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## FISCAL TOPICS

Fiscal Services Division

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## Senior Living Trust Fund

### Background – Intergovernmental Transfers and Upper Payment Limit

In April 2000, Iowa received federal approval to amend its Medicaid State Plan to implement a new nursing facility reimbursement methodology to maximize federal matching funds, effective retroactively to October 1, 1999. This change allowed Iowa to take advantage of a financing option with the federal government known as an intergovernmental transfer. An intergovernmental transfer is a financing methodology that allowed the State to calculate expenditures for nursing facility reimbursements as if all nursing homes in the State were reimbursed at a higher Medicaid level (upper payment limit), claiming federal funds based on this theoretical expenditure and maximizing federal matching funds as a result. The State then paid private nursing facilities at their State-determined Medicaid rate. The State paid the remaining funds to government-owned facilities that then returned all but the unused Medicaid rate to the State. These funds were deposited into a newly created Senior Living Trust Fund.

The Centers for Medicare and Medicaid Services, concerned about possible abuse of the upper payment limit reimbursement methodology, changed the rules to phase out intergovernmental transfers effective March 13, 2001. The State was given a two-year phase-out period (until September 30, 2002), to comply with the new federal rules. Between FY 2001 and FY 2005, as the intergovernmental transfers were being phased out, the State received \$417.6 million in revenue from intergovernmental transfers.

### Senior Living Trust Fund

The Senior Living Trust Fund (SLTF) was established by Iowa Code chapter [249H](#) during the 2000 Legislative Session to receive nursing facility payments through the intergovernmental transfer mechanism. Money from the Fund was to be used for programs and for delivery of long-term care services to seniors with low or moderate incomes, including:

- Medicaid Elderly Waiver and Nursing Facilities
- Home and Community-Based Services
- Programs of All-Inclusive Care for the Elderly (PACE)
- Nursing Facility Conversion Grants

The goal of the SLTF was to create a comprehensive long-term care system that was consumer-directed, provided a balance between the alternatives of institutionally and noninstitutionally provided services, and contributed to the quality of the lives of Iowans.

### Senior Living Trust Fund Repayment

During the 2004 Legislative Session, the General Assembly approved statutory repayment language that transferred a portion of the General Fund ending balance to the SLTF (2004 Iowa Acts, chapter [1170](#)). The transfers were to begin in FY 2006 and continue until the total amount transferred reached \$118.0 million. The statutory repayment language was amended during the 2006 Legislative Session and increased from \$118.0 to \$300.0 million (2006 Iowa Acts, chapter [1173](#)). This change was made retroactive to July 1, 2004, to account for the FY 2005 Medicaid reversion toward the \$300.0 million repayment.

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### More Information

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The General Assembly and the Governor fulfilled the statutory repayment requirement of \$300.0 million with a final \$48.3 million transfer in FY 2011. Once the \$300.0 million was repaid, the Fund no longer had a source of revenue.

### **Senior Living Trust Fund Expenditures**

Over the 11-year history of the SLTF, the fund received \$935.9 million in total revenues from various sources (see **Appendix A** for a detailed balance sheet). Of the total available funds, \$570.7 million (61.0%) was appropriated to supplement the Medicaid Program and another \$257.0 million (27.5%) was appropriated for other Medicaid expenditures. The remaining \$108.2 million (11.5%) was appropriated for various activities, including nursing facility conversion grants, rent subsidy for older Iowans, Iowa Department on Aging (IDA) service delivery, and assisted living and adult day care oversight. Fiscal year 2011 was the final year funds were appropriated, with \$39.1 million appropriated to supplement Medicaid, \$8.5 million appropriated to the IDA for service delivery, and \$700,000 appropriated for the Rent Subsidy Program.

### **Senior Living Trust Fund Repeal**

With no revenues available in the Fund after FY 2011, the SLTF and Iowa Code chapter 249H were repealed by 2013 Iowa Acts, chapter [18](#), and funding for two ongoing programs, the IDA service delivery and the Rent Subsidy Program were moved to the General Fund.

