When Will the U.S. Territories Exhaust Federal Medicaid Funding?

Medicaid operates in the five U.S. territories: American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, Puerto Rico, and the U.S. Virgin Islands (USVI). Unlike state Medicaid programs, financing for territorial Medicaid programs is capped, meaning territories can only access federal funds up to an annual ceiling, sometimes referred to as the Section 1108 allotment or cap (§ 1108(g) of the Social Security Act (the Act)).[1] Additionally, although the federal medical assistance percentage (FMAP) or matching rate is based on per capita income and varies across states—ranging from 50 to 76 percent—the FMAP for the territories is statutorily set by statute at 55 percent (§ 1905(b) of the Act).[2]

Historically, the amount of Section 1108 allotment funding has been insufficient to fund Medicaid in the territories. In recent years, Congress has provided time-limited increases to supplement Section 1108 allotments. Most recently, the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (P.L.116-20), and earlier the Bipartisan Budget Act of 2018 (BBA 2018, P.L. 115-123), the Consolidated Appropriations Act of 2017 (P.L. 115-31), and the Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended) provided additional funds, at times at enhanced matching rates:

- The ACA provided funding for all territories in two blocks: the bulk of funding was provided through Section 2005 and made available through September 30, 2019. A smaller amount was provided through Section 1323, available until December 30, 2019 following the exhaustion or expiration of funds under Section 2005.
- The Consolidated Appropriations Act of 2017 provided Puerto Rico with additional funds above its Section 2005 allotment.
- BBA 2018 provided Puerto Rico and USVI with further funding available at a 100 percent FMAP for fiscal years (FYs) 2018 and 2019.[3]
- The Additional Supplemental Appropriations for Disaster Relief Act of 2019 provided CNMI with additional funds available at a 100 percent FMAP between January 1 and September 30, 2019, and, for the same time period, allowed American Samoa and Guam to access their remaining ACA Section 2005 funds at a 100 percent FMAP. These were funds that would have otherwise gone unspent.[4]

All five territories have relied on these supplemental funds to cover the federal share of Medicaid spending since 2011. They have spent supplemental funds at different rates, reflecting differences in the structure of their programs and availability of funds to provide the non-federal share. For example, American Samoa used 26 percent of its ACA funds as of April 2019, while CNMI exhausted its funds completely in March 2019 before receiving additional federal funds through the Additional Supplemental Appropriations for

Disaster Relief Act of 2019. Puerto Rico also came close to exhausting its ACA funds in FY 2017 and FY 2018 before Congress provided additional funding.

With the enactment of the Additional Supplemental Appropriations for Disaster Relief Act of 2019, MACPAC estimates that all five territories will have sufficient funding to cover program expenses through the remainder of FY 2019.[5] However, all sources of supplemental funds will expire by the end of 2019, and MACPAC anticipates federal funding shortfalls in all five territories in FY 2020. Congress is now considering whether the territories will need additional funding to supplement Section 1108 allotments in 2020 and beyond. If no additional funds are available, the territories must consider how to proceed. Options include funding Medicaid entirely with unmatched local funds if available, cutting services or eligibility, or a combination thereof. The specific date of funding exhaustion in each territory will depend on actual spending (Table 1).

TABLE 1. Date of Expected Federal Medicaid Funding Shortfall by Territory

Territory	Estimated date range for shortfall
American Samoa	July–September 2020
CNMI	April–June 2020
Guam	April–June 2020
Puerto Rico	March 2020
USVI	January–March 2020[1]

Notes: CNMI is Commonwealth of the Northern Mariana Islands. USVI is the U.S. Virgin Islands. Date range indicates the timeframe in which the territories will exhaust available federal funds. Sufficient funds may not be available for the entirety of the timeframe, as territories may exhaust available funds earlier or later in the period depending on actual spending and other specific circumstances.

[1] This estimate differs from MACPAC's May 2019 issue brief because of updated FY 2020 spending projections submitted by USVI on Form CMS-37 in that month.

Source: MACPAC 2019 analysis of CMS 2019b, d; CMS-37 projections of spending for FYs 2019–2020 submitted in May 2019.

It is important to note that territory Medicaid programs could be affected earlier than the date of exhaustion. For example, uncertainty about the availability of funds could affect providers' willingness to participate given that Medicaid may not be able to guarantee payment after a certain date. Territories will need to plan and implement program changes such as benefit or coverage reductions and would need to provide notice to beneficiaries and providers about changes to coverage or services ahead of any funding shortfall. Additionally, having sufficient federal funding available to cover Medicaid spending at the 55 percent FMAP does not necessarily indicate that needs will be met; several territories have struggled to generate the non-federal share needed to draw down federal funds. For example, American Samoa and CNMI reported that at times lack of local funds to draw down available federal funds has caused them to suspend or make partial payments to providers or deny services (CMS 2019e, King Young 2019, Muna 2019).

