



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

FROM: Jess Benson

DATE: July 9, 2013

Monthly Medicaid Forecast – June 2013

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on June 28, 2013, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2013 and FY 2014. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	Actual FY 2012	Estimated FY 2013	Estimated FY 2014
Medicaid Funding			
Carryforward from Previous Year	\$ 27,700,401	\$ 15,337,099	\$ 8,000,000
Veterans Home Transfer	2,447,911	3,533,208	0
Behavioral Health Account Carryforward	1,790,859	1,515,463	0
MH Risk Pool Carryforward	0	4,736,918	2,657,189
Health Care Transformation Account	1,956,245	7,065,203	0
Palo Tax	0	2,409,390	1,167,464
Health Care Trust Fund	105,822,769	106,046,400	218,046,400
Nursing Facility Quality Assurance Fund	28,944,731	26,500,000	28,788,917
Hospital Trust Fund	36,714,318	33,898,400	34,288,000
hawk-i Performance Bonus	10,517,268	11,586,323	8,394,129
Medicaid Fraud Fund	0	0	7,241,325
MHDS Redesign Funds	0	228,459,813	0
Total Non-General Fund for Medicaid	\$ 215,894,502	\$ 441,088,217	\$ 308,583,424
General Fund Appropriation	\$ 903,493,421	\$ 975,956,421	\$ 1,134,894,838
Total Medicaid Funding	\$ 1,119,387,923	\$ 1,417,044,638	\$ 1,443,478,262
Total Estimated State Medicaid Need			
	\$ 1,058,990,790	\$ 1,158,126,681	\$ 1,419,981,136
FMAP Changes	45,060,034	33,734,962	52,556,122
Cost Containment	0	-8,676,000	-28,910,009
County Non-Medicaid Expenditures	0	18,831,144	0
County Medicaid Expenditures	0	218,796,134	0
County Billing Write-offs	0	955,235	-955,235
Nursing Facility Rebase	0	0	15,268,148
Primary Care Physician ACA	0	0	748,199
Home Health Increase	0	761,348	2,765,655
HCBS Waiver Increase	0	2,177,890	9,308,335
All other Provider Increases	0	0	4,765,508
Elderly Waiver Cap Increase to \$1,300	0	2,137,244	0
Balancing Incentive Program	0	-17,800,000	-1,049,597
Total Estimated Medicaid Need	\$ 1,104,050,824	\$ 1,409,044,638	\$ 1,474,478,262
Midpoint of Balance/(Under Funded)	\$ 15,337,099	\$ 8,000,000	\$ -31,000,000
MHDS - Mental Health and Disability Services		HCBS - Home and Community-Based Services	
FMAP - Federal Medical Assistance Percentage		ACA - Affordable Care Act	

FY 2013 Range. For FY 2013, the group agreed Medicaid will have a surplus of \$3.0 million to \$13.0 million, with a midpoint surplus of \$8.0 million. The range includes the following savings and expenditures as enacted in [HF 649](#) (FY 2012 Health and Human Services Appropriations Act), [SF 2336](#) (FY 2013 Health and Human Services Appropriations Act), [SF 446](#) (FY 2014 Health and Human Services Appropriations Act), and in addition, the forecasting group has added the Medicaid Mental Health and Disability Services expenditure previously paid for by counties:

- An increase of \$33.7 million to reflect the declining FMAP rate.
- An increase of \$5.0 million to reduce the waiting list for all HCBS waivers.
- An increase of \$4.2 million to reflect a transfer of funds to the IowaCare Program.
- A savings of \$1.6 million to reflect increased recoveries from insurance companies.
- A savings of \$4.9 million to reflect the implementation of a new health home model for individuals with multiple chronic conditions. The State will receive an enhanced 90.0% federal match rate for eight quarters as part of the federal Affordable Care Act.
- A savings of \$85,000 by aligning prescription drug reimbursements paid to physicians with drugs dispensed by a pharmacy.
- A savings of \$97,500 to reflect a Medicare Part B disallowance.
- A savings of \$780,000 to reflect additional estate recoveries from the Iowa Public Employees Retirement System.
- A savings of \$253,500 to reflect changes in payment policy for hospitals when a patient is readmitted within seven days for the same or similar diagnosis.
- A savings of \$1.0 million to reflect applying Medicaid edits on claims paid to Medicare.
- An increase of \$1.3 million to reflect forgiving disputed billings between the counties and the State for the Medicaid Program.
- A savings of \$17.8 million to reflect the implementation of the Balancing Incentive Program. The Program receives an enhanced 90.0% federal match rate. The goal of the Program is to shift care from institutional-based settings to home and community-based settings.
- A savings of \$209,000 for office supplies and equipment, technology, printing, and marketing.
- An increase of \$761,000 for a 2.0% provider rate increase for Home Health Providers.
- An increase of \$2.2 million for a 2.0% increase for HCBS waiver providers. The increase is effective January 1, 2013.
- An increase of \$2.1 million to increase the elderly waiver cap from \$1,117 per month to \$1,300 per month.
- An increase of \$250,000 to provide lodging for IowaCare patients receiving treatment over multiple days at the University of Iowa Hospitals and Clinics.
- A supplemental appropriation of \$61.0 million provided in [SF 446](#), of this \$7,320,093 will be transferred to the IowaCare Program.
- An increase of \$238.0 million to reflect the shifting of Mental Health and Disability Services expenditures previously funded by the counties. Of this total, approximately \$218.2 million is for Medicaid services and \$19.8 million is for other non-Medicaid expenditures such as the State Resource Centers, standardized assessments, children's health homes, and administrative costs.

