



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

FROM: Jess Benson

DATE: December 19, 2018

### Medicaid Forecast December 2018

**Forecasting Group.** Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on December 18, 2018, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2019 and FY 2020. The Forecasting Group meets periodically to discuss revenues and expenditures and agree on estimates for the current and upcoming fiscal years.

<b>Medicaid Balance Sheet</b>			
	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
<b>Medicaid Funding</b>			
Carryforward from Previous Year	\$ 44,841,621	\$ 36,170,463	\$ 0
Carryforward Due to Shift in Emerging Trends Payment	54,664,353	0	0
Palo Replacement Generation Tax	1,152,046	1,408,668	1,220,387
Health Care Trust Fund	213,193,427	214,574,549	213,380,000
Nursing Facility Quality Assurance Fund	35,701,241	36,705,208	36,705,208
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	610,032	75,000	75,000
Transfer Decat Reversion	1,016,278	500,000	500,000
CFS Foster Care Transfer	0	0	0
<b>Total Non-General Fund for Medicaid</b>	<b>\$ 385,099,552</b>	<b>\$ 323,354,442</b>	<b>\$ 285,801,149</b>
<b>Total All General Fund Sources</b>	<b>\$1,282,992,417</b>	<b>\$1,337,646,375</b>	<b>\$1,337,646,375</b>
<b>Total Medicaid Funding</b>	<b>\$1,668,091,969</b>	<b>\$1,661,000,817</b>	<b>\$1,623,447,524</b>
<b>Total Estimated State Medicaid Need</b>			
	\$1,620,575,055	\$1,665,102,592	\$1,739,668,080
FMAP Changes	-66,600,000	-58,940,360	-53,120,556
Health and Wellness Program Expenditures	17,300,000	7,200,000	16,900,000
MCO Capitation Rate Increase	60,646,451	102,873,721	0
Habilitation Risk Pool	0	40,425,283	0
CY 2018 Health Insurer Fee	0	14,622,555	0
Risk Corridor Payments	0	21,817,026	0
MCO Incentives	0	11,400,000	0
<b>Total Estimated Medicaid Need</b>	<b>\$1,631,921,506</b>	<b>\$1,804,500,817</b>	<b>\$1,703,447,524</b>
<b>Balance (Underfunded if Negative)</b>	<b>\$ 36,170,463</b>	<b>\$ -143,500,000</b>	<b>\$ -80,000,000</b>
BIP - Balancing Incentive Payment Program		HCBS - Home and Community-Based Services	
UIHC - University of Iowa Hospitals and Clinics		BMC - Broadlaw ns Medical Center	
DSH - Disproportionate Share Hospital		FMAP - Federal Medical Assistance Percentage	

**Fiscal Year 2018.** Medicaid ended FY 2018 with a \$36.2 million surplus. Of that, \$32.9 million was due to funds set aside for payments to the two managed care organizations (MCOs) as part of the habilitation risk pool and the pharmacy carve-out, which both will be paid in FY 2019. Additional factors that led to the surplus include savings due to lower enrollment trends and the elimination of a \$3.0 million audit payback to the federal government.

**Fiscal Year 2019 Estimate.** For FY 2019, the Forecasting Group agreed Medicaid will have an estimated need of \$143.5 million. Some of the factors that are driving increased costs in FY 2019 are the estimated \$102.8 million increase in capitation payments to the MCOs for FY 2019, \$21.8 million in risk corridor payments, \$11.4 million in MCO incentives, \$14.6 million for the CY 2018 Health Insurer Fee, the \$32.9 million in payments carried forward from FY 2018, and all of the changes approved by the Legislature and signed into law by the Governor in [SF 2418](#) (FY 2019 Health and Human Services Appropriations Act).

**Fiscal Year 2020 Estimate.** For FY 2020, the Forecasting Group agreed Medicaid will have an estimated need of \$80.0 million. This does not include an increase in capitation payments to the MCOs for FY 2020, but does include the following:

- An increase of \$64.3 million to replace the unfunded need from FY 2019.
- An increase of \$6.0 million to replace one-time funding in FY 2019.
- An increase of \$19.6 million due to increase in the MCO withhold payment due to shifting to a calendar year MCO contract.
- An increase of \$28.7 million for increased cost of services and enrollment growth.
- An increase of \$5.2 million due to funding related to [HF 2456](#) (FY 2018 Mental Health Complex Needs Act).
- A decrease of \$7.6 million due to increased drug rebates and other recoveries.
- An increase of \$16.9 million to replace federal funding due to a reduction in the Iowa Health and Wellness Program (I-HAWP) Federal Medical Assistance Percentage (FMAP) rate.
- A decrease of \$53.1 million to reflect the new regular Medicaid FMAP rate.

