



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

FROM: Jess Benson

DATE: June 28, 2019

Medicaid Forecast June 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 June 27, 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	58,570,397
Hospital Trust Fund	33,920,554	33,920,554	33,920,554
Medicaid Fraud Fund	610,032	603,262	75,000
Transfer Decategorization Reversion	1,016,278	500,000	500,000
Total Non-General Fund Sources	\$ 385,099,552	\$ 319,038,155	\$ 302,746,338
General Fund Appropriation	1,282,992,417	1,337,646,375	1,427,379,707
General Fund Supplemental	0	150,300,000	0
Total General Fund Sources	\$ 1,282,992,417	\$ 1,487,946,375	\$ 1,427,379,707
Total Medicaid Funding	\$ 1,668,091,969	\$ 1,806,984,530	\$ 1,730,126,045
Estimated State Medicaid Need	\$ 1,620,575,055	\$ 1,662,307,658	\$ 1,742,519,970
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	109,907,245	0
Risk Corridor Payments	0	21,817,026	0
Habilitation Risk Pool Adjustment	0	40,425,283	0
MCO Incentives	0	9,600,000	0
CY 2018 Health Insurer Fee Payment	0	14,622,555	0
Increased Reimbursement ACT	0	0	211,332
Increased Reimbursement Critical Access Hospitals	0	0	1,500,000
CMH Core Services	0	0	423,110
Increased Reimbursement for Tiered Rates	0	0	1,000,000
Nursing Facility Increase Due To Assessment	0	0	13,385,247
Nursing Facility Increase Due To Rebase	0	0	23,401,942
CMH Waiver Wait List Reduction	0	0	1,200,000
Total Estimated Medicaid Need	\$ 1,631,921,506	\$ 1,806,744,407	\$ 1,747,226,045
Balance (Underfunded If Negative)	\$ 36,170,463	\$ 240,123	\$ -17,100,000
MCO – Managed Care Organization		FMAP – Federal Medical Assistance Percentage	
CMH – Children’s Mental Health		ACT – Assertive Community Treatment	

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 surplus of \$240,123 after the \$150.3 million supplemental appropriation enacted in [HF 766](#) (FY 2020 Health and Human Services Appropriations Act). 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, \$21.8 million in risk corridor payments, \$9.6 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 enacted 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 \$17.1 million. This includes the changes enacted in [HF 766](#), but does not include any ending balance for FY 2019, which will be added once the fiscal year is closed, or an increase in capitation payments to the MCOs for FY 2020. The significant legislative changes from [HF 766](#) include:

- An increase of \$23.4 million to rebase nursing facility reimbursement rates.
- An increase of \$13.4 million to reimburse nursing facilities due to an increased provider assessment.
- An increase of \$1.2 million to eliminate the waiting list for the Children’s Mental Health Home and Community-Based Services Waiver.
- An increase of \$1.5 million to increase reimbursement rates for critical access hospitals.
- An increase of \$211,000 to increase reimbursement rates for Assertive Community Treatment.
- An increase of \$1.0 million to increase tiered rates for intellectual disability service providers.
- 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).

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 11 months of FY 2019, the Program grew by 4,851 individuals (1.1%).

Table 1

Changes in Medicaid Enrollment – FY 2019					
FY 2019	Children	Adults	Aged	Disabled	Total
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
March	-396	69	-170	70	-427
April	1,331	671	227	260	2,489
May	-449	-145	-3	-75	-672
Total FY 2019	2,265	2,176	51	359	4,851
Grand Total	247,816	70,810	32,750	78,908	430,284

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 11 months of FY 2019, the Program grew by 6,506 individuals (3.9%). 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 May 2019, there were 21,730 medically exempt individuals.

Table 2

Changes in I-HAWP Enrollment – FY 2019					
FY 2019	Wellness Plan	Marketplace Choice Plan	Presumptive Eligible	Total	Medically Exempt
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
March	184	-228	-38	-82	103
April	1,328	-432	-13	883	14
May	429	-438	-129	-138	17
Total FY 2019	10,083	-3,376	-201	6,506	452
Grand Total	140,365	31,249	401	172,015	21,730

UnitedHealthcare of the River Valley Leaves Program. The DHS announced on March 29, 2019, that it had ended negotiations with UnitedHealthcare of the River Valley and that UnitedHealthcare will no longer provide services to Medicaid members beginning in FY 2020. There will still be two MCOs in FY 2020: Amerigroup, which has been with the Medicaid Program since it transitioned to managed care, and Iowa Total Care, a Centene Corporation, which will begin providing services on July 1, 2019.

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 consecutive year 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%

LSA Staff Contact: Jess R. Benson (515.281.4611) jess.benson@legis.iowa.gov