, D.C.

Section 1108 of the Social Security Act establishes an annual ceiling on federal financial funds available for the Medicaid programs in the territories.<sup>7</sup> Historically, territories often exceed the annual cap, after which they must fund their programs using unmatched territorial or local funds.<sup>8</sup> This often results in dramatic cutbacks to Medicaid services in the final months of the fiscal year.<sup>9</sup> Sustainable funding solutions, like an open-ended financing structure similar to that of the states, are required to ensure funding is reliably available not only year-round, but during public health emergencies such as natural disasters and disease outbreaks.

Over the past decade, Congress has provided additional federal Medicaid funds to territories through short-term increases to the annual allotment and/or FMAP. During the COVID-19 pandemic, Congress increased both territorial Medicaid caps and FMAPs.<sup>10,11,12</sup> The Consolidated Appropriations Act, 2023 permanently raised the FMAP for American Samoa, CNMI, Guam, and USVI to 83% and extended Puerto Rico's FMAP of 76% for five years.<sup>13</sup> The law also established a new framework for Puerto Rico's enhanced allotments over the next five years.

Except for these temporary increases, territories typically receive three-to-four times less funding than state Medicaid programs.<sup>14</sup> There is significant evidence that temporary enhanced funding, including removing the annual cap, has led to increased access to critical healthcare services in the territories. For example, in 2019, the CNMI established an oncology center that reduced off-island referrals for cancer patients by 92% and benefited the whole community, not just Medicaid beneficiaries. Finally, territories face unique challenges given their geographic isolation and often transport patients off-island for certain specialty services, which can prompt a financial burden on the hosting jurisdiction. Increased Medicaid funding has allowed local hospitals and health systems to expand their workforce and available services, thereby helping reduce the need to travel off-island for care.<sup>15</sup>

#### **RECOMMENDATIONS/EVIDENCE-BASE:**

ASTHO recommends the following actions from Congress to achieve Medicaid funding for the U.S. territories in parity with state Medicaid funding structures. Both actions are required to achieve permanent, sustainable, and equitable territorial Medicaid funding.

1. Permanently apply the equivalent FMAP formula based on per-capita income that is used by states to all U.S. territories.
2. Remove the annual cap on federal Medicaid funding to the territories, as defined in section 1108(g) of the Social Security Act.

#### **POLICY APPROVAL HISTORY**

*Territorial Medicaid Funding: Achieving Parity with States (current policy)*

Insular Affairs Committee Approval: September, 2023 (additional revisions)

Board of Directors Approval: October 23, 2023

Policy Expires: October 31, 2026

#### **Prior Statement Versions:**

*Permanent, Sustainable Medicaid Financing for U.S. Territories (prior policy)*

Insular Affairs Committee Approval: April, 2023 (minor revisions)

Submitted to Board of Directors: June 22, 2023

Board of Directors Referred statement back to Insular Affairs Committee

Insular Affairs Subcommittee Approval: August, 2022 (minor date revisions)

Board of Directors Approval: September 14, 2022

Policy Expires: June 30, 2024

Insular Affairs Subcommittee Approval: May 21, 2021

Population Health and Informatics Policy Committee Approval: May 27, 2021

Board of Directors Approval: June 23, 2021

Policy Expires: June 30, 2024

*ASTHO membership supported the development of this policy, which was subsequently approved by the ASTHO Board of Directors. Be advised that the statements are approved as a general framework on the issue at a point in time. Any given state or territorial health official must interpret the issue within the current context of his/her jurisdiction and therefore may not adhere to all aspects of this Policy Statement.*

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<sup>1</sup> Medicaid and CHIP Payment and Access Commission. “Medicaid and CHIP in the Territories.” Available at <https://www.macpac.gov/wp-content/uploads/2019/07/Medicaid-and-CHIP-in-the-Territories.pdf>. Accessed 5-12-2021

<sup>2</sup> 117<sup>th</sup> Congress. “Consolidated Appropriations Act, 2023.” Available at <https://www.congress.gov/bill/117th-congress/house-bill/2617>. Accessed March 31, 2022.

<sup>3</sup> “ASTHO’s Strategic Plan.” Available at <https://www.astho.org/about/strategic-plan/>. Accessed August 15, 2023.

<sup>4</sup> Center for Medicare and Medicaid Services. “Medicaid Eligibility.” Available at <https://www.medicaid.gov/medicaid/eligibility/index.html>. Accessed 5-12-2021

<sup>5</sup> Medicaid and CHIP Payment and Access Commission. “Statement of Anne L. Schwartz, PhD Executive Director.” Available at <https://www.macpac.gov/wp-content/uploads/2021/03/Testimony-Medicaid-and-CHIP-in-the-U.S.-Territories.pdf>. Accessed 5-12-2021

<sup>6</sup> Kaiser Family Foundation. “Health Insurance Coverage of the Total Population.” Available at [Health Insurance Coverage of the Total Population | KFF](https://www.kff.org/health-equity/health-insurance-coverage-of-the-total-population/). Accessed 5-1-2023

<sup>7</sup> Congressional Research Service. “Medicaid Financing for the Territories.” Available at <https://crsreports.congress.gov/product/pdf/IF/IF11012>. Accessed 5-1-2023

<sup>8</sup> Medicaid and CHIP Payment and Access Commission. “Statement of Anne L. Schwartz, PhD Executive Director.” Available at <https://www.macpac.gov/wp-content/uploads/2021/03/Testimony-Medicaid-and-CHIP-in-the-U.S.-Territories.pdf>. Accessed 5-12-2021

<sup>9</sup> Pacific Island Times News Staff. “CNMI Cuts Medicaid services.” Available at <https://www.pacificislandtimes.com/post/cnmi-cutes-medicaid-services>. Accessed July 25, 2023.

<sup>10</sup> 116<sup>th</sup> Congress. “Families First Coronavirus Response Act.” Available at <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>. Accessed March 31, 2022.

<sup>11</sup> 116<sup>th</sup> Congress. “Further Consolidated Appropriations Act, 2020.” Available at <https://www.congress.gov/bill/116th-congress/house-bill/1865/text>. Accessed March 31, 2022.

<sup>12</sup> 116<sup>th</sup> Congress. “Consolidated Appropriations Act, 2021.” Available at <https://www.congress.gov/bill/116th-congress/house-bill/133/text>. Accessed March 31, 2022.

<sup>13</sup> 117<sup>th</sup> Congress. “Consolidated Appropriations Act, 2023.” Available at <https://www.congress.gov/bill/117th-congress/house-bill/2617>. Accessed July 25, 2023.

<sup>14</sup> Committee on Energy and Commerce Subcommittee on Health. “Opening Statement of Anna Eshoo: Averting a Crisis: Protecting Access to Health Care in the U.S. Territories.” Available at [https://democrats-energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Opening%20Statement\\_Eshoo\\_HE\\_2021.3.17.pdf](https://democrats-energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Opening%20Statement_Eshoo_HE_2021.3.17.pdf). Accessed 5-12-2021

<sup>15</sup> House Committee on Energy and Commerce Health Subcommittee. “Hearing on: Averting a Crisis: Protecting Access to Health Care in the U.S. Territories.” Available at [https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Updated\\_Witness\\_percent20Testimony\\_Sablan\\_HE\\_2021.03.17.pdf](https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Updated_Witness_percent20Testimony_Sablan_HE_2021.03.17.pdf). Accessed 5-12-2021