This issue brief provides background on the sources of federal funds for each territory, data on their available FY 2020 federal Medicaid funds, and the amount and date of the projected federal funding shortfall.

Medicaid Financing and Spending in the Territories

The federal government and territorial governments jointly finance Medicaid. Like states, each territory must contribute its non-federal share of Medicaid spending in order to access federal funds. Unlike states, whose FMAPs are set using a formula based on per capita income, territory spending is matched at a statutorily designated FMAP of 55 percent. Unless additional funds are made available, territories may draw down federal dollars only up to the amount of the annual Section 1108 cap.

Exceptions to the 55 percent territory matching rate include:

Program administration. As is the case for states, the matching rate for almost all program administration is set at 50 percent (§ 1903(a)(7) of the Act). Certain activities, including establishment and operation of a Medicaid Fraud Control Unit and Medicaid Management Information System are matched at higher rates (90 percent for implementation and 75 percent for operation).

Certain covered adults. Although territories cannot claim the FMAP available to states expanding to the new adult group, Puerto Rico, USVI, and Guam can claim the enhanced FMAP of 93 percent in calendar year (CY) 2019 and 90 percent in CY 2020 for adults without dependent children that states were eligible to receive for expansions prior to the ACA ((§ 1905(z)(2)).[6]

BBA 2018 funds. Funds provided to Puerto Rico and the USVI, available in FYs 2018 and 2019, are matched at 100 percent regardless of expenditure type.[7]

Additional Supplemental Appropriations for Disaster Relief Act of 2019 funds. Funds provided to CNMI, available between January 1, 2019 and September 30, 2019 are matched at 100 percent regardless of expenditure type.

ACA Section 2005 funds expended by American Samoa and Guam between January 1, 2019 and September 30, 2019. ACA funds expended by these territories during this time period are matched at 100 percent regardless of expenditure type, per the Additional Supplemental Appropriations for Disaster Relief Act of 2019.

Sources of federal funds

Territories have several different sources of federal Medicaid funds, which include the annual allotments provided in Section 1108 of the Act, as well as additional, time-limited funds provided by Congress.

Section 1108 allotment. The base source of federal funds for territory Medicaid programs is the Section 1108 allotment. By spending territorial or local dollars on Medicaid services, territories may draw down federal funds up to the statutory maximum through the end of the fiscal year for which they are allotted. Territorial Medicaid caps were established in 1968, beginning with Puerto Rico; amounts were later established for other territories as they joined the Medicaid program. The caps are updated annually based

on the Consumer Price Index for All Urban Consumers (CPI-U). It is important to note that, over this time period, growth in national spending on Medicaid has outpaced the CPI-U.

The capped allotment structure provides territories with significantly lower levels of federal financing than would be the case if they were treated like states. Once they reach their annual cap, territories must cover any additional Medicaid expenses entirely with unmatched territorial or local funds. Historically, this has resulted in matching rates that are effectively lower than 55 percent.[8] For example, at times, the effective federal contribution for Puerto Rico has been 20 percent or lower (Muñoz et al. 2018, Acevedo-Vilá 2005).

Additional federal funds. Congress has in recent years provided additional funds on a time-limited basis to supplement funds available under the cap. The supplemental funds enable the territories to draw down additional federal Medicaid dollars to fund their programs. For example, in FY 2018, federal spending for each of the territories exceeded the Section 1108 allotment funding due to the supplemental federal funding made available to states through the ACA, and in the case of Puerto Rico and USVI, BBA 2018 (Table 2).

TABLE 2. Medicaid Funding and Spending in the Territories, FY 2018 (millions)

Territory	Section 1108 allotment	Spending		
		Federal	Territory	Total
American Samoa	$11.9	$20.1	$15.3	$35.4
CNMI	6.6	25.0	20.0	45.0
Guam	17.6	56.3	29.5	85.8
Puerto Rico	359.5	2,290.5	203.0	2,493.5
USVI	17.9	70.0	7.0	77.0

Notes: CNMI is the Commonwealth of the Northern Mariana Islands. FY is fiscal year. USVI is the U.S. Virgin Islands. Section 1108 allotment reflect the annual ceiling for federal funds that territories receive under Section 1108(g) of the Social Security Act, while federal spending column reflects use of the additional funds provided by the ACA and BBA 2018 as well as a small amount of spending not subject to the cap on federal financial participation. For FY 2011–2017 spending and allotments, see MACPAC 2019.
Source: CMS 2018b. MACPAC 2019 analysis of CMS-64 financial management report net expenditure data as of May 1, 2019.

