ISSUE REVIEW

Iowa Legislative Services Agency
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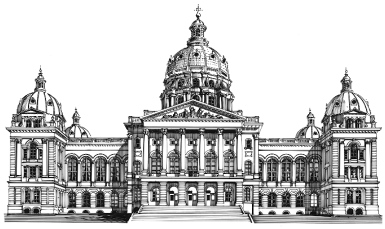


State Capitol
Des Moines, IA 50319
October 27, 2006

IowaCare Program

ISSUE

This ***Issue Review*** provides an overview of the IowaCare Program, including a review of the Program's enrollment and funding during the first year.

AFFECTED AGENCIES

Department of Human Services (DHS)

CODE AUTHORITY

Section 249.J, Code of Iowa
441 Iowa Administrative Code, Chapter 92

BACKGROUND

The IowaCare Program was created during the 2005 Legislative Session, when funding mechanisms known as Intergovernmental Transfers (IGTs) were eliminated by the federal Centers for Medicare and Medicaid Services (CMS). The creation of IowaCare allowed the State to replace $65.0 million in lost IGT funds.

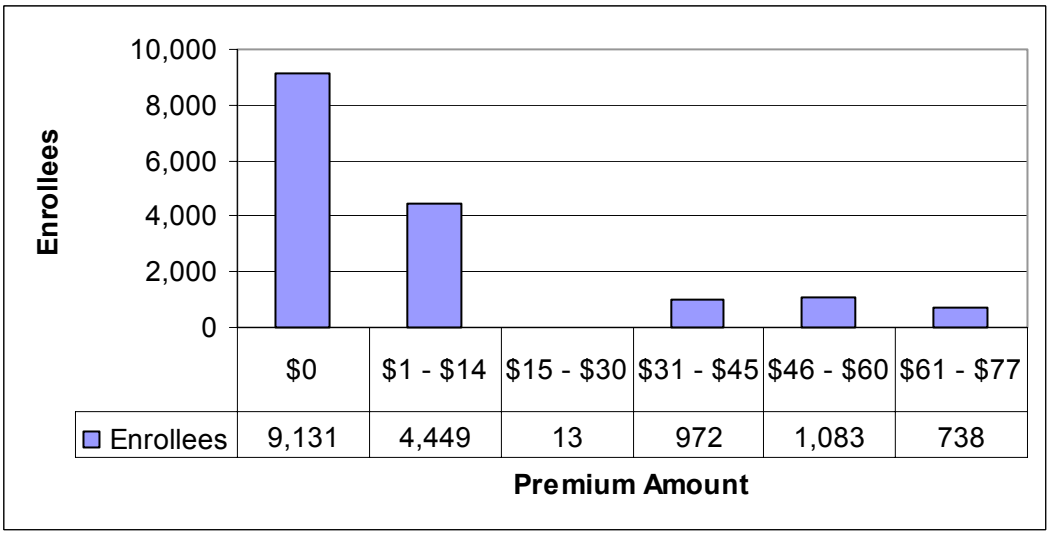
IowaCare provides limited health care coverage to three coverage groups:

- Individuals with incomes below 200.0% of the Federal Poverty Level (FPL), currently $40,000 per year for a family of four, who are not eligible for traditional Medicaid.
- People with chronic conditions who served in the State Papers Program in FY 2005.
- Pregnant women with incomes under 300.0% of the FPL.

In Polk County, IowaCare enrollees can receive services at Broadlawns Medical Center. IowaCare enrollees in other counties receive services at the University of Iowa Hospitals and Clinics (UIHC). The State's four Mental Health Institutes (MHIs) are also IowaCare providers. Residents of the MHIs who are income-eligible for IowaCare are enrolled in the Program.

IowaCare was intended to depart from traditional Medicaid by introducing changes such as a required comprehensive medical exam and a cost sharing element. Cost sharing includes the assessment of a premium on a sliding scale for IowaCare enrollees with incomes greater than 10.0% of FPL ($2,000 per year for a family of 4). **Chart 1** illustrates the breakdown of how many enrollees are charged premiums in the various ranges as of October 8, 2006.

