



FACT SHEET

Federal Economic Stimulus Package

February 2009

The \$787.2 billion American Recovery & Reinvestment Act of 2009, signed into law on February 17, 2009, seeks to save and create new jobs, invest in infrastructure, provide assistance to the unemployed and provide State and local fiscal stabilization. It includes federal tax cuts, domestic investments, expansion of unemployment benefits and a number of other measures.

California

Early estimates suggest that California may receive at least \$78 billion through the new law. A large portion of that will come from a temporary increase in the federal share of state Medicaid spending (known as the Federal Medical Assistance Percentage, or FMAP). According to the Center on Budget and Policy Priorities, the increase would provide California \$11.2 billion in increased FMAP funds. The increase takes effect immediately and lasts over 27 months (October 1, 2008 through December 31, 2010). California will receive \$3.7 billion for fiscal year 2009, \$5 billion in 2010 and \$2.5 billion in 2011.

Medicaid FMAP

States will receive **\$90 billion in increased FMAP funding**. The law's three components state:

- States will not see drops in their FMAP rates that would otherwise occur under the regular FMAP formula as a result of an increase in its per capita income in years prior to the recession. (FMAP rates depend on each state's per capita income.)
- States will receive a base 6.2-percentage-point FMAP increase.
- States can receive an additional FMAP increase of 5.5 percent, 8.5 percent, or 11.5 percent, depending on unemployment rates. States' eligibility for this additional FMAP increase would be evaluated quarterly. Currently, 9.3 percent of Californians are unemployed.

These funds apply to most Medicaid costs, however, preclude:

- Disproportionate Share Hospital (DSH) payments,
- State Children's Health Insurance Program (SCHIP), and
- certain payments under Medicaid.

Prompt Payments:

For 90 percent of claims, payments must be made within 30 days, and within 90 days for claims that need additional information. The new law adds hospitals and nursing homes, to current requirements of prompt payments of physicians.

To receive an increased FMAP under this proposal, a state must satisfy two requirements. First, Medicaid eligibility levels can not be more restrictive than were in effect on July 1, 2008. *States whose current eligibility levels do not meet this test would still be eligible to qualify for an increased FMAP if they take action to restore eligibility to July 2008 levels.* Secondly, states must ensure they are promptly paying physicians, hospitals, and nursing homes that provide Medicaid services (See Prompt Payments). States are prohibited from depositing or crediting the increase in FMAP into any reserve or rainy day fund.

COBRA

The new law will direct **\$25.1 billion to subsidize private insurance** under the Consolidated Omnibus Budget Reconciliation Act (COBRA). The federal stimulus package will offer premium subsidies to individuals and families who have been involuntarily terminated and are eligible for COBRA coverage for up to nine months. Subsidies will be set at 65 percent of the premium for individuals who lost or will lose their jobs between Sep. 2008 and Dec. 31, 2009. Individuals with an annual income above \$125,000 will not benefit from the premium subsidy. The law will require employers will pay the premium assistance subsidy and then deduct those payments from their payroll taxes.

Health IT

Nearly **\$21 billion will be invested in health information technology**. The new law promotes the use of information technology by physicians, hospitals and other providers through Medicare and Medicaid. The Office of the National Coordinator of Health Information Technology (ONCHIT) is established through this new law under the Department of Health and Human Services. The stimulus package assigns ONCHIT specific responsibilities and structure—including the formation of an HIT Policy Committee and HIT Standards Committee.

SOURCES: Center for Budget and Policy Priorities, *State-by-State Estimates* dated 13 February 2009
Congressional Budget Office, *HR1 Summary* dated 13 February 2009
Bureau of Labor Statistics *Unemployment Rates* dated 27 January 2009

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