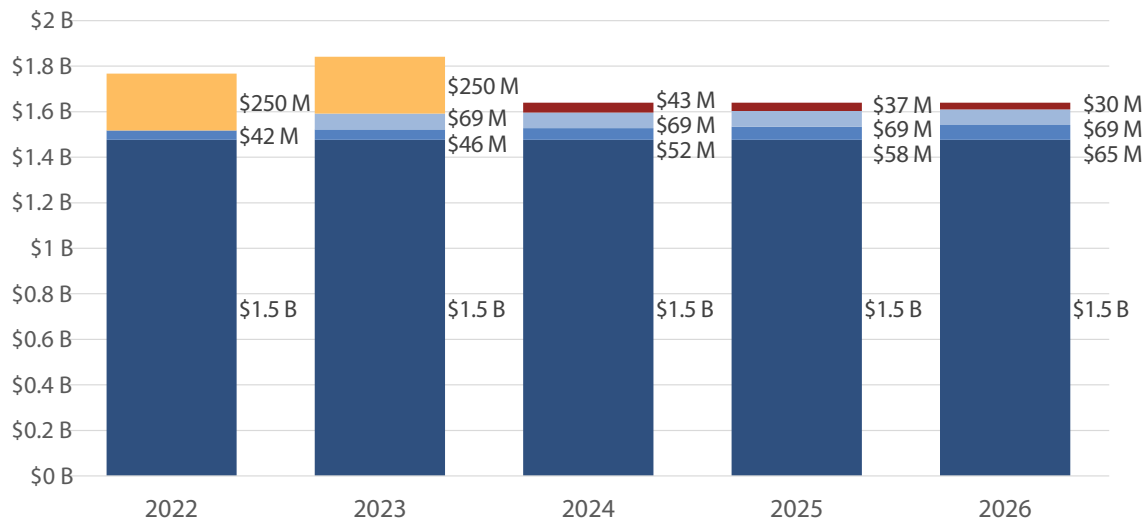


# ARPA will lower the long-term costs of Medicaid expansion in Oklahoma

The federal government helps states pay for their Medicaid programs through the Federal Medical Assistance Percentage (FMAP) program. This percentage is recalculated every year and has an inverse relationship to the state's economy. For the last decade, Oklahoma's FMAP has stayed at around 60 percent. Roughly speaking, the federal government spends \$2 for every \$1 the state spends on Medicaid. The FY 2019 FMAP was 62.4 percent. When Oklahoma expands Medicaid, the FMAP for the people covered by Medicaid expansion will always be 90 percent.

The American Rescue Plan Act (ARPA) increases the non-expansion FMAP by 5-percentage points for states like Oklahoma who have not yet implemented Medicaid expansion. This increase will likely generate about \$500 million in the two years following expansion implementation, according to the OHCA. This will not impact the 9:1 federal match for expansion.

## ARPA will pay for the first two years of expansion and lower the long-term cost



■ 90% FMAP ■ Tax impact of expansion ■ Agency savings ■ ARPA ■ State cost of expansion

**Source:** OK Policy analysis of data from the National Center for Rural Health Works, Census Survey State and Local Finances Report, Center on Budget and Policy Priorities, and Leavitt Partners. **Notes:** Analysis assumes that expansion will cost \$164 million annually, and that ARPA funds will return ~\$500 million to Oklahoma (per OHCA's estimate). Full calculations can be found at [www.bit.ly/ARPAcalculations](http://www.bit.ly/ARPAcalculations)

This additional \$500 million will more than cover the state share of the first two years of Medicaid expansion, which is estimated at about \$164 million in the first year. The money from the ARPA increase provides the down payment for a long-term investment in Oklahoma. In future years, the state cost will steadily decrease as a result of increased tax revenue and savings to state agencies, according to experiences in other states and analyses conducted in Oklahoma. The figure on the front page estimates how the state cost of Medicaid expansion will decrease each year.

The ARPA FMAP increase is in addition to the provision in the CARES Act that increases the non-expansion FMAP by 6.2-percentage points through the duration of the public health emergency. The Biden administration has indicated the increase will remain in place through at least March 2022. These increased funds are meant to ensure states can maintain coverage for all eligible enrollees throughout the pandemic. Taken together, this means the federal government will pay \$3 for every \$1 Oklahoma spends on the non-expansion population.

The ARPA funds provide a unique opportunity to invest federal dollars into Oklahoma's Medicaid expansion program and see a significant and positive return on investment for the state. This one-time federal funding boost will pay for the first two years of Medicaid expansion without a single state dollar, provide a long-term investment in the lives of Oklahomans as Medicaid expansion saves state agencies money, create jobs, increase tax revenue, and improve health.

**The ARPA funds provide a unique opportunity to invest federal dollars into Oklahoma's Medicaid expansion program and see a significant and positive return on investment for the state.**