Chart 1
Number of IowaCare Enrollees by Premium Assessed



Source: Iowa Medicaid Enterprise web site

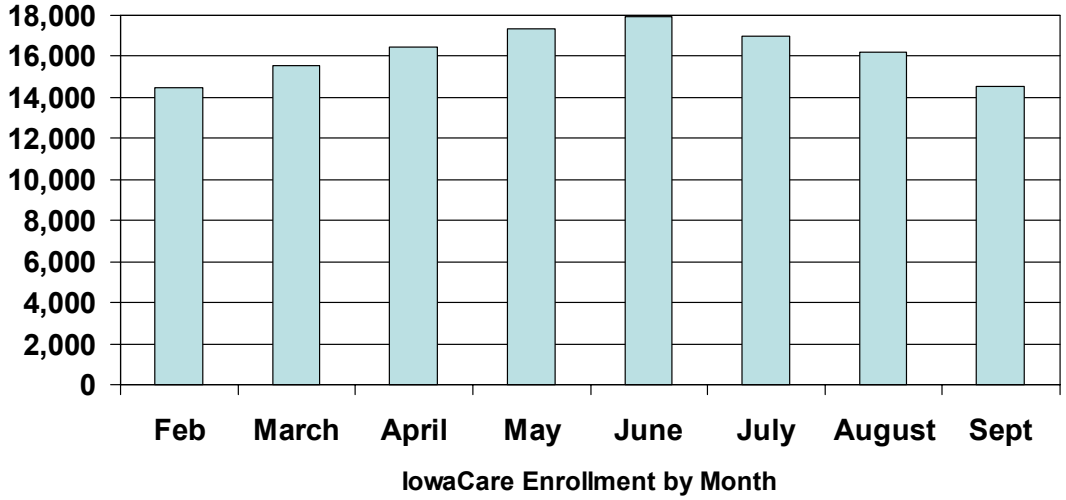
More than half of IowaCare enrollees are assessed no premium; 80.0% have a premium of $14 per month or less, and 17.0% pay more than $31 per month. Upon enrollment, IowaCare members agree to pay four months of premiums and will be accountable for these four months of premiums even upon dis-enrollment. IowaCare members can declare a hardship that exempts them from the premium for the current month. If, in any given month, the enrollee does not pay the premium or declare a hardship, he or she is dis-enrolled from the Program.

CURRENT SITUATION

Enrollment

Between July 1, 2005, and October 8, 2006, the Program provided access to care for 27,793 Iowans. Early estimates by the Department of Human Services (DHS) predicted that up to 100,000 people might be served over the first five years of the Program. If the current rate of enrollment continues, it appears that estimate may be met or exceeded. As of September 7, 2006, 14,530 people were enrolled in IowaCare. The Chronic Conditions groups currently has 91 enrollees and nine women are enrolled in the pregnant women group. Total month-to-month enrollment is illustrated in **Chart 2**.

Chart 2
2006 IowaCare Enrollment



Source: Department of Human Services

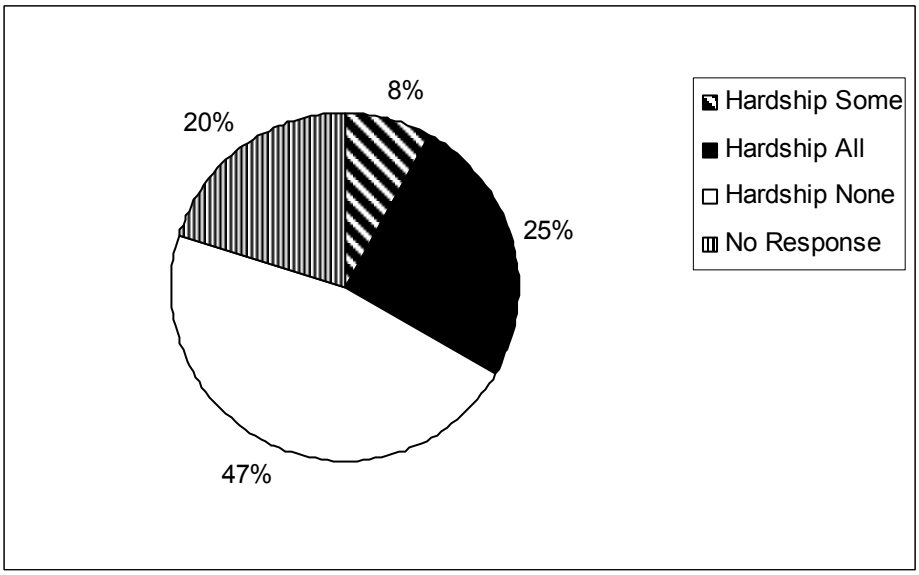
Enrollment peaked in June and has declined since. The re-enrollment period for many members began on July 1, 2006. This was also the date that a new federal requirement took effect, specifying that citizenship be documented for all Medicaid recipients, including those in expansion populations such as IowaCare. Of those dis-enrolled in August, 76.0% had been in the Program for 12 months or more. This indicates that re-enrollment, the citizenship verification requirement, or a combination of these two policies is likely the cause of the enrollment decline.