The ACA provided $7.3 billion in supplemental Medicaid funds for the territories and directed the Secretary of the U.S. Department of Health and Human Services to allocate the funds among the territories. It provided these funds through two provisions. ACA Section 2005 provided $6.3 billion available to be drawn down between July 2011 and September 2019. ACA Section 1323 provided the remaining $1 billion, which are available between July 2011 and December 2019.

In subsequent legislation, Congress made additional funds available to certain territories, which are available through September 30, 2019. These additional appropriations were made to address imminent funding shortfalls in Puerto Rico and CNMI and to respond to natural disasters affecting all five territories in 2017, 2018, and 2019 (Table 3).

- The Consolidated Appropriations Act of 2017 provided Puerto Rico with an additional $295.9 million.
- The Bipartisan Budget Act of 2018 provided Puerto Rico with an additional $4.8 billion and the U.S. Virgin Islands with an additional $142.5 million in federal Medicaid funds in response to the impact of Hurricane Maria on those territories' health systems.[9]
- The Additional Supplemental Appropriations for Disaster Relief Act of 2019 provided CNMI with an additional $36 million (Table 3).

The Additional Supplemental Appropriations for Disaster Relief Act of 2019 also allowed American Samoa and Guam to access their remaining ACA Section 2005 funds at a 100 percent matching rate. Prior to this legislation, both territories were projected to leave a significant amount of ACA funds unspent at the time of expiration, due to difficulty generating the non-federal share needed to draw down these funds.

TABLE 3. Sources of Federal Medicaid Funding for Territories and Periods Funding is Available (millions)

Territory	FY 2019 Section 1108 allotment	ACA			P.L. 115-31	BBA 2018	P.L. 116-20
		Section 2005	Section 1323	Total ACA funds			
	Grows with CPI-U annually	July 2011–September 2019	January 2014–December 2019	July 2011–September or December 2019	May 2017–September 30 2019	FYs 2018 and 2019	January 1, 2019–September 30 2019
American Samoa	$12.2	$181.3	$16.5	197.8	–	–	–
CNMI	$6.7	$100.1	$9.1	$109.25	–	–	$36.0
Guam	$18.0	$268.3	$24.4	$292.8	–	–	–
Puerto Rico	$366.7	$5,476.4	$925.0	$6,401.4	$295.9	$4,800.0	–
USVI	$18.3	$273.8	$24.9	$298.8	–	$142.5	–

Notes: Section 1108 allotment reflects the annual federal allotments (or caps) for federal funds that territories receive under Section 1108(g) of the Social Security Act. ACA is the Patient Protection and Affordable Care Act (ACA, P.L. 111-142, as amended). BBA is the Bipartisan Budget Act of 2018 (P.L. 115-123). CPI-U is the Consumer Price Index for All Urban Consumers. FY is fiscal year. CNMI is Commonwealth of the Northern Mariana Islands. P.L. 115-31 is the Consolidated Appropriations Act of 2017. P.L. 116-20 is the Additional Supplemental Appropriations for Disaster Relief Act of 2019. USVI is the U.S. Virgin Islands.
– Dash indicates zero
Source: CMS 2019d; MACPAC analysis of the ACA, BBA, P.L. 115-31, and P.L. 116-20.

Order of funds. Since ACA funding became available in 2011, CMS policy has required territories to exhaust funds under their Section 1108 allotments prior to using ACA funds. This arrangement has worked well for the territories, given that the annual allotments were available for a single fiscal year, while supplemental funds were available over several fiscal years. However, CMS has allowed Puerto Rico and USVI to access BBA funds before either of the other two sources because of the BBA funds' 100 percent

FMAP. Because funds under ACA Section 1323 will expire in December 2019, in FY 2020, territories will be permitted to draw down those funds before drawing down Section 1108 allotment funds, which are available for the full fiscal year.[10]

Projections by Territory

MACPAC projects that all territories will experience a federal funding shortfall in FY 2020. The timing of exhaustion will vary by territory. Moreover, territories will no longer be able to access 100 percent federal matching rates after September 2019.

Data sources and limitations

This analysis is based on federal allotment balances provided to MACPAC by CMS and FY 2020 spending projections from a variety of sources. We assume that all data are accurate, though the data and analysis have important limitations, described in further detail below. Additionally, we note that actual spending may differ from projected spending. Other factors, such as the timing of federal disbursements and territory-specific circumstances, could affect the timing of exhaustion.

