

September 19, 2025

Implementation of Increased Federal Medical Assistance Percentage for Home- and Community-Based Services under the American Rescue Plan Act: Key Takeaways

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Medicaid and CHIP Payment and Access Commission

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Overview

- Background
- Implementation challenges and lessons learned
- Next steps



The background features a dark blue field with several overlapping, semi-transparent light blue geometric shapes. These shapes include a large circle on the left, a vertical rectangle in the center, and a horizontal rectangle to the right of the center. The word "Background" is written in white, bold, sans-serif font, positioned in the upper-left quadrant of the image.

Background

ARPA Legislative Summary

- The American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) was enacted in March 2021
- Section 9817 of the legislation provided a temporary increase in the federal medical assistance percentage (FMAP) for state Medicaid programs to support the provision of home- and community-based services (HCBS) during the COVID-19 public health emergency (PHE)
 - Increased the FMAP by 10 percent for HCBS expenditures occurring during the one-year period from April 1, 2021 through March 31, 2022
 - This temporary FMAP increase was designed to generate a new source of funding for states to be used for the specific purpose of improving their HCBS programs

ARPA Legislative Summary, cont.

- To receive the increased FMAP, states had to:
 - Use the federal funds to “supplement, not supplant” their state funding for HCBS
 - Implement certain activities, specifically “one or more activities to enhance, expand, or strengthen” Medicaid HCBS
- The funding generated by the FMAP increase is estimated to have provided an additional \$37 billion in state and federal funds for state-driven HCBS reinvestment activities