Since July 1, 2005, 7,164 people have been dis-enrolled for failing to respond to a premium notice. Of those, 1,784 were eventually re-instated, resulting in net dis-enrollment of 5,380 people. The Child and Family Policy Center of Des Moines has signed an agreement with the DHS to survey a sample of people who have been dis-enrolled to determine more specific reasons for dis-enrollment.

Hardship Exemptions

The breakdown of people declaring hardship in FY 2007 is illustrated by **Chart 3**. Information shown includes: the percent of people who have declared a hardship at least once, those who have declared a hardship every month, those who have never declared a hardship, and those who have not responded to the premium notice. Fifty-four percent of IowaCare enrollees pay no premium; they are not included in the chart.

Chart 3
FY 2007 Hardship Utilization



Of those IowaCare members who are assessed a premium, 46.6% have not declared a hardship in FY 2007; 25.3% have declared a hardship in every month they were enrolled during FY 2007.

Services

The services provided to IowaCare members vary across providers. Originally, the services provided under IowaCare included:

- inpatient procedures
- outpatient services
- physician services
- dental services
- limited pharmacy benefits
- inpatient psychiatric treatment
- transportation.

Broadlawns Medical Center provides "wrap around" services for individuals, such as outpatient psychiatric care, with its non-IowaCare funding streams. The State MHIs provide in-patient psychiatric care. Starting in FY 2006, the UIHC implemented a pilot program to provide generic drugs purchased at or mailed from the UIHC pharmacy and 30-day supplies of brand-name drugs. The UIHC pilot also provides durable medical equipment (DME) such as prosthetics and oxygen equipment to IowaCare patients.

BUDGET IMPACT

Funding for IowaCare includes $34.0 million in Polk County property taxes, formerly utilized directly by Broadlawns Medical Center. These funds are transferred to the State's IowaCare Account to draw down federal matching funds. In FY 2006, the State was able to draw down sufficient federal dollars to fully fund the IowaCare Program. Fiscal Year 2006 Program funding is illustrated in **Table 1**.

Table 1
FY 2006 IowaCare Funding
(Dollars in Millions)

	FY 2006 Appropriation	Estimated State Share	Estimated Federal Share
UIHC	$37.9	$13.9	$24.0
Broadlawns	$37.0	$13.9	$23.1
MHIs	$25.9	$9.7	$16.2
Total	$100.8	$37.5	$63.3

In FY 2006, $4.0 million was also appropriated to the IowaCare Account from the Health Care Transformation Account (HCTA). The HCTA was created with a final $35.0 million IGT granted by CMS in the agreement that created IowaCare. It is considered State money; eligible expenditures from the Account can be used as a State match for federal funds.

Providers are paid in 12 equal monthly distributions based on the appropriation for the fiscal year.

ALTERNATIVES

The IowaCare Program was implemented under a specific agreement with CMS. Therefore, approval from CMS would be necessary to implement most changes.

Covering pharmaceuticals and durable medical equipment in IowaCare was discussed during the 2006 Legislative Session. Legislators agreed that provision of these items was desirable. The UIHC agreed to provide pharmaceuticals and DME through the pilot described above. Broadlawns was already covering these services through its Community Care Program. However, because the IowaCare statute was not changed, the expenditures for these services cannot be matched with federal funds. Adding drugs and DME to the IowaCare Program would allow for a federal match and, possibly, increased funding.

IowaCare could be expanded by increasing income eligibility limits. If cost savings were desired, enrollment could be restricted either through lowering income thresholds or by creating a cap on enrollment.

Additional revenue could be generated through raising the premiums. Alternatively, premiums could be reduced or eliminated to ease access to IowaCare. One piece of the survey underway by the Child and Family Policy Center attempts to address specifically whether the premium creates an enrollment barrier. The results could be consulted if this alternative is considered.

The number of IowaCare providers could be increased. Funding more providers would require State or local dollars that are not already drawing down federal funds.

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IowaCare Program
http:www.legis.state.ia.us/lsadocs/IssReview/2007/IRKRJ001.PDF
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