Allotment balances. CMS provided data directly on remaining balances for each type of federal allotment The data are current as of April 22, 2019 and include allotment balances for funds provided under Section 1108, ACA Section 2005, ACA Section 1323, and BBA 2018. The balances reflect funds disbursed to territories up to and including the third quarter of FY 2019. This information does not reflect actual spending during the quarter.[11, 12]

Additionally, the Additional Supplemental Appropriations for Disaster Relief Act of 2019 provided a 100 percent federal matching rate for American Samoa, CNMI, and Guam retroactively to January 1, 2019. However, allotment balances used in this analysis do not account for any federal disbursements that will be made to retroactively apply the 100 percent FMAP to spending that has already occurred. Because we do not have information on spending in real time that reflects retroactive application of the 100 percent FMAP, we cannot estimate the amount of ACA Section 2005 funds that will go unspent by the September 30 expiration date for these three territories.

For all territories except Puerto Rico, data and projections exclude allotments provided to the territories for the Enhanced Allotment Plan (EAP), also referred to as Section 1935(e) funding. This allotment, separate from the annual Section 1108 allotment, is provided to the territories annually and can only be used to help pay for prescription drugs for individuals dually eligible for Medicare and Medicaid (§ 1935(e) of the Act). Exclusion of the EAP allotment does not affect the predicted dates that territories exhaust funds.

Projected spending. Projected spending for FYs 2019 and 2020 is based on figures submitted to CMS by the territories on Form CMS-37 in May 2019.[13] For Puerto Rico, projections are based on more detailed enrollment and spending projections provided directly to MACPAC by the Puerto Rico Health Insurance Administration (ASES) in January 2019.[14] Territory spending projections may vary at different points of the fiscal year; for example, they may adjust their projection from a previous quarterly submission to CMS to

account for enrollment or utilization changes. We assume that projected spending will be evenly distributed across the fiscal year, which may not be the case. For example, a territory could adjust spending as it approaches funding exhaustion, reducing services or enrollment to stretch resources for a longer period of time. Actual spending may differ from projections due to unanticipated factors or planned programmatic changes.

American Samoa

In each fiscal year from 2011 to 2018, American Samoa exceeded its Section 1108 cap and used ACA funds to cover remaining Medicaid spending. It has continued to do so in FY 2019. Based on projected spending, American Samoa will have sufficient federal Medicaid funding through FY 2019, but will experience a shortfall in funds in FY 2020.

FY 2020 shortfall. Going into FY 2020, American Samoa will have two funding sources: its annual Section 1108 allotment of $12.4 million and its ACA Section 1323 allotment of $16.5 million. Although together these funding sources exceed projected federal spending, due to the expiration of ACA funds in December, American Samoa will still experience a federal funding shortfall. The territory can use ACA Section 1323 to cover first quarter federal spending and then draw down the annual Section 1108 allotment in Q2. Available federal funding will be sufficient only until sometime in the fourth quarter of FY 2020 (July–September), resulting in a $1.6 million gap in funds (Table 4).

TABLE 4. American Samoa Federal Medicaid Spending and Financing Projections, FY 2020 (millions)

Period	Projected spending		Federal funding sources					Shortfall (B – A)
			Section 1108		ACA Section 1323			
	Total	Federal (A)	Available	Projected use	Available	Projected use	Total used (B)	
FY 2020	**$33.95**	**$18.63**	**$12.43**	**$12.43**	**$16.51**	**$4.66**	**$17.09**	**$1.55**
Q 1	8.49	4.66	12.43	–	16.51	4.66	4.66	–
Qs 2–4	25.46	13.98	12.43	12.43	–	–	12.43	1.55

Notes: ACA is the Patient Protection and Affordable Care Act (P.L. 111-148, as amended). FY is fiscal year. Q refers to quarter of the fiscal year. Section 1108 allotment reflects the annual ceiling on federal funds that American Samoa receives under Section 1108(g) of the Social Security Act. This table does not show information on the ACA Section 2005 allotment because these funds can only be used until September 30, 2019. ACA Section 1323 funds can only be used until December 31, 2019 (i.e., in Q1 of FY 2020). Assumes spending is equally distributed across quarters. Spending is projected; actual exhaustion dates will differ depending on amount and distribution of actual spending.
– Dash indicates zero.
Source: CMS 2019b, d; MACPAC 2019 analysis of CMS-37 projections of spending for FYs 2019-2020 submitted in May 2019.

Unspent funds. American Samoa has accessed a much smaller share of its ACA funds than other territories; it will not use the full amount available under either Section 2005 or Section 1323 prior to expiration, even with the 100 percent matching rate applied to ACA Section 2005 funds until September 30, 2019 under the Additional Supplemental Appropriations for Disaster Relief Act of 2019. The amount of ACA Section 2005 funds that will expire unspent will depend on actual spending in FY 2019, including the amount of spending that can be matched at 100 percent retroactively, and the amount of spending that

will occur in the remainder of the fiscal year.[15] Assuming that no ACA 1323 funds are used prior to FY 2020, approximately $11.9 million of these funds would expire unspent in December 2019.

