
FISCAL UPDATE Article

Fiscal Services Division

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FEDERAL CONTINUING RESOLUTION — IMPACT ON HHS BUDGET

Continuing Resolution. The passage of [H.R. 195](#) (a fourth continuing resolution to fund the federal Government for FFY 2018) will have a major impact on the Iowa Health and Human Services (HHS) budget in the coming years.

Children's Health Insurance Program (CHIP). The resolution extends the CHIP (also known as the hawk-i Program in Iowa) through FFY 2023. This provides federal funding and will allow Iowa to continue the Program as it is currently operating. In addition, states are receiving a 23.0% enhanced match rate for the Program that was passed as part of the Affordable Care Act (ACA). That enhanced match rate was set to expire after FFY 2019, but the continuing resolution extends the 11.5% enhanced match rate for one year, through FFY 2020, helping states avoid the cliff effect from the loss of federal funding.

Health Insurer Tax. The ACA implemented an annual tax on health insurers as one mechanism to fund the Act. The tax is applied to certain health insurance providers, including the managed care organizations (MCOs) that administer the Medicaid Program. Federal law requires that capitation rates paid to MCOs be actuarially sound; therefore, the State along with the federal government are required to reimburse the MCOs for the Health Insurer Tax.

Congress previously suspended the Health Insurer Tax for CY 2017, which would waive the State's responsibility for paying the tax in FY 2018. The most recent continuing resolution suspends the tax for CY 2019, but leaves the tax in place for CY 2018. This means that Iowa will still be responsible for funding the State's share of the tax, approximately \$22.4 million in FY 2019, but will not be required to pay any tax in FY 2020. While it seems unusual that Congress would allow the tax to be implemented for one year and then suspend it again, it may still address this issue in a future continuing resolution or in a long-term spending deal.

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