



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

FROM: Jess Benson

DATE: April 1, 2019

Medicaid Forecast April 2019

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 March 29, 2019, 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.

Medicaid Balance Sheet			
	Actual FY 2018	Estimated FY 2019	Estimated FY 2020
Medicaid Funding			
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	209,730,000	208,460,000
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 Decategorization Reversion	1,016,278	500,000	500,000
Total Non-General Fund Sources	\$ 385,099,552	\$ 318,509,893	\$ 280,881,149
General Fund Appropriation			
General Fund Supplemental	1,282,992,417	1,337,646,375	1,337,646,375
	0	0	0
Total General Fund Sources	\$ 1,282,992,417	\$ 1,337,646,375	\$ 1,337,646,375
Total Medicaid Funding	\$ 1,668,091,969	\$ 1,656,156,268	\$ 1,618,527,524
Estimated State Medicaid Need			
	\$ 1,620,575,055	\$ 1,664,219,519	\$ 1,734,543,080
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
Adjustment Due To Gov. Line Item Veto	0	-195,000	-195,000
MCO Capitation Increase	60,646,451	105,907,245	0
Risk Corridor Payments	0	21,817,026	0
Habilitation Risk Pool Adjustment	0	40,425,283	0
MCO Incentives	0	11,400,000	0
CY 2018 Health Insurer Fee Payment	0	14,622,555	0
Nursing Facility Increase Due To Assessment	0	0	0
Nursing Facility Increase Due To Rebase	0	0	0
CMH Waiver Wait List Reduction	0	0	0
Total Estimated Medicaid Need	\$ 1,631,921,506	\$ 1,806,456,268	\$ 1,698,127,524
Balance (Underfunded If Negative)	\$ 36,170,463	\$ -150,300,000	\$ -79,600,000
MCO – Managed Care Organization	FMAP – Federal Medical Assistance Percentage		
CMH – Children's Mental Health			

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 \$150.3 million. Some of the factors that are driving increased costs in FY 2019 are the estimated \$105.9 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, a decrease of \$12.5 million in revenues from the Health Care Trust Fund, 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 \$79.6 million. This does not include an increase in capitation payments to the MCOs for FY 2020, but does include the following:

- An increase of \$69.2 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 \$30.5 million for increased cost of services and enrollment growth.
- An increase of \$12.5 million to replace funding from the Health Care Trust Fund.
- 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.

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 eight months of FY 2019, the Program has grown by 3,461 individuals (0.8%).

Table 1

Changes in Medicaid Enrollment – FY 2019					
FY 2019	Children	Adults	Aged	Disabled	Total
	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
November	-1,394	-441	-325	-397	-2,557
December	724	341	108	267	1,440
January	-890	-601	-91	-226	-1,808
February	495	958	48	255	1,756
Total FY 2019	1,779	1,581	-3	104	3,461
Grand Total	247,330	70,215	32,696	78,653	428,894

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 eight months of FY 2019, the Program has grown by 5,843 individuals (3.5%). 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 February 2019, there were 21,596 medically exempt individuals.

Table 2

Changes in I-HAWP Enrollment – FY 2019					
FY 2019	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
	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
November	334	-452	-26	-144	111
December	862	-105	20	777	-31
January	-525	-119	355	-289	-192
February	2,356	117	-575	1,898	155
Total FY 2019	8,142	-2,278	-21	5,843	318
Grand Total	138,424	32,347	581	171,352	21,596

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 \$105.9 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 not transitioning managed care capitation rates from a fiscal year basis to a calendar year basis beginning in January 2019 as previously indicated. It will continue with the current practice of setting rates on a fiscal year basis.

United Healthcare of the River Valley Leaves Program. The DHS announced on March 29, 2019, that it had ended negotiations with United Healthcare of the River Valley and that United Healthcare will no longer provide services to Medicaid members beginning in FY 2020. There will still be two MCOs in FY 2020: Amerigroup, who has been with the Medicaid Program since it transitioned to managed care, and Iowa Total Care, a Centene Corporation, which will begin providing services in FY 2020.

FY 2021 FMAP Rate. The Bureau of Economic Analysis released preliminary state personal per capita income data for 2018 on March 26, 2019. This allows states to calculate the preliminary FY 2021 FMAP rates. The FY 2020 FMAP rates are based on per capita personal incomes for calendar years 2016 through 2018. 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) 2021. Iowa's FY 2020 FMAP rate increased by 1.11% to 61.99%. This means for every dollar spent on the Medicaid Program, the federal government will pay \$0.6199 and Iowa pays \$0.3801.

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 for Iowa. This is the fifth 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

Five-Year State Regular Medicaid FMAP			
Fiscal Year	Federal Share	State Share	Federal % Change
FY 2017	56.28%	43.72%	1.21%
FY 2018	58.05%	41.95%	1.76%
FY 2019	59.57%	40.43%	1.52%
FY 2020	60.88%	39.12%	1.31%
FY 2021	61.99%	38.01%	1.11%

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