American Samoa's historically limited use of ACA funds is likely related more to the territory's ability to raise its non-federal share than need. The non-federal share of Medicaid in American Samoa is generated through certified public expenditures (CPEs) incurred by the territory's one 150-bed public hospital, where the vast majority of Medicaid-funded health services are provided.[16] The hospital's limited capacity to provide services limits expenditures and thus the amount of non-federal share that can be raised. Furthermore, CPEs cannot be used to provide the nonfederal share for services provided outside the hospital, which include costly off-island services for individuals with complex health care needs (King Young 2019). Difficulty generating non-federal share has been a key barrier to American Samoa's ability to draw down federal dollars (CMS 2018).[17]

Guam

In each fiscal year from 2011 to 2018, Guam exceeded its Section 1108 cap and accessed ACA funds to cover remaining Medicaid spending. It has continued to do so in FY 2019. Based on projected spending, Guam will have sufficient federal Medicaid funding through FY 2019 but will experience a gap in federal funds in FY 2020.

FY 2020 shortfall. Guam will have two funding sources for FY 2020: its annual Section 1108 allotment of approximately $18.4 million, and its ACA Section 1323 allotment of $24.4 million. The territory can use ACA Section 1323 to cover first quarter federal spending, switching to the annual Section 1108 allotment in the second quarter. Together, these funding sources will be sufficient until sometime in the third quarter of FY 2020 (April–June), resulting in a $22.5 million gap in funds (Table 5).[18]

TABLE 5. Guam Federal Medicaid Spending and Financing Projections, FY 2020 (millions)

Period	Projected spending		Federal funding sources					Shortfall (B-A)
			Section 1108		ACA Section 1323			
	Total	Federal (A)	Available	Projected use	Available	Projected use	Total used (B)	
FY 2020	**$86.79**	**$54.48**	**$18.38**	**$18.38**	**$24.44**	**$13.62**	**$32.00**	**$22.48**
Q 1	21.70	13.62	18.38	–	24.44	13.62	13.62	–
Qs 2–4	65.09	40.86	18.38	18.38	–	–	18.38	$22.48

Notes: ACA is the Patient Protection and Affordable Care Act (P.L. 111-148, as amended). FY is fiscal year. Q refers to quarter of the fiscal year. Section 1108 allotment reflects the annual ceiling on federal funds that Guam receives under Section 1108(g) of the Social Security Act. This table does not show information on the ACA Section 2005 allotment because these funds can only be used until September 30, 2019. ACA Section 1323 funds can only be used until December 31, 2019 (i.e., in Q1 2020). Assumes Guam will not spend ACA Section 1323 funds prior to FY 2020. Assumes spending is equally distributed across quarters. Spending is projected; actual exhaustion dates will differ depending on amount and distribution of actual spending.
– Dash indicates zero.
Source: CMS 2019b, d; MACPAC 2019 analysis of CMS-37 spending projections for FY 2020 submitted in May 2019.

Unspent funds. It is unclear whether Guam will use all available federal Medicaid funds before they expire because actual spending in FY 2019 under the 100 percent matching rate is not yet known. Like American Samoa, Guam has reportedly experienced difficulty raising the non-federal share of Medicaid costs needed to draw down federal funds prior to their expiration (CMS 2018a). Guam's share of Medicaid program costs is funded through general revenue.

CNMI

CNMI exhausted all available federal funding sources in March 2019, including its FY 2019 Section 1108 allotment and both ACA sources. Due to the additional funds provided by the Additional Supplemental Appropriations for Disaster Relief Act of 2019, the territory will have sufficient funds through the remainder of FY 2019.[19] It is difficult to estimate whether this additional allotment will be fully expended by the expiration date.

In FY 2020, CNMI will experience another federal funding shortfall: it will have only its annual Section 1108 allotment of approximately $6.9 million, because unlike other territories, it has expended its full ACA Section 1323 allotment. Based on projected federal spending, this will result in a federal funding shortfall of $2.6 million, occurring in the third quarter of FY 2020 (Table 6).

