

Calculating a Fair Cost Estimate for Medicaid Matching Funds

Cost allocation methodologies may vary by jurisdiction but commonly rely on the percentage of the population covered by Medicaid and, possibly, the percentage of providers in the IIS who are enrolled in Medicaid. Costs associated with system development, operations, maintenance, staffing, and infrastructure may all be subject to allocation.

Developing a fair, well-documented cost allocation methodology is a critical step in preparing a Medicaid match application. IIS managers are encouraged to work closely with their Medicaid agency and financial staff to ensure the methodology aligns with federal requirements.

Tip: Use [this Cost Allocation Worksheet](#) to calculate the cost allocation for your jurisdiction using the methodology described below.

The following example describes a cost allocation methodology used by one state.

1. Determine the total project cost (i.e., IIS program cost) for the relevant federal fiscal year (FFY). In this example, the jurisdiction has noted that the IIS program cost totals \$1,434,510 for FFY26 for state personnel and contract resources.
2. Calculate the percentage of providers in the IIS that are Medicaid-enrolled. Note that Medicaid counts providers as individual licensed professionals while the IIS counts providers as sites (e.g., clinics). Medicaid partners can supply data and assistance to enable the IIS to make this calculation. In this example, the state determined that 97% of IIS providers were Medicaid-enrolled.
3. Identify the percentage of the state's population that is covered by Medicaid (source: state Medicaid program). In this state, it is 26%.
4. Take the average of 97% (proportion of Medicaid-enrolled providers in the IIS) and 26% (proportion of state's population covered by Medicaid) to arrive at 62%. This is the proportion of total IIS costs that are attributable to Medicaid: 62% of \$1,434,510 = \$889,396. (Note that this amount will be reduced according to the match level—see next step.)
5. Calculate the Medicaid (federal) share of the costs according to the Medicaid match level being applied for. This example is based on an application for a 75% Medicaid match: 75% of \$889,396 = \$667,047. Therefore, the Medicaid (federal) share is \$667,047.
6. Calculate the jurisdiction's share. For an application requesting a 75% Medicaid match, the jurisdiction's share would be 25%: 25% of \$889,396 = \$222,349. Therefore, the state's share of the 75%/25% Medicaid match is \$222,349.
7. Assign the remaining costs not allocated to Medicaid to the jurisdiction. In this example, remaining costs are \$545,114. In summary, total IIS costs in this example allocated to the state are \$222,349 (non-federal match) + \$545,114 (remaining costs which can be federal funds, likely from CDC Cooperative Agreement), while costs allocated to Medicaid are \$667,047.

Example

Table 1. FFY26 cost allocation example

FFY26	Cost Allocation			Federal and State Participation			
	Total Project Costs	Medicaid Percentage	Costs Allocated to Medicaid	FFP	Federal Share	State Share	Portion Not Allocated to Medicaid
State Personnel Operations	\$709,918	62.0%	\$440,149	75%	\$330,112	\$110,037	\$269,769
Contract Resources Operations	\$724,592	62.0%	\$449,247	75%	\$336,935	\$112,312	\$275,345
Total Project Costs	\$1,434,510		\$889,396		\$667,047	\$222,349	\$545,114