



SF 2125 – Medicaid Managed Care Contracts, Immediate Termination (LSB5965SV)
Analyst: Jess Benson (Phone: (515-281-4611) (jess.benson@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 2125 requires the Department of Human Services (DHS) to terminate the contracts signed with each of the three managed care organizations to administer the Iowa high quality health care initiative (Medicaid managed care). The Bill also directs the DHS to continue to pursue other initiatives to realign the health care delivery system and provide holistic, integrated, patient-centered care while moving toward a value-based model of payment.

Background

The DHS issued a request for proposal in February 2015 with the intent of contracting with two to four managed care vendors to operate the majority of the Medicaid, hawk-i, and Iowa Health and Wellness Programs beginning January 1, 2016. The DHS awarded contracts to four companies on August 17, 2015. One of the four contracts was later terminated. The federal government announced on December 17, 2015, that the State had not met the criteria to implement managed care and implementation was delayed to March 1, 2016, pending final federal approval.

Assumptions

Estimates regarding projected managed care savings are based on information provided by the DHS in conjunction with the actuarial firm Milliman Inc., and the Medicaid Forecasting Group (consisting of staff from the DHS, Department of Management (DOM), and the Legislative Services Agency). The savings compare capitation rates paid to Managed Care Organizations (MCOs) with current fee-for service rates and trends, and also the shifting of some administrative functions from Iowa Medicaid Enterprise vendors to MCOs.

Fiscal Impact

This Bill is estimated to increase General Fund expenditures by \$27.4 million in FY 2016 and \$111.0 million in FY 2017. The impact for FY 2018 cannot be determined due to a number of unknown factors, most notably the capitation rates paid to the MCOs. There may also be additional administrative costs in the short term due to ramping up contracts with Medicaid and hawk-i vendors that have expired or are set to expire. In addition, it is unknown if vendors such as Wellmark (hawk-i provider) or Magellan (Medicaid and Iowa Health and Wellness behavioral health provider) will be interested in reestablishing contracts with the State for the services they were providing. Please see the chart below for details of the estimated savings by appropriations that will not be realized:

Managed Care Related Savings	FY 2016	FY 2017
Medicaid	\$ 37,925,965	\$ 104,477,783
CHIP	1,216,047	2,522,217
Medical Contracts	2,000,000	4,000,000
Total	\$ 41,142,012	\$ 111,000,000
Savings Prorated for Two Month Delay in FY 2016	\$ 27,428,008	\$ 111,000,000

Sources

DHS, DOM, Milliman Inc., LSA analysis

/s/ Holly M. Lyons

February 11, 2016

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 LSA on request.
