

## MEDICAID FORECAST FOR FY 2009 AND FY 2010

**Medicaid Forecast.** Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on August 28, 2009, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2009 and FY 2010. The forecasting group meets monthly to discuss estimated expenditures and to agree on a range for the current and upcoming fiscal years.

**FY 2009.** Senate File 2425 (FY 2009 Health and Human Services Appropriations Act) included total State funding of \$886.2 million for Medicaid. Other funding sources included \$5.5 million to rebase hospitals in HF 2700 (FY 2009 Standings Appropriations Act) and \$2.8 million to cover additional children eligible for Medicaid in HF 2539 (FY 2009 Health Care Reform Act). The State appropriations from all funding sources for Medicaid for FY 2009 total \$894.5 million. This is an increase of \$45.7 million compared to FY 2008.

**FY 2009 Stimulus.** On February 17, 2009, the President signed the American Recovery and Reinvestment Act (ARRA) of 2009. The Act provides a 6.2% increase in the Federal Medical Assistance Percentage (FMAP) match over 27 months, with nine of the months falling in State FY 2009. An increase in the FMAP formula offsets State dollars needed to fund the Medicaid Program. For FY 2009, it is estimated the FMAP change will reduce the amount of State funds needed to fund the Medicaid program by \$110.0 million.

**FY 2009 Adjustments.** In December 2008, the Governor issued an across-the-board (ATB) General Fund and Health Care Trust Fund reduction of 1.5%. The ATB reduced the overall Medicaid appropriation by \$10.0 million for FY 2009 to \$884.5 million. House File 811 (FY 2010 Health and Human Services Appropriations Act) deappropriated \$52.0 million to reflect the additional federal stimulus funds. The new total State appropriation from all sources for FY 2009 is \$832.5 million.

**FY 2009 Range.** For FY 2009, the forecasting group agreed that there will be a surplus of \$36.0 million to \$40.0 million with a midpoint of a \$38.0 million surplus. The range includes the 1.5% ATB reduction, the 6.2% FMAP increase, and the \$52.0 million deappropriation that was part of HF 811.

**FY 2010 Stimulus.** For FY 2010, the ARRA provides the same 6.2% FMAP increase in all 12 months and is estimated to offset the amount of State Medicaid funds needed by \$145.1 million. The Act also provides for additional FMAP increases based on states' unemployment rates.

**FY 2010 Unemployment.** On June 19, 2009, the Bureau of Labor Statistics released the latest unemployment rates that showed Iowa's rate jumped from 5.1% in April of 2009 to 5.8% in May, and 6.2% in June. This increase brings Iowa's three-month average above 5.2% and qualifies the State for an additional FMAP increase under the ARRA. The FMAP increase is estimated to offset the amount of State Medicaid funds needed by an additional \$40.0 million in FY 2010.

**Tier Two Unemployment.** If Iowa's unemployment rate is 5.9% or greater in August, Iowa will qualify for an additional level of ARRA unemployment stimulus. To qualify the unemployment rate must reach a 3-month average of 6.2%. The unemployment rate was 6.2% in June and 6.5% in July.

**FY 2010.** House File 811 included total State funding of \$854.6 million for Medicaid for FY 2010. Other funding sources included \$8.6 million from HF 820 (FY 2010 Federal Funds Act) to annualize hospital rebasing, continued coverage for children, and interpreter services for Medicaid. Senate File 478 (FY 2010 Standing Appropriations Act) provided an additional \$4.3 million to increase funds for disproportionate share hospital payments. The State appropriations from all funding sources for Medicaid for FY 2010 total \$867.5 million. This is an increase of \$35.0 million compared to estimated net FY 2009. Significant program changes include:

- An increase of \$2.4 million to cover additional eligible children.
- An increase of \$1.8 million to annualize the hospital rebase.

- An increase of \$6.0 million to rebase nursing facilities.
- An increase of \$237,000 for interpreter services.
- An increase of \$103,000 for a 5.0% provider rate increase for Family Planning Providers.
- A decrease of \$500,000 to eliminate funding for the Iowa Health Care Collaborative.
- An increase of \$4.3 million to increase payments to disproportionate share hospitals.

**Senior Living Trust Fund.** With the recent State revenue outlook, it is unlikely that there will be \$39.1 million available in the Senior Living Trust Fund for FY 2010 as originally estimated. House File 811 appropriates the balance of the Fund to the Medicaid Program and the forecasting group agreed to lower the estimated balance available for appropriation to the Program to \$16.1 million for FY 2010.

**FY 2010 Adjustments.** For FY 2010, with the changes to the Senior Living Trust Fund and expected carryforward from FY 2009, the new total State appropriation from all sources for FY 2009 is \$850.0 million.

**FY 2010 Range.** For FY 2010, the forecasting group agreed that there will be a surplus of \$32.0 million to \$72.0 million with a midpoint of \$52.0 million surplus compared to the FY 2010 appropriation of \$850.0 million. The range includes the 6.2% unemployment and FMAP increases.

**FY 2011.** For FY 2011, even with available carryforward from FY 2010, there will be a significant need for additional funds. The ARRA funding expires after the first half of the fiscal year and enrollment growth shows no signs of slowing down. Although the estimating group has made no formal estimates, preliminary LSA estimates show the Program could need an additional \$100.0 million to \$150.0 million in State funds for the fiscal year.

**Enrollment Increase.** Medicaid continues to see rapid enrollment growth. In FY 2009 the program added a total of 31,794 individuals and 25,935 were children. In the first two months of FY 2010 the program added an additional 6,401 individuals for total program enrollment of 351,793.

<b>Medicaid Enrollment Increases/(Decreases) for FY 2010</b>					
<b>FY 2010</b>	<b>Children</b>	<b>Adults</b>	<b>Aged</b>	<b>Disabled</b>	<b>Total</b>
July	1,427	211	38	32	1,708
August	2,829	1,295	126	443	4,693
<b>Total</b>	<b>4,256</b>	<b>1,506</b>	<b>164</b>	<b>475</b>	<b>6,401</b>

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STAFF CONTACT: Jess Benson (Ext. 14611)