TABLE 6. CNMI Federal Medicaid Spending and Financing Projections, FY 2020 (millions)

Period	Projected spending		Federal funding sources					Shortfall (B-A)
			Section 1108		ACA Section 1323		Total used (B)	
	Total	Federal (A)	Available	Projected use	Available	Projected use		
FY 2020	$17.13	$9.44	$6.85	$6.85	–	–	6.85	2.59

Notes: ACA is the Patient Protection and Affordable Care Act (P.L. 111-148, as amended). CNMI is Commonwealth of the Northern Mariana Islands. FY is fiscal year. Section 1108 allotment reflects the annual ceiling on federal funds that CNMI receives under Section 1108(g) of the Social Security Act. This table does not show information on the ACA Section 2005 allotment or the allotment CNMI received under the Additional Supplemental Appropriations for Disaster Relief Act of 2019 because these funds can only be used until September 30, 2019. CNMI shows a $0 balance for ACA Section 1323 funds because it exhausted these funds in a prior fiscal year. Assumes spending is equally distributed across quarters. Spending is projected; actual exhaustion dates will differ depending on amount and distribution of actual spending.
– Dash indicates zero.
Source: CMS 2019b, d; MACPAC 2019 analysis of CMS-37 projections of spending for FY 2020 submitted in May 2019.

Puerto Rico

Puerto Rico has relied on a variety of federal funding sources to supplement funds available under the Section 1108 cap since they became available in FY 2011.[20] Since January 2019, it has used BBA 2018 funds almost exclusively due to the 100 percent matching rate. As of the third quarter, it had used none of its FY 2019 Section 1108 allotment of $366.7 million. Based on projected spending, Puerto Rico will have sufficient federal Medicaid funding through FY 2019 but will experience a gap in federal funds in FY 2020.

FY 2020 shortfall. Going into FY 2020, Puerto Rico will have two funding sources: its annual Section 1108 allotment of $375.1 million and its remaining ACA Section 1323 balance of $586.4 million. Puerto Rico also

has an EAP allotment of approximately $59 million, which can only be use for spending to assist dually eligible individuals with cost sharing for prescription drugs. The territory can use ACA Section 1323 to cover first quarter federal spending, switching to the annual Section 1108 allotment in the second quarter. Together, these funding sources will be sufficient until sometime in March 2020, resulting in a gap in funds of approximately $1 billion (Table 7).[21]

Unspent funds. Puerto Rico is projected to leave only a small portion of its BBA allotment unspent. It will also leave a significant amount of funds from other sources unspent. In total, approximately $572.7 million could expire unspent, including:

- $65.9 million in BBA funds expiring on September 30, 2019;
- $366.7 million available under the FY 2019 Section 1108 cap, expiring on September 30, 2019; and
- Up to $140.1 million in ACA Section 1323 funds expiring on December 30, 2019.

TABLE 7. Puerto Rico Federal Medicaid Spending and Financing Projections, FY 2020 (millions)

Period	Projected spending		Federal funding sources							Shortfall (B-A)
			Section 1108		Section 1935(e)		ACA Section 1323			
	Total	Federal (A)	Available	Projected use	Available	Projected use	Available	Projected use	Total used (B)	
FY 2020	**$2,789.10**	**$1,896.20**	**$375.10**	**$375.10**	**$58.95**	**$58.95**	**$586.39**	**$446.32**	**$880.38**	**$1,015.82**
Q 1	697.28	474.05	375.10	–	58.95	27.73	586.39	446.32	474.05	–
Qs 2–4	2,091.83	1,422.15	375.10	375.10	31.23	31.23	–	–	406.33	1,015.82

Notes: ACA is the Patient Protection and Affordable Care Act (P.L. 111-148, as amended). BBA 2018 is the Bipartisan Budget Act of 2018. FY is fiscal year. Q is quarter of the fiscal year. Section 1108 allotment reflects the annual ceiling on federal funds that Puerto Rico receives under Section 1108(g) of the Act. Section 1935(e) reflects the annual allotment territories receive for expenditures for providing prescription drug cost-sharing assistance for beneficiaries dually eligible for Medicaid and Medicare, also referred to as the Enhanced Allotment Plan (EAP). It can only be used for this purpose. Other territories also receive EAP allotments, but MACPAC does not have sufficient data to isolate EAP allotment amounts or spending (except in the case of Puerto Rico). This table does not show information on funds provided by ACA Section 2005, P.L. 115-31, or BBA 2018 because these funds expire on September 30, 2019. Assumes spending is equally distributed across quarters. Spending is projected; actual exhaustion dates will differ depending on amount and distribution of actual spending.

– Dash indicates zero.

Source: MACPAC 2019 analysis of ASES 2019a, b, CMS 2019 b, d.

USVI

Like Puerto Rico, USVI has used its BBA 2018 funds almost exclusively since they became available due to the 100 percent matching rate, and prior to those becoming available, used ACA Section 2005 funds. Based on projected spending, USVI will exhaust BBA 2018 funding but it will have sufficient federal funds from other sources to cover remaining spending through the end of FY 2019 but will experience a shortfall in funds in FY 2020.

