Fiscal Note

Fiscal Services Division

SF 296 – Medicaid Expansion (LSB 1441XS)
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Fiscal Note Version – New

Description

Senate File 296 amends Iowa Code sections relating to medical homes to promote an integrated health care delivery model. A medical home means a team approach to providing health care that originates in a primary care setting. This Bill requires the Department of Human Services (DHS) to collaborate with the Department of Public Health (DPH) in administering medical homes under the Medicaid Program. In addition, this Bill requires the DPH to establish requirements for the medical home system to provide linkages to accessible dental homes for adults and older individuals. Significant provisions of this Bill include:

- Amends Iowa Code sections requiring the DPH, in collaboration with the DHS, to implement medical homes to the greatest extent possible by January 1, 2015, for Medicaid eligible children, and adults eligible for both Medicare and Medicaid. The DPH is required to work with the DHS to develop a reimbursement methodology to compensate providers under the Medicaid Program participating in the medical home.
- Expands Medicaid as provided for by the federal Affordable Care Act (ACA) for adults with income up to 138.0% of the federal poverty level (FPL). In addition, this Bill expands Medicaid to foster care children up to age 26 as required under the ACA. Both groups will receive coverage under the current Medicaid benefits package with coverage beginning January 1, 2014.
- Extends the repeal of IowaCare from October 31, 2013, to December 31, 2013, when the federal waiver expires and requires the DHS to prepare a transition plan for IowaCare members to the health benefits exchange or the Medicaid Program.
- Directs the Legislative Council to establish a legislative advisory council to guide the development of the design model and implementation plan for the State innovation model grant awarded to the DHS by the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services to develop an integrated care model including the Medicaid population. The Advisory Council is to provide oversight throughout the process, receive periodic progress reports, approve any integrated care model and implementation strategies, and prepare proposed legislation to implement the model and strategies prior to submission of the proposed legislation to the General Assembly in 2014. The Bill also establishes a Legislative Commission for the 2013 interim to review and make recommendations regarding provision of care through integrated delivery models in the State. The Legislative Commission is directed to submit a final report to the Governor and the General Assembly by December 15, 2013.
- Directs the DHS to amend the Medicaid State Plan to reflect the provisions in this Bill relating to medical homes, the coverage of adults with income up to 138.0% of the FPL, and coverage of new adults group under Medicaid.

Summary of Fiscal Impact

The fiscal impact of SF 296 is summarized in the two tables below. For the fiscal impact by major provision and the assumptions used in those estimates, please see the following pages.

Overall Fiscal Impact for FY 2014 and FY 2015 to the State General Fund

Provision	FY 2014	FY 2015
Implement Integrated Care Delivery Model		
DPH Expand the I-Smile Program to Adults Statewide	$ 2,082,296	$ 3,038,368
DHS Implementation Cost of Medical Home	250,000	250,000
Implement Integrated Care Delivery Model Subtotal	$ 2,332,296	$ 3,288,368
Medicaid Expansion to 138.0% of the Federal Poverty Level		
New Enrollees	$ 0	$ 0
IowaCare Transition	(4,900,000)	(10,300,000)
Medicaid Expansion to 138.0% of the Federal Poverty Level Subtotal	$ (4,900,000)	$ (10,300,000)
Other Affordable Care Act Provisions and Administration		
Primary Care Physician Increase	$ 0	$ 2,300,000
Foster Care Expansion to Age 26	700,000	1,600,000
Administration	3,293,405	7,871,968
Other Affordable Care Act Provisions and Administration Subtotal	$ 3,993,405	$ 11,771,968
GRAND TOTAL	$ 1,425,701	$ 4,760,336

Additional County Impact: It is estimated that counties could save between $55.0 and $60.0 million annually by covering individuals under Medicaid Expansion that are receiving mental health treatment and have no health insurance. Counties currently levy $122.2 million to fund mental health services. This change could also save the State from supplementing county mental health expenditures in the future. The Mental Health and Disability Services Interim Committee recommended an additional $29.8 million to supplement the county mental health system for FY 2014.

Federal Impact: It is estimated that expanding Medicaid and transitioning individuals from the IowaCare Program will cost the federal Government an additional $181.2 million in FY 2014 and $576.7 million in FY 2015. Additional out-year federal impacts are available in the report prepared by **Milliman, Incorporated.**

Out-Year Impact of Medicaid Expansion, Other Provisions and Administration: The chart below details the fiscal impact to the State of Medicaid Expansion from FY 2014 – FY 2020. It represents the midpoint of the low scenario and moderate scenario as estimated by Milliman, Inc. Additional assumptions are listed below.

Provision	Increase/(Decrease) Over Baseline State Spending (in millions)							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	All Years
Newly Eligible								
New Enrollees	$0.0	$0.0	$0.0	$16.3	$37.7	$47.0	$64.7	$165.6
IowaCare Transition	(4.9)	(10.3)	(10.9)	(3.7)	6.0	9.7	17.3	3.2
Newly Eligible Subtotal	**(4.9)**	**(10.3)**	**(10.9)**	**12.7**	**43.7**	**56.6**	**82.0**	**168.8**
Other Provisions/Administration								
CHIP Enhanced FMAP	0.0	0.0	(23.5)	(32.9)	(34.5)	(36.3)	(9.6)	(136.6)
Reduction in State DSH Share	0.0	0.0	0.0	0.0	0.0	(0.7)	(0.3)	(0.9)
Primary Care Physician Increase	0.0	2.3	5.1	5.6	6.1	6.4	7.0	32.4
Foster Care Expansion to Age 26	0.7	1.6	1.7	1.8	1.9	2.0	2.1	11.6
Administration	3.3	7.9	15.1	15.9	16.6	17.6	18.4	94.6
Other Provisions/Admin Subtotal	**4.0**	**11.7**	**(1.7)**	**(9.7)**	**(10.0)**	**(11.0)**	**17.7**	**1.0**
GRAND TOTAL	**($0.9)**	**$1.4**	**($12.5)**	**$3.0**	**$33.7**	**$45.6**	**$99.6**	**$169.9**

