

What is FFP?

Federal Financial Participation (FFP) is the share of state Medicaid service costs that the federal government pays. It is also called the 'match.'

States with **lower average incomes pay less** for Medicaid.

States whose residents have higher average incomes cover more of the costs of Medicaid.



In Mississippi, **77%** of Medicaid service costs are paid for by the federal government.

Mississippi's average per capita income is **\$46,248**.



In Iowa, **64%** of Medicaid service costs are paid for by the federal government.

Iowa's average per capita income is **\$58,905**.



In California, **50%** of Medicaid service costs are paid for by the federal government.

California's average per capita income is **\$77,339**.

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Federal Financial Participation (FFP)

History

The passage of the Social Security Act of 1965 established the Medicaid program. Legislators worked to build on the lessons of previous legislation to get a critical mass of states to participate in the program. They created a financial incentive for participation which explicitly addressed states' different levels of average per capita income.

Including enhancements, Medicaid may pay for up to 83% of a state's Medicaid service costs.

Rates by State

The incentive adopted by legislators changes the rate of federal match ('financial participation') for Medicaid costs, based on the per-capita income of the given state. The match refers to the share of state Medicaid costs that the federal government pays. The federal match rate [currently varies from 50% to 83%](#). States with higher-income residents pay a greater percentage of Medicaid plan costs. An interactive visualization of these differences is [here](#). In certain instances, CMS provides a [time-limited enhanced match](#) in order to incentivize the adoption of service or population retention or expansion.

Leveraging Economic Growth

The rate of Federal Financial Participation incentivizes the participation of states with lower per-capita income. Researchers have noted that it does so in at least two ways. First, it reduces the upfront costs of providing the Medicaid benefit. Second, health care providers and institutions that bill Medicaid provide jobs that [generate tax revenue for States](#).

System Implications

Federal Financial Participation has been a successful strategy to induce states to participate in Medicaid. CMS administrators and lawmakers have also used increases in the federal match rate to expand Medicaid benefits or populations. A key takeaway is that increasing financial incentives for participation is a strong inducement for stakeholders who might not otherwise participate in Medicaid programs.

¹Average per-capita income is from [here](#). ²State costs and federal match rates are taken from [here](#).