FY 2020 shortfall. Going into FY 2020, USVI will have two funding sources: its annual Section 1108 allotment of $18.8 million, and its ACA Section 1323 allotment of $24.9 million. The territory can use ACA Section 1323 to cover first quarter federal spending, switching to the annual Section 1108 allotment in the second quarter. Together, these funding sources will be sufficient only until sometime in the second quarter, resulting in a federal funding shortfall of $39.3 million (Table 8).

Unspent funds. According to the FY 2019 spending projection submitted by USVI in 2019, the territory will exhaust its full BBA allotment and its full FY 2019 Section 1108 allotment but leave approximately $52.2 million in ACA Section 2005 funds unspent by the September 30 expiration date. Additionally, approximately $5.6 million in ACA Section 1323 funds will expire unspent on December 31, 2019.[22]

TABLE 8. USVI Federal Medicaid Spending and Financing Projections, FY 2020 (millions)

Period	Projected spending		Federal funding sources					Shortfall (B-A)
			Section 1108		ACA Section 1323		Total used (B)	
	Total	Federal (A)	Available	Projected use	Available	Projected use		
FY 2020	**$120.09**	**$77.35**	**$18.75**	**$18.75**	**$24.93**	**$19.34**	**$38.09**	**$39.26**
Q 1	30.02	19.34	18.75	–	24.93	19.34	19.34	–
Qs 2-4	90.06	58.01	18.75	18.75	–	–	18.75	39.26

Notes. ACA is the Patient Protection and Affordable Care Act (P.L. 111-148, as amended). BBA 2018 is the Bipartisan Budget Act of 2018. FY is fiscal year. Q is quarter of the fiscal year. Section 1108 allotment reflects the annual ceiling on federal funds that USVI receives under Section 1108(g) of the Act. This table does not show information on funds provided by ACA Section 2005 or BBA 2018 because these funds expire on September 30, 2019. Assumes spending is equally distributed across quarters. Spending is projected; actual exhaustion dates will differ depending on amount and distribution of actual spending.

– Dash indicates zero.

Source: MACPAC analysis of CMS 2019b, d; CMS-37 projections of spending for FY2020 submitted in May 2019.

Endnotes

[1] The terms cap, allotment, or ceiling funds are often used interchangeably to refer to the funds available under Section 1108.

[2] State FMAPs are determined using a formula that provides higher federal match to states with lower per capita incomes. Medicaid FMAPs have a statutory minimum of 50 percent and maximum of 83 percent (§ 1905(b) of the Act).

[3] Congress has provided additional funds to the territories in previous instances as well. For example, the American Recovery and Reinvestment Act (ARRA, P.L. 111-5) raised each territory's annual Medicaid ceiling by 30 percent for the period between October 1, 2009 and June 30, 2011 (§ 5001(d) of ARRA).

[4] Prior to enactment of the Additional Supplemental Appropriations for Disaster Relief Act of 2019, MACPAC estimated that up to $125 million of American Samoa's ACA Section 2005 funds and $27.9 million of Guam's ACA Section 2005 funds would expire unspent.

[5] We revised this estimate following enactment of the Additional Supplemental Appropriations for Disaster Relief Act of 2019. The prior version of this brief was issued in May 2019, before enactment of P.L.116-20.

[6] American Samoa and CNMI may also be eligible for this FMAP but have not submitted the appropriate state plan amendments or taken other necessary steps to gain CMS approval. They had not claimed any expenditures in this category as of the third quarter of FY 2018.

[7] Any other funds used by Puerto Rico and USVI during this time, including ACA funds or Section 1108 allotments, are matched at the applicable matching rate.

[8] Effective federal contribution refers to the percent of Medicaid spending covered with federal funds over the course of the fiscal year.

[9] Of the BBA funds, $1.2 billion for Puerto Rico and $35.6 million for USVI were conditional on their meeting certain targets related to data reporting and program integrity. Both territories met these targets (CMS 2018b).

[10] CMS made the determination in May 2019 to allow territories to access Section 1323 funds before other funds in FY 2020. Under the previous policy, territories would not have been allowed to do so (CMS 2019a).

[11] CMS is in the process of finalizing allotment balances for the fourth quarter, which will reflect spending in the third quarter.

