



TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: December 7, 2010

### Monthly Medicaid Forecast - November 2010

**Forecasting Group.** Staff members from the Department of Human Services (DHS), Department of Management, and the Fiscal Services Division of the LSA met on December 3, 2010, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2011 and FY 2012. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

	<i>Final FY 2010</i>	<i>Estimated FY 2011</i>	<i>Estimated FY 2012</i>
<b>Medicaid Balance Sheet</b>			
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 36,587,215	\$ 57,523,302	\$ 0
Veterans Transfer to Hospital Rebase	1,833,333	0	0
Other Transfers	-3,774,367	0	0
ARRA Federal Recovery & Reinvestment Fund to MHIs	25,874,211	0	0
Property Tax Relief Transfer	3,271,911	0	0
Behavioral Health Account Carryforward	2,136,721	2,082,504	0
Senior Living Trust Fund	17,366,939	39,080,435	0
Transfer from Decat Waiver Waiting List	0	1,925,000	0
Cash Reserve Fund	0	172,800,000	0
Health Care Trust Fund	100,650,740	106,916,532	106,916,532
Nursing Facility Quality Assurance Fund	2,300,000	34,311,825	35,662,467
Hospital Trust Fund	0	39,406,000	39,231,000
Children's Health Insurance Performance Bonus	0	0	6,375,552
<b>Total Non-General Fund for Medicaid</b>	<b>\$ 186,246,703</b>	<b>\$ 454,045,598</b>	<b>\$ 188,185,551</b>
General Fund Appropriation	\$ 590,459,096	\$ 393,683,227	\$ 393,683,227
Covering All Children	47,523	2,297,649	2,297,649
<b>Total All General Fund Sources</b>	<b>\$ 590,506,619</b>	<b>\$ 395,980,876</b>	<b>\$ 395,980,876</b>
<b>Total Medicaid Funding</b>	<b>\$ 776,753,322</b>	<b>\$ 850,026,474</b>	<b>\$ 584,166,427</b>
<b>Total Estimated State Medicaid Need</b>	<b>\$ 943,785,050</b>	<b>\$ 1,045,750,877</b>	<b>\$ 1,165,166,427</b>
ARRA FMAP	-224,555,030	-101,856,810	0
ARRA Six-month Extension (Including Clawback)	0	-88,867,593	0
<b>Total Estimated Medicaid Need</b>	<b>\$ 719,230,020</b>	<b>\$ 855,026,474</b>	<b>\$ 1,165,166,427</b>
<b>Midpoint of Balance/(Under Funded)</b>	<b>\$ 57,523,302</b>	<b>\$ -5,000,000</b>	<b>\$ -581,000,000</b>
ARRA - American Recovery and Reinvestment Act			

**FY 2011 Range.** For FY 2011, the forecasting group agreed Medicaid will have a surplus of \$15.0 million to a supplemental need of \$25.0 million, with a midpoint of a \$5.0 million supplemental need. The range includes the 6.2% FMAP increase, including tier two of the FMAP unemployment increase through the first six months of FY 2011 and the phased out FMAP extension estimated at \$86.4 million, approved by Congress and signed by the President. In addition, the range takes into account a reduction of \$18.8 million for a lower State contribution for the Medicare Part D clawback payment to the federal government. The range also includes a \$15.0 million cash flow transfer from the Cash Reserve appropriation to Medicaid for the newly created Iowans Helping Iowans Program. It is assumed that legislative action will be required to restore the transferred funds.

**FY 2012 Range.** For FY 2012, the forecasting group agreed Medicaid will have a need of \$548.0 million to \$614.0 million, with a midpoint of a \$581.0 million need. The range assumes the elimination of all one-time funding sources including the Cash Reserve Fund, Senior Living Trust Fund, and ARRA funds. The range also assumes the statutory rebase of nursing facilities of \$13.7 million and increased Medicare related costs of \$14.1 million.

**Phase-Out FMAP Extension Enacted.** The United States Congress approved, and the President signed, legislation to extend the ARRA FMAP by six months, through the end of FY 2011. The extension reduces the enhanced FMAP rate from 6.2% to 3.1% for the period of January through March of 2011, with another reduction to 1.2% for the period of April through June of 2011. The FMAP extension is estimated to save the Medicaid budget \$88.9 million over the second half of FY 2011. However, this is \$35.0 million less than the amount that would have been saved if the full extension been approved. Iowa assumed the full savings when calculating the FY 2011 budget.

**Expiration of Unemployment Benefits.** With the expiration of unemployment benefits, it is possible Medicaid and all DHS assistance programs could see an increase in enrollment for the adult populations with dependent children. It is not known to what extent enrollment in these programs will be impacted, but it's an issue to be aware of as benefits start expiring. There are ongoing negotiations in Congress and with the President for another extension of unemployment benefits that could extend unemployment benefits for up to a year.

**Enrollment Increase.** Medicaid continues to see rapid enrollment growth. In FY 2009, the Program added a total of 31,794 individuals, including 25,935 children. In FY 2010, the Program added an additional 27,164, including 19,286 children. In the first five months of FY 2011, the Program has added 6,222 individuals for a total program enrollment of 378,778.

<b>Medicaid Enrollment Increases/(Decreases) for FY 2011</b>					
<u>FY 2011</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
July	149	279	-106	117	439
August	1,471	1,034	68	337	2,910
September	-182	-414	-39	15	-620
October	1,345	319	19	414	2,097
November	1,280	322	-221	15	1,396
Total	<u>4,063</u>	<u>1,540</u>	<u>-279</u>	<u>898</u>	<u>6,222</u>