FY 2014 Range. For FY 2014, the group agreed Medicaid will have a need of \$11.0 million to \$51.0 million, with a midpoint need of \$31.0 million. The range includes the following savings and expenditures enacted in [SF 446](#):

- An increase of \$246.1 million to move Mental Health Medicaid funds previously funded under a separate appropriation to Medicaid.
- An increase of \$52.6 million to replace federal funds due to a reduction in the federal FMAP rate.
- An increase of \$34.0 million to replace one-time funding sources and other revenue changes from FY 2013.
- An increase of \$15.3 million to rebase nursing facilities.
- An increase of \$9.0 million to cover the cost of individuals currently eligible for Medicaid that will enroll as part of Medicaid Expansion.
- An increase of \$7.1 million for a 3.00% provider rate increase for HCBS waiver providers.
- An increase of \$4.5 million to provide a 1.00% provider rate increase for all providers with the exception of HCBS, nursing facilities, ambulance, and home health services.
- An increase of \$2.7 million to increase provider rates for home health services and reimburse them using the Lower Utilization Payment Adjustment (LUPA) methodology.
- An increase of \$1.0 million to repeal the site of services cost containment measure implemented in FY 2013.
- An increase of \$750,000 for primary care physician rates, as required by the Affordable Care Act.
- An increase of \$300,000 to reimburse HCBS provider training costs as a direct cost on the cost report beginning January 1, 2014.
- An increase of \$227,000 to increase ambulance reimbursement rates by 10.00%.
- An increase of \$221,000 to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- A decrease of \$16.3 million due to shifting Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage beginning January 1, 2014.
- A decrease of \$28.9 million to implement select cost containment initiatives recommended by the Governor, except for the one relating to chiropractors and home health.
- A decrease of \$61.0 million to adjust for the FY 2013 supplemental appropriation.
- A decrease of \$118.4 million to shift funding to the Health Care Trust Fund.

Enrollment Increase. Medicaid continues to grow, but at a slower pace than the past several years. In FY 2010, the Program added an additional 27,164 individuals, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In FY 2012 the Program added 10,526 individuals, including 7,630 children. For FY 2013, Program growth slowed to 1.3%, adding only 5,215 individuals.

FY 2013	Children	Adults	Aged	Disabled	Total
July	642	251	54	321	1,268
August	-212	-293	100	167	-238
September	588	390	112	131	1,221
October	2,058	614	206	396	3,274
November	-903	-887	-19	-190	-1,999
December	1,330	510	68	153	2,061
January	-1,305	-697	-166	-104	-2,272
February	650	498	-95	352	1,405
March	-62	188	16	205	347
April	1,160	565	227	364	2,316
May	-537	-469	-54	-4	-1,064
June	-612	-610	3	115	-1,104
Total FY 2013	<u>2,797</u>	<u>60</u>	<u>452</u>	<u>1,906</u>	<u>5,215</u>
Grand Total	<u>231,357</u>	<u>61,830</u>	<u>30,616</u>	<u>78,274</u>	<u>402,077</u>

FY 2015 FMAP. The Bureau of Economic Analysis released their preliminary state personal per capita income data for 2012 on March 27, 2013. This allowed states to calculate their preliminary FY 2015 FMAP rates. The FY 2015 FMAP rates are based on per capita personal incomes for calendar years 2000-2012. Iowa's FY 2015 FMAP rate continued to decline, dropping by 1.06% to 57.29%. The decline means that Iowa's economy is doing better compared to other States, resulting in a smaller share of the total FMAP pie for the State. The State's FMAP rate has declined 6.00% since FY 2011 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal government to the State.

State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.65%	-1.53%
FY 2015	57.29%	42.71%	-1.06%