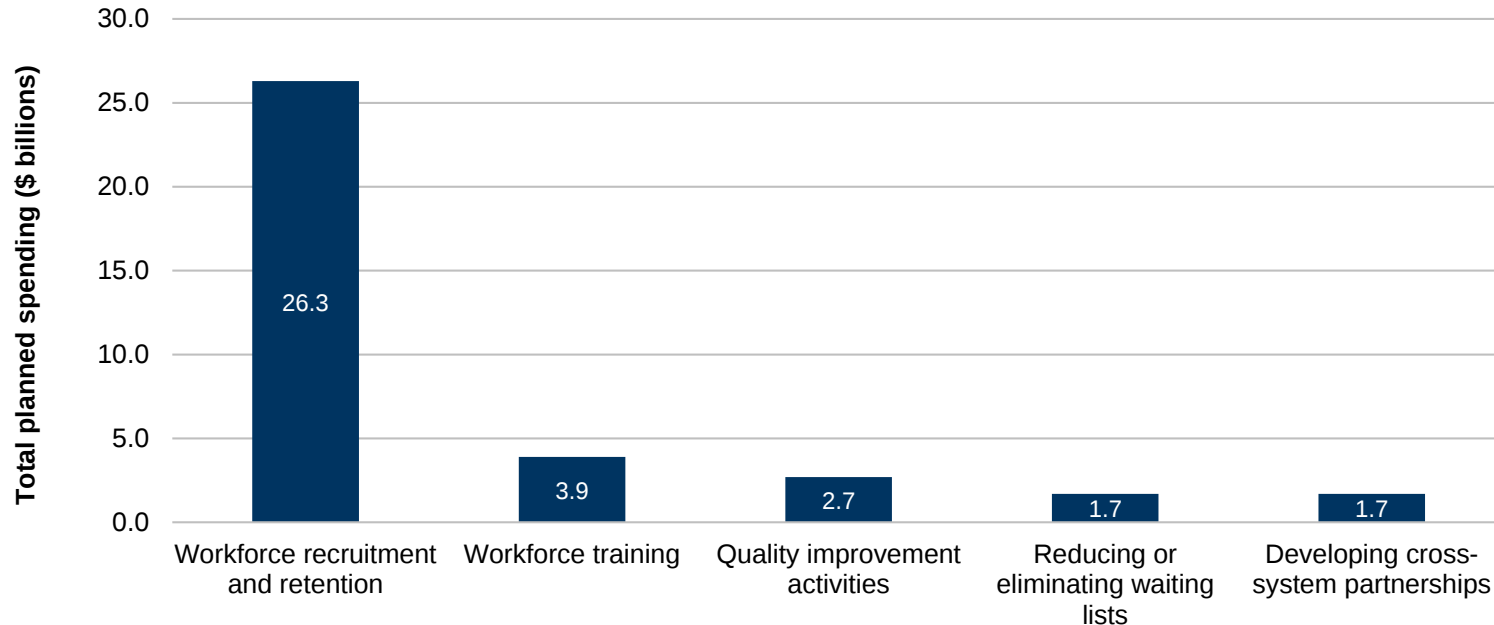
CMS Guidance

- The Centers for Medicare & Medicaid Services (CMS) issued two State Medicaid Director (SMD) letters, one on May 13, 2021 and the second on June 3, 2022
- The first SMD letter:
 - Described how states could use ARPA funds on activities that enhance, expand, or strengthen HCBS
 - Laid out certain requirements for states such as the maintenance of effort requirements
 - Established parameters around spending and reporting timelines

CMS Guidance, cont.

- CMS required states to submit quarterly spending plans and semi-annual narratives on their progress toward meeting their spending goals
- Originally, CMS gave states until March 31, 2024 to spend the increased FMAP, and extended the deadline to March 31, 2025 in the second SMD letter
- CMS has subsequently granted additional extensions to about half of states, with the longest approved extension ending on September 30, 2026

Total National Planned Spending by Activity Type, as of the Quarter Ending December 31, 2023



Source: Centers for Medicare & Medicaid Services (CMS), U.S. Department of Health and Human Services. 2024. Overview of state spending under American Rescue Plan Act of 2021 (ARP) section 9817, as of the quarter ending December 31, 2023. Baltimore, MD: CMS. <https://www.medicaid.gov/medicaid/home-community-based-services/downloads/arp-sec9817-overview-infographic.pdf>.

MACPAC Monitoring Activities

- Informal interviews with CMS officials, states, and other stakeholders
- Document reviews, including:
 - State spending plans and narratives
 - Reports from CMS and other organizations such as ADvancing States
- Convened two panels, one in January 2023 and the second in January 2024



Implementation Challenges and Lessons Learned

Timing

- States had about 2.5 months from the time the first SMD letter was issued to when their initial spending plans were due
- This short timeframe made it challenging to draft comprehensive plans, consult with stakeholders, and obtain state legislative approval of activities
- CMS staff also worked under compressed timelines to issue guidance and approve states' spending plans
 - This also limited CMS's capacity to streamline operations

Timing, cont.

- States had to plan, implement, and evaluate initiatives during the three-year implementation period
 - This included state administrative activities like hiring new state staff or contractors
 - States also had to build in time to draft and receive approval of waiver and state plan amendments
- Some states requested extra time to fully expend all of their ARPA funds due to changes in their spending plans, delays obtaining legislative approval, or simply because they required more time to complete particular activities

Evaluations

- Section 9817 of ARPA did not include a requirement for states or CMS to evaluate activities and CMS guidance does not mention program evaluation
- Many states had plans to evaluate pilot programs or a small number of the activities included in their ARPA plans
- Staff capacity was stretched to incorporate some evaluation responsibilities
- States had short timeframes to conduct evaluations
- Other challenges included issues with data availability and isolating the impact of ARPA-funded initiatives

Sustainability

- CMS guidance notes that in the narratives “states should explain how they intend to sustain such activities” but does not give any specific parameters on how states demonstrate sustainability
- About two-thirds of all states included detail on the sustainability of some or all of the initiatives included in their plans
- States are sustaining about one-third of activities that bolster the direct care workforce
- While states wanted to use ARPA funding to improve the HCBS infrastructure and make lasting changes, due to the time-limited nature of the funding and the PHE, some funding went toward immediate relief efforts



Next Steps

Next Steps

- Publish an issue brief summarizing our monitoring activities and lessons learned
- Are there any particular lessons learned that Commissioners would like to see emphasized in the issue brief?

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SEPTEMBER MEETING



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