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Appendix A

SENIOR LIVING TRUST FUND

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011
<b>Revenues</b>											
Beginning Balance (01B)	\$ 0	\$ 60,891,949	\$ 124,486,196	\$ 366,062,638	\$ 283,060,756	\$ 147,486,372	\$ 53,676,518	\$ 75,891,220	\$ 78,319,751	\$ 27,710,401	\$ 0
Balance Adjustment	0	0	0	0	0	0	0	2	0	0	0
Intergovernmental Transfer (501R)	95,621,331	129,880,808	120,587,491	52,876,607	5,453,818	0	0	0	0	0	0
Intergovernmental Transfer (Hospital Trust Fund) (501R)	0	13,203,977	0	0	0	0	0	0	0	0	0
Medicaid Transfer (204R)	0	5,964,781	0	0	6,881,932	10,625,889	11,961,321	0	0	0	0
General Fund Transfer (02B)	0	0	0	0	0	0	49,900,000	53,500,000	48,282,728	0	48,267,133
Economic Emergency Fund Transfer (02B)	0	0	0	0	0	0	6,284,233	18,963,036	20,333,728	0	0
Endowment - Taxable Bonds (204R)	0	0	0	0	0	0	25,000,000	0	0	0	0
Pending Fund Transfer (204R)	0	0	169,484,518	0	0	0	0	0	0	0	0
Interest (301R)	3,807,946	4,408,806	6,358,599	7,297,465	6,111,150	4,975,527	3,563,635	3,989,512	1,827,546	502,651	0
<b>Total Revenues</b>	<b>\$ 99,429,277</b>	<b>\$ 214,350,321</b>	<b>\$ 420,916,804</b>	<b>\$ 426,236,710</b>	<b>\$ 301,507,656</b>	<b>\$ 163,087,788</b>	<b>\$ 150,385,707</b>	<b>\$ 152,343,770</b>	<b>\$ 148,763,753</b>	<b>\$ 28,213,052</b>	<b>\$ 48,267,133</b>
<b>Expenditures</b>											
Iowa Finance Authority - Rent Subsidy Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000
Department of Human Service Grants and Services											
NF Conversion Grants/LTC HCBS Funds	\$ 20,000,000	\$ 20,000,000	\$ 0	\$ 20,000,000	\$ 20,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Medicaid HCBS Elderly Waiver	2,240,034	40,733,406	47,198,406	1,733,406	1,733,406	1,033,406	0	0	0	0	0
NF Case Mix Methodology	17,750,000	24,750,000	29,950,000	29,950,000	29,950,000	29,950,000	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0	0	0	0	0
Medicaid Supplement	0	0	0	101,600,000	101,600,000	69,000,490	65,000,000	65,000,000	111,753,195	17,686,827	39,080,435
<b>Total DHS</b>	<b>\$ 39,990,034</b>	<b>\$ 85,483,406</b>	<b>\$ 77,148,406</b>	<b>\$ 153,283,406</b>	<b>\$ 153,283,406</b>	<b>\$ 99,983,896</b>	<b>\$ 65,000,000</b>	<b>\$ 65,000,000</b>	<b>\$ 111,753,195</b>	<b>\$ 17,686,827</b>	<b>\$ 39,080,435</b>
Iowa Department on Aging - Service Delivery	\$ 4,188,123	\$ 5,339,344	\$ 6,592,292	\$ 7,522,118	\$ 8,222,118	\$ 8,296,730	\$ 8,324,044	\$ 8,442,707	\$ 8,486,698	\$ 8,486,698	\$ 8,486,698
DIA - Assisted Living & Adult Day Care Oversight	\$ 0	\$ 0	\$ 0	\$ 800,000	\$ 800,000	\$ 758,474	\$ 790,751	\$ 1,183,303	\$ 1,339,527	\$ 1,339,527	\$ 0
<b>Total Appropriations</b>	<b>\$ 44,178,157</b>	<b>\$ 90,822,750</b>	<b>\$ 83,740,698</b>	<b>\$ 161,605,524</b>	<b>\$ 162,305,524</b>	<b>\$ 109,739,100</b>	<b>\$ 74,814,795</b>	<b>\$ 75,326,010</b>	<b>\$ 122,279,420</b>	<b>\$ 28,213,052</b>	<b>\$ 48,267,133</b>
<b>Reversions</b>											
Rent Subsidy Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ -52,686	\$ -67,156	\$ -101,269	\$ 0	\$ 0	\$ 0
Iowa Department on Aging - Service Delivery	-96,845	-17,821	-107,904	-33,001	-59,544	-59,407	-211,018	-291,420	-111,729	0	0
Nursing Facility Conversion Grants	-3,645,742	0	0	-17,512,261	-7,767,507	-1,395	0	-700,000	-912,629	0	0
Medical Supplemental, Alternative Service, Adm	-1,898,241	-940,804	-28,778,628	-494,253	-336,619	-214,342	0	0	0	0	0
Asst Living/Adult Day Care	0	0	0	-390,056	-120,570	0	-42,134	-209,302	-201,710	0	0
<b>Total Reversions</b>	<b>\$ -5,640,828</b>	<b>\$ -958,625</b>	<b>\$ -28,886,532</b>	<b>\$ -18,429,570</b>	<b>\$ -8,284,240</b>	<b>\$ -327,830</b>	<b>\$ -320,308</b>	<b>\$ -1,301,991</b>	<b>\$ -1,226,068</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Appropriations</b>	<b>\$ 38,537,329</b>	<b>\$ 89,864,125</b>	<b>\$ 54,854,166</b>	<b>\$ 143,175,954</b>	<b>\$ 154,021,284</b>	<b>\$ 109,411,270</b>	<b>\$ 74,494,487</b>	<b>\$ 74,024,019</b>	<b>\$ 121,053,352</b>	<b>\$ 28,213,052</b>	<b>\$ 48,267,133</b>
<b>Ending Balance</b>	<b>\$ 60,891,948</b>	<b>\$ 124,486,196</b>	<b>\$ 366,062,638</b>	<b>\$ 283,060,756</b>	<b>\$ 147,486,372</b>	<b>\$ 53,676,518</b>	<b>\$ 75,891,220</b>	<b>\$ 78,319,751</b>	<b>\$ 27,710,401</b>	<b>\$ 0</b>	<b>\$ 0</b>

Acronyms: LTC = Long-Term Care, HCBS= Home and Community-Based Services, DIA = Department of Inspections and Appeals

Note: The boxed numbers in the revenue section total the \$300.0 million repayment.