[12] In general, the territories receive supplemental funds in quarterly allotments, allowing them to draw down such funds during the quarter. As long as supplemental funds remain, these quarterly allotments are not hard limits on the amount that can be spent; CMS can issue additional amounts in the next fiscal quarter to cover any excess spending. If territories do not draw down the full quarterly allotment, the balance may be available to them later, although CMS must first certify the final amount before releasing additional funds. CNMI is the only territory that has gone through this process: it exhausted its ACA allotments completely in March 2019, and in April 2019, CMS released an additional $8.2 million to the territory, comprised of the remaining balances from prior fiscal quarters in which CNMI did not fully draw down its issued allotments.

[13] The previous version of this issue brief used projections submitted to CMS in February 2019. Only USVI revised its FY 2020 projection in the May 2019 submission.

[14] MACPAC uses data that Puerto Rico provided directly to us to make spending projections, rather than the topline projection reported on CMS Form 37, to maintain consistency with other analytic work that requires more detailed enrollment and spending projections.

[15] Prior to the 100 percent federal matching rate becoming available through the Additional Supplemental Appropriations for Disaster Relief Act of 2019, approximately $125 million in ACA Section 2005 funds and up to $16.5 million in ACA Section 1323 funds were projected to go unspent; this is 70 percent of the territory's initial ACA allotment.

[16] A certified public expenditure is a statutorily recognized Medicaid financing approach by which a governmental entity, including a governmental provider (e.g., county hospital, local education agency), incurs an expenditure eligible for federal financial participation under the state's approved Medicaid state plan (§ 1903(w)(6) of the Act, 42 CFR 433.51). The governmental entity certifies that the funds expended are public funds used to support the full cost of providing the Medicaid-covered service or the Medicaid program administrative activity.

[17] The adequacy of federal funding as it relates to American Samoa's level of need is beyond the scope of this brief.

[18] Because of the 100 percent federal matching rate provided by the Additional Supplemental Appropriations for Disaster Relief Act of 2019 for ACA funds spent between January 1 and September 30, 2019, Guam may fully expend its ACA Section 2005 allotment and begin to draw down ACA Section 1323 funds prior to the end of the fiscal year. It is difficult to predict whether this will occur, and will depend on actual spending in FY 2019 (both the amount that occurred prior to the law's enactment on June 6, 2019 that can be matched at 100 percent retroactively, and the amount of spending that will occur in the remainder of the fiscal year). However, these projections assume that Guam will have enough unspent ACA Section 1323 funds to cover projected first quarter FY 2020 federal spending.

[19] CNMI experienced a gap in federal funds beginning in March 2019 that lasted until mid-April, when CMS released $8.2 million in unspent funds from prior years. During this gap, the territory reportedly suspended or made partial payments to providers (CMS 2019d).

[20] For FYs 2011–2016, Puerto Rico exhausted its annual funds under the Section 1108 cap and used ACA Section 2005 funds to cover remaining expenditures. During FY 2017, Puerto Rico used a combination of funds provided by the Section 1108 allotment, ACA Section 2005, ACA Section 1323, and the Consolidated Appropriations Act of 2017 (ASES 2017). In FY 2018, prior to the enactment of the BBA, Puerto Rico used funds available under the Section 1108 cap and a small amount of ACA Section 2005 funds. Because funds provided under the BBA are matched at a 100 percent matching rate, Puerto Rico began using these funds as the sole federal funding source for the program when they became available in January 2018. It plans to continue doing so through their expiration date at the end of FY 2019.

[21] Puerto Rico projected FY 2020 federal spending at $1.98 billion in its May 2019 CMS Form 37 submission. This is $86.52 million higher than MACPAC's FY 2020 federal spending projection for Puerto Rico, $1.9 billion. MACPAC's projection is based on data provided to us by Puerto Rico in January 2019. MACPAC uses this data to make spending projections rather than the topline projection reported on CMS Form 37 in order to maintain consistency with other analytic work that requires more detailed enrollment and spending projections. It is not clear whether the increase in projected spending would result in a corresponding increase in the federal funding shortfall. For example, Puerto Rico projected in January that it will leave $140.1 million in ACA Section 1323 funds unspent after the first quarter of the new fiscal year. If all of the additional projected spending occurred in the first quarter of FY 2020, there would be no change in overall shortfall for the fiscal year. If none of it occurred in the first quarter, overall shortfall for the fiscal year would increase by $86.52 million.

[22]A previous version of this issue brief indicated that USVI would leave a greater amount of funds unspent: as much as $18.2 million available under the FY 2019 Section 1108 cap and $197.8 million in ACA Section 2005 funds, both expiring on

September 30, 2019; and $10.5 million in ACA Section 1323 funds expiring on December 31, 2019. MACPAC revised these estimates because USVI increased its FY 2019 federal spending projection from $119.6 million to $190.0 million and its FY 2020 federal spending projection from $57.9 million to $77.4 million in May 2019.

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