**Fiscal Year 2019 Medicaid Managed Care Contract.** Amerigroup and United Healthcare of the River Valley have agreed to new contract rates with the DHS for FY 2019. The new rates are an increase of \$102.8 million State share (7.5%) and \$251.9 million federal share (9.0%) over FY 2018. The updated rates are included in the FY 2019 estimate above. The Department is in the process of transitioning managed care capitation rates from a fiscal year to a calendar year beginning in January 2019. This will likely increase the FY 2019 need due to another increase in capitation rates from January through June of the fiscal year.

**Medicaid Enrollment.** In FY 2017, Medicaid enrollment increased by 5,320 individuals (1.3%) for a total Program enrollment of 424,261 individuals. In FY 2018, Medicaid growth slowed with an increase of 1,172 individuals (0.3%) for a total Program enrollment of 425,433 individuals. In the first four months of FY 2019, the Program has grown by 4,630 individuals (1.1%).

**Table 1**

<b>Changes in Medicaid Enrollment – FY 2019</b>					
<u>FY 2019</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
	245,551	68,634	32,699	78,549	425,433
July	864	679	-25	-12	1,506
August	184	-18	-94	-264	-192
September	802	225	1	-88	940
October	994	438	375	569	2,376
Total FY 2019	2,844	1,324	257	205	4,630
Grand Total	248,395	69,958	32,956	78,754	430,063

**I-HAWP Enrollment.** In FY 2017, enrollment increased by 1,902 individuals (1.3%) for a total enrollment of 150,790. In FY 2018, enrollment surged with an increase of 14,719 individuals (9.8%) for a total enrollment of 165,509. In the first four months of FY 2019, the Program has grown by 3,601 individuals (2.2%). Individuals enrolled in both the Iowa Wellness Plan and the Marketplace Choice Plan may be determined medically exempt by the DHS and provided coverage through the regular Medicaid State Plan if they meet certain requirements. As of October 2018, there were 21,553 medically exempt individuals.

**Table 2**

<b>Changes in I-HAWP Enrollment – FY 2019</b>					
<b>FY 2019</b>	<b>Wellness Plan</b>	<b>Marketplace Choice Plan</b>	<b>Presumptive Eligible</b>	<b>Total</b>	<b>Medically Exempt</b>
	130,282	34,625	602	165,509	21,278
July	1,197	-570	152	779	-30
August	710	199	8	917	99
September	1,735	-1,013	57	779	120
October	1,473	-335	-12	1,126	86
<b>Total FY 2019</b>	<b>5,115</b>	<b>-1,719</b>	<b>205</b>	<b>3,601</b>	<b>275</b>
<b>Grand Total</b>	<b>135,397</b>	<b>32,906</b>	<b>807</b>	<b>169,110</b>	<b>21,553</b>

**FY 2020 FMAP Rate.** The Bureau of Economic Analysis released final State personal per capita income data for 2016 on September 27, 2018. This allows states to calculate the final FY 2020 FMAP rates. The FY 2020 FMAP rates are based on per capita personal incomes for calendar years 2015 through 2017. These rates are calculated on a Federal Fiscal Year basis, but the numbers in this article have been blended to reflect State Fiscal Year (SFY) 2019. Iowa’s FY 2019 FMAP rate increased by 1.31% to 60.88%. This means for every dollar spent on the Medicaid program, the federal government will pay \$0.6088 and Iowa pays \$0.3912. The FMAP change is 0.17% greater than the preliminary estimate that was released in March.

The FMAP increase indicates that Iowa’s economy is not doing as well compared to other states, resulting in a larger share of the total FMAP pie for Iowa. This is the fourth year in a row that the FMAP rate has moved back in the State’s favor, meaning Iowa pays less. Prior to that, the rate declined 8.2% from FY 2010 to FY 2016.

**Table 3**

**Regular State Medicaid FMAP Rate**

<b>Federal Fiscal Year</b>	<b>Federal Share</b>	<b>State Share</b>	<b>Federal % Change</b>
2016	55.07%	44.93%	-1.07%
2017	56.28%	43.72%	1.21%
2018	58.05%	41.95%	1.77%
2019	59.57%	40.43%	1.52%
2020	60.88%	39.12%	1.31%

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