Fiscal Impact by Major Provision

Implementing an Integrated Care Delivery Model

Assumptions

The DPH will use their current I-Smile Program model to expand to adults and older individuals, including:

- $1.6 million for six local public health regional contracts. Each contract will consist of three Registered Dental Hygienist (RDH) coordinators and two support staff per region.
- $318,696 for four additional FTE positions to manage the Program including, one Executive Officer 2 (E02) position; two Community Health Consultants; and one Program Planner 2. It is assumed the three positions other than the EO2 would begin October 1, 2013.
- Funding of $200,000 in FY 2014 to develop a database to track older individuals and $75,000 in FY 2015 for continued software licensing and maintenance.

The DHS will need an additional $250,000 in FY 2014 and FY 2015 to facilitate transition of providers to a medical home model including funding for education, clinical workflow improvement, and evidence-based practices to improve outcomes.

Fiscal Impact of Implementing an Integrated Care Delivery Model

Provision	FY 2014	FY 2015
Department of Public Health		
Local Contract Costs	$ 1,563,600	$ 2,606,000
DPH Staff and Support Costs	318,696	382,368
Database Costs	200,000	50,000
Total Department of Public Health	$ 2,082,296	$ 3,038,368
Department of Human Services		
DHS Implementation Cost of Medical Home	$ 250,000	$ 250,000
Grand Total	$ 2,332,296	$ 3,288,368

Medicaid Expansion to 138.0% of the Federal Poverty Level and Other Affordable Care Act Provisions and Administration

Assumptions

The DHS contracted with the actuarial firm, Milliman, Inc., to provide cost estimates for Medicaid Expansion. Milliman has developed a model and provided estimates for Iowa and a number of other states relating to Medicaid Expansion. All assumptions and fiscal impacts related to Medicaid Expansion in this estimate are taken from the **Milliman report** provided to the DHS on December 13, 2012, except when noted below. This estimate assumes the midpoint of the low and the moderate scenario from the report.

Federal FMAP rates for the Medicaid Expansion population begin at 100.0% for calendar years (CY) 2014 through 2016, and are reduced to 95.0% in CY 2017, 94.0% in CY 2018, 93.0% in CY 2019, and 90.0% in CY 2020 and beyond.

This Bill does not eliminate any of the optional coverage groups as assumed in the Milliman report. The fiscal impact below assumes the State will continue to provide coverage under Medicaid to these groups instead of moving them to the insurance exchange.

The DHS provided a revised estimate for administrative costs for FY 2014 and FY 2015 and these estimates are used in place of the Milliman estimates. The estimates are different because the administrative costs presented in the fiscal note do not reflect the woodwork effect (unexpected enrollment increases) and the Milliman report does. Assumptions include:

- FY 2014: An estimated 33,267 additional people will receive Medicaid benefits in FY 2014. This will result in the need for 56 additional staff (33,267 cases/772 cases per worker = 43 Income Maintenance (IM) 2s, 4 IM Supervisors, 9 Typist Advanced).
- FY 2015: An estimated 66,533 additional people will receive Medicaid benefits in FY 2015. This will result in the need for 110 additional staff (66,533 cases/772 cases per worker = 86 IM2s, 7 IM Supervisors, 17 Typist Advanced). Also included in FY 2015 is the cost of the staff added in FY 2014 to cover the cases opened in FY 2014 (56 staff outlined in the first bullet).
- Startup costs including equipment and computers for staff of $2,100 per person.
- There will be additional State costs of $1.0 million in FY 2014 and $1.5 million in FY 2015 for the Iowa Medicaid Enterprise to expand third party contracts to account for additional enrollment. Administration of the Medicaid Program is provided through nine different third party contracts.
- Although Medicaid Expansion benefits will not go into effect until January 1, 2014, sign-up for the program will begin October 1, 2013.
- The DHS General Administration will require one Compliance Officer 2 and one Clerk Specialist to process appeals for the newly eligible Medicaid population. It is assumed that the staff will be hired October 1, 2013.

Fiscal Impact of Medicaid Expansion, Other Provisions, and Administration

Medicaid Expansion to 138.0% of the Federal Poverty Level		
New Enrollees	$ 0	$ 0
IowaCare Transition	(4,900,000)	(10,300,000)
Medicaid Expansion to 138.0% of the Federal Poverty Level Subtotal	$ (4,900,000)	$ (10,300,000)
Other Affordable Care Act Provisions and Administration		
Primary Care Physician Increase	$ 0	$ 2,300,000
Foster Care Expansion to Age 26	700,000	1,600,000
Administration	3,293,405	7,871,968
Other Affordable Care Act Provisions and Administration Subtotal	$ 3,993,405	$ 11,771,968
GRAND TOTAL	$ (906,595)	$ 1,471,968

Sources

Department of Human Services
Department of Public Health
Milliman, Inc.

/s/ Holly M. Lyons

March 25, 2013

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.